At the Vilnius summit of the Eastern Partnership in November 2013, Moldova initialled its Association Agreement (AA) with the EU, including a Deep and Comprehensive Free Trade Area (DCFTA) agreement, and is expected to sign the documents before the end of August 2014. Meanwhile, Russia has increased its presence and pressure in the region, as a consequence of which Armenia declined the AA and DCFTA with the EU, and Ukraine, after months of protests and political paralysis, now has part of its territory occupied by Russia. Moldova is no exception to Russian pressure. As the country gets closer to upgrading relations with the EU, Russia has increased its activities in Moldova, including in the autonomous region of Gagauzia and in the breakaway region of Transnistria. With encouragement from Moscow, on 2 February 2014, voters in Gagauzia (4.4% of Moldova’s population) overwhelmingly voted in favour of closer ties with the Russia-led Customs Union in a referendum deemed illegal by the Chisinau authorities.

In late 2013, Dmitry Rogozin, Deputy Prime Minister of Russia and president Putin’s special representative on Transnistria, threatened Chisinau that it would lose Transnistria if it continues moving towards the EU. Russia has also imposed an embargo on Moldovan wine, but not Transnistrian wine. At the same time, even though the “5+2” negotiations (Moldova, Transnistria as conflict parties, Russia, Ukraine and the OSCE as mediators and the EU and the US as observers) for the settlement of the Transnistria conflict continue, the number of incidents in and around this region have increased. The window of opportunity created by the involvement of Germany in the settlement of the conflict and the restart of the “5+2” negotiations in late 2011 seems to have closed. Given the recent events in the region and in Moldova/Transnistria, including the potential impact of DCFTA and visa liberalisation, Chisinau finds it increasingly difficult to manage the juggling act between its EU commitment and dialogue with Tiraspol. Thus, the Transnistria conflict is likely to continue to undermine Moldova’s development and European aspirations and to remain an irritant in EU-Russia relations.

**BACKGROUND**

A story of talks and tensions

The June 2010 Meseberg Memorandum, signed by German Chancellor Angela Merkel and then Russian President Dmitri Medvedev, proposed the establishment of a EU-Russia Political and Security Committee on ministerial level, while also stating that the EU and Russia would cooperate towards a resolution of the Transnistrian conflict. After a six-year break, negotiations in the “5+2” format restarted in late 2011. In April 2012 the parties agreed in Vienna on the negotiating principles, procedures and agenda, the latter divided into three baskets: 1) socio-economic issues, 2) general legal and humanitarian issues and human rights, and 3) a comprehensive settlement, including institutional, political and security issues. Ten official meetings were held in 2012-2013 and one so far in 2014. Besides the “5+2” talks, the two parties in conflict have also continued direct bilateral negotiations. These negotiations have led to some achievements, including resuming the rail freight traffic, or other agreements on environment, social security and justice. However, while dialogue was maintained, no negotiations have taken place on the third basket concerning the political status of Transnistria. Moreover, periodic incidents and tensions have weakened trust between the involved parties and undermined further progress.
As a part of Moldova, Transnistria currently benefits from an EU Autonomous Trade Preferences (ATP) regime that offers favourable access to the EU market. In order to benefit from this regime Transnistrian companies have to obtain a certificate of origin from Moldova, which most of them have obtained by registering with the Moldovan authorities. This favourable trade regime benefits the export-oriented Transnistrian economy with 30-50 per cent of exports now going to the EU market (in mainly textiles, metal products, energy and footwear).
However, the DCFTA regime will replace Moldova’s ATP trade regime and this poses the problem of what trade regime will apply to Transnistria. Despite repeated calls from Brussels and Chisinau, Transnistria has refused to actively participate in the DCFTA negotiations. For Transnistrian companies, adapting to the DCFTA regime would involve more than just registering with the Moldovan authorities. The new trade regime would imply, inter alia, adopting significant pieces of EU/Moldovan legislation, abolishing/reducing tariffs, reforming competition policy and guaranteeing intellectual property rights. If Transnistria fully implements the DCFTA it is estimated1 that its GDP could grow by 3.6 per cent. Moreover, now that Ukraine is expected to sign its DCFTA with the EU, the pressure on Transnistria will grow as it will be surrounded by territories having FTAs with the EU. However, DCFTA implementation would require a higher level of control and enforcement of rules by Moldovan authorities and this is politically objectionable for Tiraspol.

Transnistrian companies (many owned by Russians) would benefit from exporting to the EU under the DCFTA, however the region’s political leadership and its budget depend on Russia’s support. Transnistrian officials have claimed that the DCFTA would be harmful to the region’s economy and would be against its policy of legal approximation with Russia. In December 2013, ‘president’ Shevchuk, keen to strengthen his Russia-credentials and partially as a reaction to the initialising of the EU-Moldova deal, submitted a bill to change the Transnistrian constitution in order to introduce Russian legislation and even to give it priority over Transnistrian legislation.

While Transnistria seems to have made up its mind, the EU has nevertheless agreed to allow Transnistrian companies to trade under the ATP regime until 2015 but after such date, a continuation of that regime would not be possible as the Union will not be able to apply for a longer period two different trade regimes (DCFTA and ATP) for the same country. If the DCFTA will not be applied in Transnistria, the EU might decide not to accept goods from this region at preferential conditions and apply instead a non-preferential regime. This would mean an important increase in EU import tariffs and an estimated 5.2 per cent decrease in the GDP of Transnistria. This would not be in the interest of Transnistria or Brussels, as the EU does not want to lose the leverage it has achieved through its increased trade with Transnistria. While Moscow opposes Moldova’s association with the EU, it is also not interested to significantly damage Transnistria’s trade with the EU as it would be the one obliged to foot the bill of an economic downturn in Transnistria.

