

Towards a new European Neighbourhood Policy: A Moldovan perspective

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1. The Challenges of Differentiation

- *Should the EU gradually explore new relationship formats to satisfy the aspirations and choices of those who do not consider the Association Agreements as the final stage of political association and economic integration?*
- *How should the EU take forward the tasking of the 2013 Eastern Partnership Summit in Vilnius of the long-term goal of a wider common area of economic prosperity based on WTO rules and sovereign choices throughout Europe and beyond?*
- *Is there scope within the ENP for some kind of variable geometry, with different kinds of relationships for those partners that choose different levels of engagement?*

Moldova supports the ENP as a general policy framework for its members, nevertheless, it is pledging for a clear cut distinction between ENP's South and East dimensions, between the Eastern Partnership and the Mediterranean Union, between the European and non-European neighbours of the EU. Moreover, past five year have shown that even the Eastern Partnership is not a monolithic group of countries, on the contrary, its members have different level of ambitions when it comes to the scope and depth of their domestic reforms and their relationships with the EU. Therefore, Moldova is pledging strongly for a deeper differentiation including between the Eastern Partnership countries. In its view, the countries that have the will and determination to develop political association and economic integration relations with the EU, through implementing far-reaching democratic and economic reforms, should enjoy a clear cut European membership perspective.

At the same time, a more flexible approach has to be put in place with regard to the counties that because of various domestic and external reasons are not yet ready to engage themselves in a deeper political and economic partnership with the EU. This flexible approach should be guided by common shared achievable objectives that would increase the economic, social and connectivity synergies between those countries and the EU. Despite their differences, majority of the Eastern Partnership countries are interested in being part of a wider common area of economic prosperity based on WTO rules and sovereign choice. Yet, not every country is ready to accept the DCFTA conditionality. Therefore, light DCFTA option shall be conceived for those Eastern Partnership members that are for now reluctant to accept the economic integration dimension of the current DCFTA. The light DCFTA option could be based as well a on a broad regional compromise that would appease/accommodate also the reasonable concerns of the Russian Federation.

2. Focus

- *Do you agree with the proposed areas of focus? If not, what alternative or additional priorities would you propose?*
- *Which priorities do partners see in terms of their relations with the EU? Which sector or policy areas would they like to develop further? Which areas are less interesting for partners?*
- *Does the ENP currently have the right tools to address the priorities on which you consider it should focus? How could sectoral dialogues contribute?*
- *If not, what new tools could be helpful to deepen cooperation in these sectors?*
- *How can the EU better support a focus on a limited number of key sectors, for partners that prefer this?*

It is clearly that the ENP including the Eastern Partnership need a more focused approach to developing the member countries' relations with the EU. In the case of Moldova it should be a complimentary tool of implementing its Association Agenda with the EU. No doubt, inclusive & sustainable economic development, transport and energy connectivity, security, democratic governance, migration, health, environment, gender and youth, all of them are areas of paramount interest to Moldova. However, the priority focus should be put, first of all, on democratic good governance, inclusive & sustainable economic development, transport and energy connectivity and strengthening security.

Moreover, it is critical important to add to this list also the area of rural development. Rural development is a strategic priority of the Republic of Moldova. Around 58% of Moldovan population are living in the rural areas, which are considered the less developed territories of Moldova. The employment rate in the rural areas is the lowest in the country. It has decreased significantly from 59% in 2000 to 36% in 2011. This negative trend has been caused by low employment opportunities, declining number of economically active population, low wages in the agricultural sector, insufficiently diversified economic activities, weak service sector, underdeveloped social and economic infrastructure, etc... Consequently, rural active work force is migrating massively outside the country.

In order to address efficiently the afore-mentioned priority areas of cooperation, the policy tools used by the EU in Moldova must be based on a convincing positive and negative conditionality, which means that the "More for More" principle has to be strengthened and used hand in hand with the "Less for Less" principles. Thus, EU policy tools should include, but not limited to: 1) regular political and sector dialogue at the highest levels; 2) direct budget assistance in exchange for reform progress; 3) trade incentives; 4) investments in strategic areas of national economy; 5) direct support for economically sound SMEs; 6) grants & low cost loans for rural development and infrastructural projects; 7) business, youth, academic and cultural exchanges; 8) promoting cross-border cooperation with the EU member states.

