SECURITY VS. DEVELOPMENT IN THE EU EASTERN NEIGHBOURHOOD CASE STUDY: REPUBLIC OF MOLDOVA

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C. SUMMARY (research framework, objectives, methodology, summary of the main chapters and conclusions)

This paper aims to analyse the economic profile of states in the EU Eastern neighbourhood under the current security environment in order to determine the link between their economic and political evolution and the conflict potential in the region, given the permanent Russian aggressive threat.

The research continues by evaluating the benefits of Moldovan rapprochement to the EU and spotting sectors in the country’s economy that can bring Moldova a competitive advantage on the Single Market. We consider in the analysis both the Autonomous Trade Preferences regime and the provisions of the Deep and Comprehensive Free Trade Area (DCFTA) with the EU, and respectively of the Association Agreement with the EU (signed in 2014).

There are times of debates on the EU security strategy and the alarming developments of its neighbourhood, when the EU internal capacity of overcoming difficulties is also questioned. Given the above, we consider that the analysis of the economic profiles of partner countries in the light of EU policies that address them directly or indirectly (the European Neighbourhood Policy, the Common Foreign and Security Policy, the Regional Policy) can bring a new perspective on research in the field.

We are starting from a classical economic – political interdependency, whose dimensions are perpetually reconfiguring, in order to tackle development and security issues in a geographic area characterized by an ever-changing East – West power balance, a mix being of course desirable, but very hard to get in reality.
With the purpose of organizing our research in a coherent and comprehensive structure, we first designed a series of questions that represent the objectives of the paper:

1. How does the security environment and regional geopolitical pressures influence the economic options and the level of development for states in the EU Eastern neighbourhood? (and vice versa – is it possible that a higher level of development for the Eastern Partnership countries lead to resolving regional frozen conflicts/maintaining regional stability/preventing future possible armed confrontations such as the one in Ukraine?)

2. What is the EU role in improving the economic situation of states in the Eastern neighbourhood? To what extent is the Eastern Partnership membership a guarantee for a suitable and personalized development pattern?

3. In the particular situation of Moldova, what are the estimated/accomplished benefits of the EU approximation and deepening integration? What are the political effects of signing the Association Agreement with the EU? How does the European orientation of the country reflect in its relations with Russia and in the Transnistrian conflict?

The research hypothesis was that developing trade relations between states reduces the possibility of conflict emergence between them and increases their power of negotiation in the regional organizations that they belong to. Thus, the thesis evaluates the impact of the European Neighbourhood Policy (ENP) on the Eastern partners, by also analysing Moldova’s case study.

At the same time, we initially considered that, from an economic point of view, the Eastern Partnership (EaP) membership would undoubtedly lead to improving the production structure, the export capacity and the competitiveness of Moldovan products on the Single Market. In testing the hypotheses, we used a range of research methods, such as:

- Identifying and defining relevant concepts related to conflict and underdevelopment;
- Studying EU official documents, relevant to our subject: reports, reviews, treaties, agreements, regulations, directives, decisions, communications, action plans;
- Data processing and interpretation techniques such as: descriptive technique, hypothesis - results correlation, graphics interpretation;
- Using visualisation and international trade flow analysis instruments, but also the product space for identifying structural changes (http://atlas.media.mit.edu/);
Critical analysis of sources in the secondary literature (studies, official publications, relevant journals and reviews, books, reports, analyses, remarks).

Previous research has shown that, in managing neighbouring relations with states like Moldova, Armenia or Georgia, poorer than the poorest EU members, the EU tends to export the acquis, which often results in an excessive focus on regulation and imposing too high adapting costs to these partners (Dreyer, 2012; Parmentier, 2013). At the same time, experts consider that the accent should fall more on direct support to exporters to comply with the EU standards, but also on a bigger focus on sectors that are reluctant to opening, such as agriculture, parts of the industry and low-qualified work force (Ciucu et al., 2011; Lupușor, 2015).

Regarding the EU security strategy and its relations to the Eastern neighbourhood, dedicated literature (Gaub & Popescu, 2015; Tardy, 2015; Delors, 2016) presents the EU operations and missions as very modest compared to the needs of the Eastern partners. Designing a common defense strategy is thus very important, as well as adopting a more firm EU position on the international arena, especially for countries in its neighbourhood, aspiring to economic integration and approximation to the EU, and further even to EU membership.