Managing internal borders

Given Moldova’s internal fracture, its visa liberalisation process with the EU offers opportunities but also poses some challenges for relations with Transnistria. Besides obvious benefits for its citizens living in right-bank Moldova, the EU visa-free regime the country will benefit from in the next few months is also seen as a strong incentive for Transnistrians to ask for Moldovan passports and at least partially integrate in Moldova. However, managing borders in a divided country is not easy. In 2013, as part of the Moldova-EU Action Plan for Visa Liberalisation, the Moldovan authorities opened six territorial migration offices along the Dniester river in order to control migration coming through Transnistria whilst proving to the EU that it can have proper migration controls. At the same time, in order to make this more acceptable to Transnistrians, Moldova also changed its legislation to no longer fine residents of Transnistria holding a foreign passport (about 180,000 Transnistrians hold Russian passports and about 100,000 Ukrainian passports, with some carrying both) for what would legally be considered as overstaying on the territory of Moldova. In January 2014, against the background of Moldova’s initialisation of its AA with the EU, the Transnistrian KGB used the installation of these migration offices as one of the reasons to demand Chisinau the removal of all its public administration institutions from Bender. Around the same time, using a different motivation, the Transnistrian KGB announced that it will curb access to the region to staff working for the OSCE Mission to Moldova.

PROSPECTS

Given the current state of relations between the two banks of the Dniester, a settlement of the conflict seems unlikely during 2014 as the two sides do not agree on key issues regarding the final status of Transnistria and the divisions of power in a common state.

Yevgeny Shevchuk has managed to consolidate power since his election in December 2011, often at the expense of political liberties. However, without a majority in the Transnistrian parliament some of his bills remain rejected. Given that Transnistria is highly dependent on Russia and given that he personally was not Moscow’s favourite in the 2011 elections which he ultimately won, Shevchuk often tries to convince Moscow of his loyalty. The fact that the opposition Renewal Party, the main party in the parliament sometimes attacks him from even more pro-Russian positions further

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2. Ibid.
reinforces his pro-Russian stance. While Transnistrian leaders declare their allegiance to Russia, Moscow is more interested in prolonging the status quo, as the conflict provides a lever on Moldova, although a decreasingly influential one. Opposing Moldova's European integration, Moscow will most likely attempt to outbid EU confidence-building projects by channeling substantial funds through various government-organized NGOs promoting Eurasian integration. While Transnistria has committed itself to Eurasian integration and seems less and less interested in reaching a final settlement to the conflict, Chisinau is interested to maintain the dialogue with Tiraspol, while trying to manage any provocations and continue on its European integration path. However, the pro-European coalition in Moldova will face a challenging year as it gears up for parliamentary elections this November. The opposition Party of Communists remains dominant (scoring above 34 per cent in opinion polls) and, even though when in power it supported the European integration of the country, it has now switched to support Eurasian integration.

The Transnistrian conflict has never been just a conflict between Tiraspol and Chisinau. Even the 1992 ceasefire agreement the violent phase of the conflict was signed by the Moldovan President Mircea Snegur and Russian President Boris Yeltsin. A peaceful settlement of the conflict in a united Moldova will inevitably involve at least some sort of grand-bargain between Russia and the West. This is unlikely to happen soon, especially now, after Russia’s offensive in Ukraine. On the contrary, Moscow’s increasing assertiveness in the region and increased tensions between Russia and the West are likely to lead to a growing number of incidents and heightened rhetoric. With a Ukraine that looks towards electing a pro-European leadership, Russia will cling to its outpost on the Dniester. In the context of its military occupation of Crimea, Russia also put on high alert its armed forces based in Transnistria, while Deputy Prime Minister Rogozin has threatened that any attempt to curtail communication of Transnistria will be considered a direct threat to the security of Russian citizens living there. Save a toning down of tensions between Russia and the West, the Moldovan authorities could also expect in the coming months increased attempts to change the status quo in Bender or other antagonisms such as the blocking of the railroad to Ukraine, blocking of access to Moldovan-owned agricultural fields situated in areas controlled by the separatists, arbitrary arrests, or pressures on the Latin-script schools.

Given Russia’s recent behaviour, the EU should make clear to Moscow that it will not allow further escalation in the region and the trampling of international norms. The EU is very close to offering Moldova a visa-free regime. It should do this fast and should step up its presence and visibility in the country. Though Moldova is among the highest recipients of EU funds per capita among the ENP countries, the EU is not very visible on the ground, partially because it channels its funds through international institutions such as UNDP. Moreover, EU Member States should go beyond their ‘constructive ambiguity’ formulas and offer a clear European perspective for both Moldova and Ukraine. Such a perspective could potentially change the dynamic of the Transnistrian conflict and offer a clear goal to the citizens and the political leaders of this region. The EU should also look into preparing working solutions for solving the issue of the trade regime that will apply to Transnistria in order to allow local companies retain the favourable conditions they enjoy now. One avenue would be to continue to use a system of certificates of origin that differentiates between goods produced in Moldova-proper and those from Transnistria, post 2015. In the meantime, the Moldovan government should try to maintain dialogue with Tiraspol but also continue on its European path, while trying to reform and improve the lives of Moldovan citizens, on both banks of the Dniester. Sooner or later, the people of Transnistria might notice.

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*This Policy Brief is published in the framework of the EU-Moldova Think Tank Dialogue, a project financed by the Ministry of Foreign Affairs of Romania through its Official Development Assistance Programme, in partnership with the United Nations Development Programme (UNDP) – the Bratislava Regional Centre. The project is implemented by a consortium of organisations, including the Romanian Centre for European Policies (CRPE) in Bucharest and its Moldovan Branch in Chisinau; the European Policy Centre in Brussels; and the Foreign Policy Association in Chisinau.*