3. Flexibility – Towards a More Flexible Toolbox

- *How can the EU adapt the ‘more for more’ principle to a context in which certain partners do not choose closer integration, in order to create incentives for the respect of fundamental values and further key reforms?*
- *How to assess progress against jointly agreed reform targets when a partner country experiences significant external pressure, for instance armed conflict or refugee flows?*
- *How can the EU engage more effectively and respond more flexibly to developments in partner countries affected by conflict situations?*
- *What tools would the EU need to respond more effectively to fast-changing developments in its neighbourhood?*
- *Are the choice of sectors and mechanisms for delivery of EU financial support appropriate? How could its impact and visibility be enhanced?*

Moldova has chosen to develop the political association and economic integration with the EU. It has already started the provisional implementation of the Association Agreement including DCFTA and hopes that the next step in its relationship with the EU would be a clear-cut membership perspective of the latter. At this stage Moldova – EU partnership is guided by the Association Agenda comprise well defined commitments and actions. Unfortunately, after Moldova has signed the Association Agreement, its governing political class has slowed down their drive for internal transformations. Instead, it is more and more reluctant to make reforms that are endangering its political survival and challenge its control over local economy and finances.

A “More Flexible Toolbox” in the hands of reform reluctant political class will jeopardize the implementation of the Association Agenda. Almost certainly, flexibility will be used as a justification by Moldovan politicians to delay key reforms or even worse to downgrade the ambition of the Moldova’s’ partnership with the EU. Instead Moldova needs a strengthened “More for More” principle that would empower society of the political class, by exercising over the latter a permanent pressure/demand for reform deliverables. Yet, in our view, this can be achieved only by equipping the “More for More” principle with its ultimate and most persuasive objective of long term EU membership. As long as, “More for More” will be short of this promise, it will remain an incomplete, unconvincing, ineffective and mistrusted principle.

On the other hand, Russian military aggression in Ukraine has weakened the security of entire region. With an unresolved “frozen conflict” in its backyard and an increasingly divided society, Moldova feels more than ever vulnerable and insufficiently prepared to deal with the current external challenges. Security uncertainty is endangering Moldova’s domestic stability and as well as its ability to implement the Association Agreement and DCFTA with the EU. Consequently, security reform has to become a permanent issue on the EU’s cooperation agenda with Moldova. The EU has to assist Moldova to undertake a comprehensive reshuffle of its security sector in accordance with the EU standards. This effort shall help Moldovan authorities to streamline their security policy strategic planning, decision-making, coordination, as well as interagency communication. A special attention must be given to: 1) strengthening the decision

making role of the National Security Council; 2) modernizing the Information Security Service; 3) enhancing the defense planning and defense capabilities of Moldovan army; 4) enhance operational capabilities of Moldovan police, including border police; 5) fighting corruption in the security sector institutions; 6) strengthening Moldova's cyber security. At the same time, the EU has to enhance its ability to respond more effectively to the security challenges faced by the EaP countries. In case of Moldova, it can be achieved by 1) organizing regular Common Foreign & Security Policy (CFSP) and Common Defense and Security Policy (CDSP) monitoring missions in Moldova; 2) setting up a joint security reform working sector group; 3) providing Moldova with a security sector reform EU advisory mission; 4) expanding the mandate of the EU Border Assistance Mission to Moldova and Ukraine to issues related to the security sector reform; 5) setting up a joint crisis reaction unit.

4. Ownership & Visibility

- *What do partners seek in the ENP?*
- *How can it best accommodate their interests and aspirations?*
- *Can ways of working be developed that are seen as more respectful by partners and demonstrate a partnership of equals?*
- *Can the ENP deliver benefits within a shorter timeframe, in order that the value of the policy can be more easily grasped by the public? What would this require from the EU? And from the partner country?*

The political association and economic integration are Moldova's key ENP interests. Moreover, ENP including the Eastern Partnership (EaP) are perceived by Moldova as a transitional phase in its pursuit of the membership perspective to the EU. Consequently, in the past 5 years, it has focused its efforts on exploiting as much as possible the ENP and EaP offer to strengthen political relationship with the EU, to enhance democratic governance, to open as much as possible the EU common market to Moldovan exports, to build energy interconnectors with EU that would ease Moldova's energy dependency on Russia gas imports, to modernize Moldova's transport infrastructure with the EU assistance, to increase mobility of Moldovan citizens within Schengen area by liberalizing visa regime with the EU.