In order to properly tackle the proposed objectives, given the above hypotheses and the relevant literature review, the structure of the thesis comprises four parts: the first chapter is a theoretical one, followed by two chapters dedicated to the analysis of the economic and security issues in the neighbourhood, whereas the last one covers the situation in Moldova related to the selected theme.

The first chapter is dedicated to a passage of parallel theoretical approaches of security and development, by defining the concepts that will support the analysis in the next chapters.

On the one hand, we study the difference between different means of influence occurring on an international scale, from authority and coercion to the use of force and conflict. The concepts further lead to the praxeological analysis of conflict emergence, considered an exercise of political power to compensate economic power flaws or, in other words, the opportunity cost of peace, perceived as a consequence of trade relations and economic cooperation among states. We further spotted sources of conflict in the EU neighbourhood from an institutional approach, reflected by the role of regional organizations (EU, NATO) in maintaining stability and preventing conflicts.
On the other hand, the second part of this chapter refers to the theoretical framework of development – underdevelopment within the larger framework of the EU development policy, the European Neighbourhood Policy and the connections between the two.

The second chapter tackles the emergence and evolution of the ENP and of the EaP respectively. We address both normative and structural features, but also historical and geographical aspects. An important place is held by the description and analysis of specific ENP and EaP instruments; recent developments of this policy in the Eastern area are also addressed, by underlining its accomplishments and failures.

A special section of this chapter is dedicated to a comparative analysis of the Eastern partners, both through their economic development within the EaP and through their different geopolitical options, either directly expressed or inferential from their actions.

Financing the neighbourhood is a distinct section of the second chapter that emphasizes the support granted by the EU to the Eastern partners through dedicated programmes and its evolution over time.

The third chapter is an attempt to balance the analysis by adding the perspective of the other power pole in the region: Russia. We thus analyse frozen and active conflicts in the partner countries, with historical and ethnical roots, whose resolution, successively attempted by peaceful means and mediation, lingers. In each situation, we address the EU intervention, as well as the EU – Russia relations in maintaining stability or even generating conflicts in the Eastern neighbourhood.

We consider that energy-related aspects are at the intersection of the security environment with the economic environment, therefore an important part of this chapter is dedicated to energy corridors, the European Energy Security Strategy and their impact on the EaP countries.

At the end of the chapter we analyse resorts of the Eurasian Economic Union (EEU) emergence, by comparing it to the EU, because we consider that this initiative is directly influencing the options of the states in Central-Eastern Europe and South Caucasus, which are the subject of our research.

The fourth chapter is the case-study on Moldova. It is chronologically structured and includes, in the beginning, a critical description of current developments on the national political stage, lately characterized by instability, endemic corruption and banking scandals.

The study goes further to the economic profile of the country before its inclusion in the ENP, followed by successive linking of the ENP and the EaP elements form the second chapter to the particular situation of Moldova.
We tried to determine to what extent Moldova has properly capitalized advantages of the ATP agreement, but also elements, stages and provisions of the AA with the EU signed in 2014 and the included DCFTA.

Moldovan foreign trade flows and output analysis are taking an extensive place in the paper, as we considered that is relevant to identify evolutions before and after the AA and economic advantages that the country attained by the EU rapprochement and deepening integration. Moreover, we aimed to determine Moldova’s main trading partners for the last few years and the evolution of exports towards the CIS countries and the EU members respectively. At the same time, we identified Moldovan goods that are competitive for exporting and changes brought by the DCFTA.

The last part of this chapter covers aspects of financing Moldova through the ENP and other related instruments, and also Moldova’s relations with its main supporter in the neighbourhood, Romania. In a separate section we refer to the situation in Transnistria from an economic perspective (security related aspects have been covered in the third chapter) and the DCFTA implementation perspectives in this separatist area.

