

# **The EU's Conditionality in the Case of Moldova:**

**Failure or Success?**

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## **Acknowledgments**

I would like to thank those who have shared their expertise and given their input in the course of preparing this research: Prof. Dr. Mathias Jopp, Victor Chirila, Dr. Igor Munteanu, Dr. Igor Botan, Dr. Dr. Martin Sieg, George Saghin, Adomas Davalga, Jens-Kristian Lutken, Dr. Stanislav Secieru, Mariella Falkenhain, Dr. Katrin Böttger, Harald Berwanger, Irene Hahn, Dr. Nicu Popescu, Dr. Andrew Wilson, Elena Gnedina, Dr. Anneli Ute Gabanyi, Dr. David Siroky and to those who preferred to remain anonymous.

**Draft Paper – Please do not quote.**

**This paper was prepared within the Study Programme on European Security implemented by Institut für Europäische Politik.**

**The final paper will be published on [www.iep-berlin.de](http://www.iep-berlin.de)**

## Introduction

The enlargement of the European Union (EU) from 2004 and 2007 has made the EU a more significant actor in the world but, at the same time, the EU has become less homogenous. Facing the financial crisis and the challenge of institutional reform, the EU is not ready for new enlargement, having additionally, the so-called sentiment of enlargement *fatigue*. Nevertheless, the European Union has tried to create mechanisms for cooperation with neighbouring countries in order to avoid dividing lines within Europe, to create a “ring of friends” (European Commission 2003), to help adjust standards across the continent, and to bring interested countries closer to the EU. The Republic of Moldova (hereafter referred to as Moldova) is among these countries.

Moldova started the transition period more or less successfully, being the first country from the former Soviet Union, after the Baltic States, to be accepted as a member of the Council of Europe<sup>1</sup> in 1995 (Serebrian 2005). But its pro-western demarche did not finish there; European integration became the main priority in Moldova’s foreign policy in following years.<sup>2</sup> The first success of Moldova was the negotiation of the Partnership and Cooperation Agreement (PCA) in 1994,<sup>3</sup> which entered into force in 1998 and established an economic and political framework for the relationship. Moldova has consistently expressed its willingness to join the EU. Despite having no membership perspective, the country’s elites continue to declare European integration their priority, while the EU continues to request different reforms and to apply a certain degree of conditionality on the basis of the PCA and the European Neighbourhood Policy (ENP), established in 2004.

Conditionality is a strategy whereby the EU offers rewards in exchange for the target country fulfilling the requirements set by the EU (Kratochvil/Lippert 2008; Schimmelfennig et al. 2002). This paper analyses areas in which the EU has made considerable efforts to adjust

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<sup>1</sup> Accepted as a country under the monitoring of the Council of Europe (CoE) and up to this moment is monitored by the CoE.

<sup>2</sup> Moldova had some short periods of reorientation of its foreign policy towards Russia in 1995-1998 and 2001-2003 and a certain degree of reorientation in 2007 and 2009.

<sup>3</sup> Due to the long ratification procedure within the EU, the PCA formally entered into force on July 1, 1998.

Moldova's policies and standards to those of the EU and focuses on the effects of the EU's conditionality strategy in the case of Moldova. It is noteworthy that Moldova is adjusting to the EU without the prospect of membership. Interest in Moldova has increased since the Russian-Georgian conflict in August 2008, because of certain similarities with Georgia, namely, that both have breakaway regions that are supported by Russia; nevertheless, differences prevail. But the biggest attention of the EU towards Moldova is observed after the 2009 elections (April 5, July 29) and the post-elections protests from April.

The aim of this paper is to see whether EU conditionality is working in Moldova and whether it is capable of producing effects similar to those achieved in the accession countries. In order to answer this question, it is necessary to address other questions such as: Which types of conditionality does the EU utilize? Which internal and external factors have an impact on the effects of EU conditionality? Are EU incentives sufficiently credible and sizeable to ensure Moldova's compliance? What does Moldova expect from the EU and is Moldova meeting EU expectations?

These questions suggest the structure of this study, which is divided as follows: I, Types of conditionality and the EU's conditionality enforcement in accession countries and ENP countries; II, The EU policy instruments in the case of Moldova: conditionality and socialization and; III, EU conditionality and the Russian factor in Moldova.

The final section highlights shortcomings of the current EU approach and of Moldova's compliance and it recommends certain actions that could significantly improve the efficiency of EU-Moldova cooperation.

## **I. Types of conditionality and the EU's conditionality enforcement in accession countries and ENP countries**

In the last two decades, due to the EU's success in achieving high standards of economic development, many countries from its surroundings have expressed their willingness to join<sup>4</sup> this *sui generis* organisation. Nevertheless, the selection criteria for EU membership were different from those of NATO during the Cold War. At that time, you had to be against the Soviet Union and be able to militarily oppose the Soviet threat. In the case of the EU, states need to adjust to political, administrative and economic structures of the EU in order to join.<sup>5</sup> Under this adhesion logic, the EU started to build its relations with all those who applied for membership in the 1990s and, today, with those who are in the closest neighbourhood by requesting reforms in exchange for rewards. In the case of the accession candidates, the reward was clear: membership in the EU. Requirements and rewards in the case of the ENP countries are less obvious, apart from the "Governance Facility", which is a less fuzzy concept.