The Association Agreement and DCFTA require Moldova to absorb a greater amount of EU legislation, institutional, policy and technical standards that would gradually increase its democratic, institutional, legislation, and economic compatibility with the EU member states. Therefore, the political association and economic integration with the EU cannot be a partnership of equals. Instead, for Moldova is much more important to build a mutually beneficial and ever growing/deepening partnership with the EU.

As the experience of Central European, Baltic and Western Balkan countries' show the implementation of the Association Agreements and Free Trade Areas are not at all an easy and free ride. A clear cut even distant EU membership perspective could help Moldova to bear more easily the political, economic and social costs of the reforms required by the political association and economic integration with the EU. Yet, even if the EU is not ready to grant Moldova a

membership prospect, it still can accommodate better Moldova's aspirations and interests by treating it as a potential aspirant country.

It could be done by adapting the enlargement instruments to Moldova's needs and challenges in order to help it to implement Association Agreement and DCFTA. For instance, the European Commission can be authorized to use **Screening** to carry out a detailed examination, together with the association country, of each policy field (chapter). The findings by chapter would be presented by the Commission to the Association countries in the form of a screening report. The conclusion of this report would be a recommendation of the Commission to either grant the membership perspective or to require that certain conditions – opening benchmarks - should first be met. In this way, screening mechanism would become a very powerful reform driver in Moldova.

Moreover, the EU should apply in Moldova, as well as in Ukraine and Georgia, the experience of the Instrument for Pre-accession Assistance. Thus, in order to increase its impact, EU financial assistance has to be concentrated on the areas where reforms or investments are most needed to meet membership criteria and should be tailored to take into account the capacities of the country to meet these needs. Also, indicative financial allocations shall allow for an appropriate amount of assistance to remain available as a 'reward' on the basis of an assessment of performance and progress over a period of several years.

At the same time, the ENP has to deliver more practical and publicly visible benefits within a shorter timeframe. In the case of Moldova, it can be done by channeling more assistance to supporting sustainable agricultural and rural development. Here again the experience of the Instrument for Pre-accession Assistance is of great value. EU should aim to help local authorities to: 1) increase the standard of living for farmers; 2) set up a stable and safe food supply at affordable prices for consumers; 3) promote sustainable farming methods; 4) increase the quality of agricultural products; 5) set-up rural development micro-credit network. Additionally, the EU should encourage an inclusive rural development by supporting Moldovan local authorities to build development partnerships that would engage local authorities, local entrepreneurship and local civil society organizations. The Local Action Groups (LAGs) for rural development created in many EU member states could provide Moldova with a positive experience on this matter.

On its turn, Moldova must enhance the good governance by increasing the efficiency of its state institutions including in the judicial sector and by combating steadfastly the corruption at all levels.

5. Neighbours of the neighbours.

- *What could be done better to ensure greater coherence between the ENP and the EU's relations with Russia?*
- *How can the EU, through the ENP framework, support its neighbours in their interactions with their own neighbours?*

The ENP and Eastern Partnership (EaP) are perceived by Russia as geopolitical instruments designed to challenge its so called “legitimate interests” in the post-soviet area/near neighbourhood. Therefore, Russia is staunchly opposing Moldova’s political association and economic integration with the EU by applying political pressure, trade blockades, energy threats, using media propaganda, as well as by openly supporting anti-European political parties and civil society organizations. In past 5 years, Moldovan authorities tried to promote a permanent dialog with Russia on different levels, nevertheless it has failed to appease Russia’s concerns over Moldova’s European integration policy. Building a cooperative and coherent agenda with Russia has to be a priority of the ENP and EaP. However, this would be very hard to achieve as long as Russia continues on confrontation path with the EU, which threatens the security of the EaP countries. Certainly, Russia has to be engaged in a dialogue on issues of common interests with the EU and EaP countries, such as energy, economic and trade relations and regional security. For that reason, the ENP/EaP could propose to Russia mid and high level regular thematic consultations. At the same time, the EU has to remain steadfast in helping the EaP states to withstand the Russian economic, political, propagandistic and even military pressures. Of course, that would entail from the EU not only regular foreign and security policy consultations with the EaP states, but as well as to put in place a range of credible economic, trade and political incentives and sanctions designed to offset Russia’s destabilization actions.