Conclusions

We are presenting the conclusions of this paper in accordance with the questions that helped us express the objectives of the thesis. Thus:

The first set of questions: „How does the security environment and regional geopolitical pressures influence the economic options and the level of development for states in the EU Eastern neighbourhood? (and vice versa – is it possible that a higher level of development for the Eastern Partnership countries lead to resolving regional frozen conflicts/ maintaining regional stability/ preventing future possible armed confrontations such as the one in Ukraine?)” have led to the following conclusions:

Some of the neighbouring countries have chosen to deepen integration with the EU. For Moldova and Georgia, EU rapprochement reflected into more intense trade flows with the EU and an increase of the level of development of the two countries, progresses recorded in the field of political dialogue and institutional reform. However, on the one side, their choice seems to be the answer to regional pressures towards the EU or the EEU. On the other hand, the EaP membership did not contribute to resolving frozen conflicts in Transnistria, Abkhazia and South Ossetia. Hesitating EU attempts to mediation, as well as the weak territorial presence through monitoring or border assistance missions (not through military operations), prove once again that the EU diluted role on the international political arena is proportionally affecting the Eastern partners.
Conflict in Ukraine has shown that the Russian expansionist pressures have not diminished. However, the attempt to change Ukraine’s orientation from the European path has had reverse effects: the country benefitted from an additional EU support in signing the AA and the DCFTA, along with the other two partners, Georgia and Moldova. The costs that Ukraine paid for its strategic option were, of course, huge: the annexation of the Crimean peninsula and occupation of Luhansk and Donetsk provinces.

The other EaP members (Armenia, Azerbaijan and Belarus) are reconsidering their policies towards an external ambiguous orientation, which allows them to not oppose on any of the dominant powers in the region: the EU and Russia. Armenia and Belarus have joined the EEU. With its significant energy resources, Azerbaijan is not yet choosing one integration option or the other. The Nagorno-Karabakh conflict, which lingers between Armenia and Azerbaijan, has not only been far from finding a resolution, but it is constantly smouldering.

Therefore, we consider that, although the states’ strategic options can have a positive effect on their level of development, joining one regional organization or the other is not a guarantee of conflict resolution, nor one of maintaining a stability environment. Economic-political developments are permanently changing and the Eastern area is an expression of the confrontation of power balances: the EU wants to become an actor of regional stabilisation through economic integration, whereas Russia does not hesitate to use its military resources to bring everyone into its intentions in the region. Fragile balances in the region can easily be changed into conflict zones.

The second set of questions, “What is the EU role in improving the economic situation of states in the Eastern neighbourhood? To what extent is the Eastern Partnership membership a guarantee for a suitable and personalized development pattern?” can be answered through the following results:

The Eastern Neighbours hold a legacy of dependency, that of the Soviet Union. Their proximity to the EU, however, following the last enlargement of the latter to the East (in 2007), is considered both an opportunity and a threat.

The EaP is indeed for its six tiny members, an opportunity of upgrading trade relations and growth, opportunities for job creation, but also for improving social structures, helping the civil society and democratic institutions.

However, being part of the ENP has been recently interpreted by Russia as a menace towards its expansionist policy in the neighbourhood. Conflict areas within these countries remind them of the past, whereas current turmoil in Ukraine brings even more concerns over the future expressions of Russian influence in Eastern Europe and the South Caucasus.
Despite they are divided into EU fans (Moldova, Georgia, Ukraine) and EU skeptics (Belarus, Armenia, Azerbaijan), the EaP members hold a common interest in approximation to the EU legislation: a huge market (over half a million consumers) and common practices, standardization and a model of industrial progress.

EaP members are commercially dependent on the Single Market, as it shows the share of EU-28 in total trade of the Eastern partners: in 2014 it varied from 25.17% (Armenia) to 51.72% (Moldova).

On the other hand, relations between the two groups of countries are asymmetrical, as the EaP members each share between 0.03% (Armenia) and 0.85% (Ukraine) in total trade of EU-28 in 2014. Moreover, these developments reflect that the EU support of the EaP is more a security strategic policy of stabilization than an economic pursuit per se.

The ENP has been a framework of support for the EU neighbours since its creation. It provided a platform of expertise in profound democracy, public administration and the rule of law for the EU partners, which further leaded to higher economic integration and more intense trading relations.

However, as part of the global benefits incorporated in the ENP, financial assistance has always had a huge impact on the funding recipients. Although extended to regional and multi-country programmes, the main part of the cooperation with the ENP members is still on a bilateral track, as the ENPI and ENI allocation has shown.

The EaP members that recorded the best performances in reform implementation have received proportional financial assistance. Georgia and Moldova are considered the top apprentices and were allocated a maximum amount of 410 million euro each for 2014-2017, whereas the conflict in Ukraine has also generated a higher aid to this country for 2014: 210 million euro. Even the less obedient partners can receive from 89 million euro (Belarus) to 94 million euro (Azerbaijan) and 170 million euro (Armenia), in the time sequence 2014-2017. The total ENI amount is also globally higher than the ENPI (2007-2013) amount.

