

Why Moldova Has Turned Its Back on Russia

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Last month I visited Moldova and its pro-Russian breakaway Transdnestr region. Both illustrate Russia's dysfunctional foreign policy in the post-Soviet space.

Moldova has become the poorest country in Europe because of a troublesome transition and the protectionism of the European Union, Russia and Ukraine. Being dominated by agriculture, it has been more vulnerable than any other post-Communist country. While the EU was protectionist at the outset, today Russia is the main culprit. The EU share of Moldova's exports increased from 35 percent in 2000 to 51 percent in 2011, while Russia's share plummeted from 45 percent to 20 percent.

According to Freedom House, Moldova is the freest and most democratic post-Soviet country. The Communists ruled for many years, but its current government is a democratic center-right coalition.

Moldova needs a few more things to flourish. First of all, it requires proper market access to expand its exports. If this happens, foreign direct investment can soar. With rising exports and foreign investment, its mediocre governance should improve, rendering the country even more attractive. As land values rise, the excessive fragmentation of agricultural land will end, and agriculture and food processing will take off together with manufacturing based on cheap and qualified labor. What's more, some of Moldova's many immigrants in Russia and southern Europe will return.

The EU has finally started paying attention to Moldova because among the six countries in the EU's Eastern Partnership program—Belarus, Ukraine, Moldova, Armenia, Azerbaijan and Georgia — Moldova is the most democratic.

At the end of June, Moldovan Prime Minister Vlad Filat accomplished everything he could have hoped for in Brussels. In particular, he signed an agreement on visa facilitation. The EU also gave a grant of 28 million euros (\$34 million) for this year. Most important, it has launched negotiations on an association agreement, including a deep and comprehensive free trade agreement. Both sides hope to complete this important agreement by June 2013. That would be the big breakthrough for Moldova.

Meanwhile, Russia is doing nothing good for either country. Its policy on Moldova can be described as a six-pronged hostile attack that consists of trade discrimination, pressure for joining the customs union, Gazprom aggression, support for Transdnestr, obstruction through the Russian Orthodox Church and a clear bias in favor of the Communist Party.

Russia has generally pursued a capricious and unfriendly trade policy toward Moldova. In 2006, it suddenly prohibited the import of wines from Moldova, halving Moldova's exports to Russia.

The current centerpiece of Russia's Moldova policy is its demand that the country join the Customs Union with Belarus and Kazakhstan. Because that would disrupt Moldova's vital trade expansion to the EU and block the possibility of a beneficial free trade agreement with the EU, no responsible Moldovan government could do so, especially since the Customs Union offers no guarantee against Russia's frequent protectionist measures.

Although Moldova has given up control and ownership of its gas pipelines to Gazprom, it has received nothing in return. Gazprom still demands exorbitantly high gas prices of more than \$400 per 1,000 cubic meters, far more than it charges EU customers. The obvious lesson is that any concession to Russia will be punished by Russia with further demands.

Transdnestr is often described as a Soviet theme park, but its rulers try to justify their semi-autonomous territory as an ode to the Russian imperial army. Transdnestr stays outside Chisinau's jurisdiction because of the presence of 1,000 Russian soldiers, which the Kremlin classifies as peacekeepers, much like in Abkhazia and South Ossetia. Transdnestr does not pay for its gas, which it effectively obtains for free from Gazprom.

Logically, the Transdnestr rulers have busied themselves with building monuments to tsarist generals. Count Alexander Suvorov has replaced Lenin as the local hero, since he incorporated Transdnestr into the Russian Empire in the 1780s. He even figures on the local ruble notes. Prince Grigory Potemkin is the second-favorite historical figure, which is highly suitable

given that he constructed his villages here. But a newly built monument to Baron Munchhausen at the old Turkish fortress in Bender takes the prize even for a theme park. The justification is that he actually fought against the Turks as a Russian imperial officer.

Transdnestr has not retained the Soviet economic system or state ownership. On the contrary, this looks like monopoly capitalism in one family. Everything seems to belong to a company tellingly called "Sheriff." It owns the department stores, the gas stations, and the big cognac and wine factory, while it has built an impressive sports palace to the people of Tiraspol, the capital of Transdnestr. Reportedly, the son of longtime Transdnestr leader Igor Smirnov controls Sheriff.

Otherwise, the strongest arm of the Kremlin in Moldova is the all-dominant Russian Orthodox Church. It agitates against Moldova's European ambitions. Most recently, the church and the still-strong Communist Party mobilized against an anti-discrimination law that would grant equal rights to homosexuals, which was an absolute EU demand for visa liberalization.

Moldova is only one example of Russia's self-destructive policy in the post-Soviet space. The Customs Union brings Russia no benefits but alienates all. As a consequence, only eight countries belonging to the Commonwealth of Independent States have signed the recent multilateral free trade agreement, and only Russia and Belarus have ratified it. After Putin's abrasive demands in Tashkent that Uzbekistan sign the new free-trade agreement, Uzbek President Islam Karimov decided to take his country out of the Collective Security Treaty Organization.

Gazprom abuses everyone, notably Turkmenistan, where it let the pipeline to Russia explode in April 2009, persuading Turkmenistan to sell gas to anybody but Russia. Putin's sheer rudeness, best illustrated by his chronic lateness and his recent prank with Russian nationalist bikers in the Crimea, makes CIS leaders shy away from the group's summits. After Georgia's war with Russia in 2008, Tbilisi departed from the CIS altogether. If Russia continues its current policy, more countries may follow. The Baltic states are certainly happy to be secure in the EU and NATO.

Russia's policy in the post-Soviet space is costly to all, but most of all to Russia because it gives the CIS countries little choice but to turn their backs on Russia. Little surprise that Moldova does whatever it can to get closer to the EU.

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