The indicative ENI allocation for 2014-2017 reveals that agriculture, regional and rural development is the main priority for the majority of the EaP countries. Private sector development and complementary support for capacity development and civil society are also key destinations for EU funding.

EaP members also benefitted from complementary support through the ERDF and DG Home Affairs. Projects can also be financed by the EBRD and the EIB, or co-financed by the OECD.
The **third set of questions**, „In the particular situation of Moldova, what are the estimated/accomplished benefits of the EU approximation and deepening integration? What are the political effects of signing the Association Agreement with the EU? How does the European orientation of the country reflect in its relations with Russia and in the Transnistrian conflict?” lead to the following conclusions:

Several years after its independence (1991-1999), Moldova experienced a difficult economic situation, but after 2000, steady growth for the GDP in current prices indicated a struggle to recovery. Boosts of economic activity have been given by the IMF poverty alleviation program in 2000 and the inclusion of the country in the European Neighbourhood Policy in 2004.

Structural policies aiming to privatize companies with large arrears to the state budget demonstrated the country’s engagement on the road to reform. However, even if Moldova has also been affected by the financial crisis in 2009, its involvement in the global economy was lower than for the EU members, thus the degree of economic downturn was proportionally lower.

Current developments show that Moldova is still trying to improve its performances. Growth, for instance, is for the moment largely due to remittances from Moldovan citizens working abroad. Agriculture still holds a huge share of the GDP, while financial and IT services are modest. Moldova is still learning to get closer to the EU and, by default, to a model of successful market economy, targeting long term growth and development of key areas in the Moldovan economy, that could help the country efficiently capitalize its assets on the international arena. *Supporting investments and promoting exports is considered a better option* when it comes to the success of this tiny EU neighbour, bordering both European countries and Russia.

The Association Agreement with the EU, signed in 2014, that also include the DCFTA, is the proof of Moldova’s political commitment towards EU approximation, along with a wide range of reforms aiming, on the one hand, trade liberalization and gradual convergence of sanitary standards, and, on the other hand, political dialogue, a social agenda, conflict resolution and judiciary reform.

Although the trade balance between Moldova and the EU has registered negative values for 2001-2014, the EU-28 ratio in total exports has increased especially after 2006, due not only to the Russian embargo to alcoholic and agricultural products from Moldova, but also to the admission of Romania as EU member in 2007. Thus, between 2006 and 2009, *most Moldovan exports were heading towards the EU countries*, situation that reappeared in 2014
(53.3% of the total exports). If before 2013 Russia was the main trading partner for Moldova, after that year the first place was occupied by Romania.

*Tariff quotas introduced by the ATP agreements 2008-2012 and 2012-2015 have been properly capitalized* and have significantly improved exports to the EU countries for essential Moldovan goods, such as cereals (common wheat, barley and maize), alcoholic drinks (wines of fresh grapes), white sugar and sugar confectionery.

The main groups of goods in Moldovan exports to the EU between 2001 and 2014 are textile materials, vegetal products, machinery and appliances, food products and alcoholic drinks. Whereas after the full implementation of the DCFTA no significant changes are expected to the textile industry, for cereals, alcoholic drinks and white sugar we assume that a complete liberalization will largely contribute to the country’s exports.

Aggressive measures such as artificial trade barriers and Russian embargoes are to be addressed by the EU in an objective and practical way, by providing financial support to the affected neighbours and by enforcing new regulations towards trade liberalisation. The EU has reacted promptly in September 2013 when Russia imposed an embargo on Moldovan wine imports. It fully liberalized imports of this product category starting December 2013. *On the other hand, Russian successive embargoes and restrictions have only determined the Moldovan producers to diversify their marketplaces and head more and more towards the EU market.*

The first progress reports on implementing the AA/DCFTA reveal achievements in standardization, judiciary reform, voting system reform, but also migration, asylum, environmental issues and transportation.

However, for the first evaluated period (September 2014 – September 2015), only 120 actions from a total of 400 scheduled have been implemented; Moldova still has to improve the DCFTA implementation (the joining of Transnistria to the DCFTA since January 2016 had to be prepared in advance), tackling weaknesses of the banking system, resumption of IMF negotiations, public administration reform, civil society cooperation and energy issues.