Within academic circles, this strategy is called EU conditionality. There are many types of conditionality: political, economic and social, but the general definition is the practice of setting conditions for the provision of a good from one actor or organisation to another (Agné 2008). Today, the major part of conditionality applied by the EU is linked to standards in a range of areas, especially in democratic institutions (European Commission 2009). Democratic conditionality is understood as "the core strategy of international organisations to induce non-member states to comply with its fundamental rules of statehood. In applying conditionality, a social actor uses the mechanism of reinforcement to change the behaviour of another actor. Reinforcement is a form of social control by which the social behaviour is rewarded and anti-social behaviour is punished" (Schimmelfennig et al. 2002).

Conditionality has always been used by the EU as leverage in its relations to candidates for membership and third countries. EU conditionality commenced at the end of the 1980s and

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<sup>4</sup> First official statement asking for Moldova's association to the EU was addressed on December 13, 1996, by former president of Moldova Petru Lucinschi to the European Commission's president Jacques Santer.

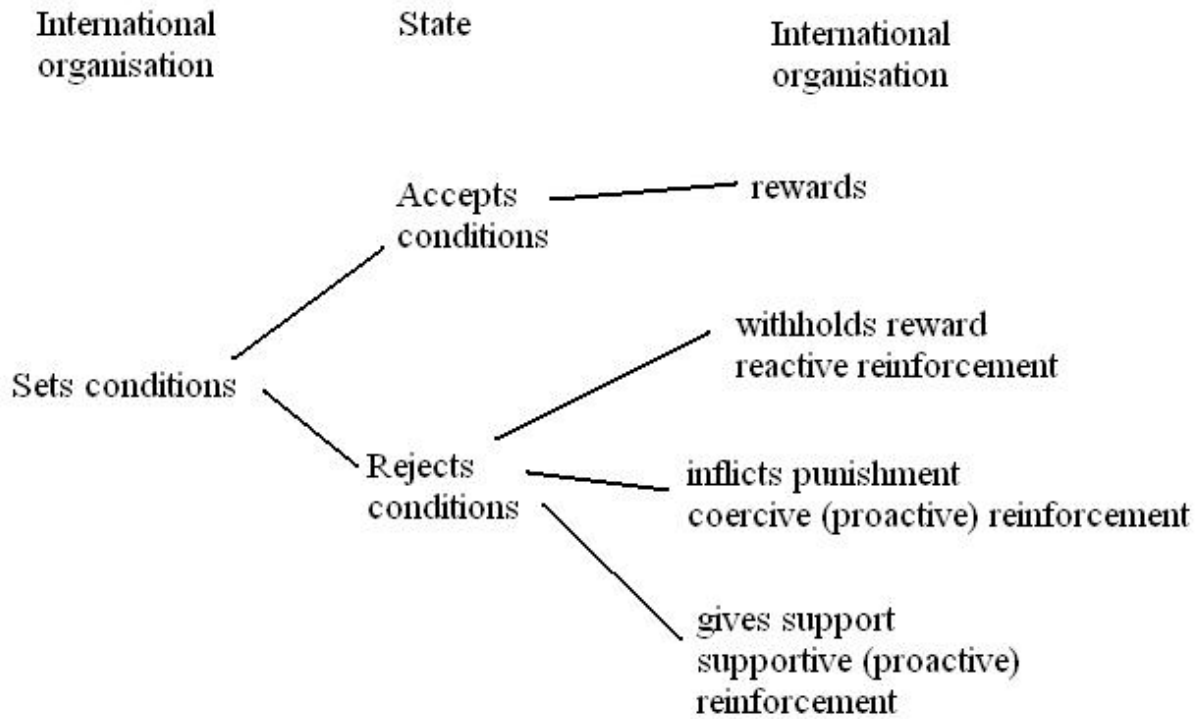
<sup>5</sup> Today, NATO has specific criteria for membership, too; candidate countries have to fulfill the criteria agreed in the Membership Action Plan (MAP).

1990s, when the EU formalized conditionality in European Agreements and the Copenhagen Criteria. Post-communist Central and East European countries thus “became the first target of a very demanding political, economic and social conditionality, closely linked with the process of transition towards democracy and market economy” (Anastasakis/Bechev 2003). The first programmes of cooperation between the EU and countries willing to join it were related to trade and financial assistance through the European Agreements and PHARE<sup>6</sup> programme, which were available for the Central and Eastern European applicants. In this regard, “in 1992, the EU introduced a clause of relieving within the European Agreements the signing of trade and cooperation agreements if the target country does not respect five fundamental areas: 1) rule of law; 2) human rights; 3) multi-party system; 4) free and fair elections and; 5) market economy” (Grabbe 2008). This first example of conditionality was followed by other important documents that are setting up broader areas and concrete desired outcomes from the applicant countries. The Copenhagen Criteria, established in 1993, “formally spelled out the link between democracy and membership” (Merkel 2008), but also included the economic criterion and the acceptance of the *acquis*, making membership much more difficult to achieve.

A state to which conditionality is applied is expected to change its behaviour in order to avoid punishment for non-compliance. In “The Conditions of Conditionality”, the authors (Schimmelfennig et al. 2002) emphasize four types (strategies) of conditionality. Once the international organisation sets up the conditions, the state has two choices, to accept or to reject them. In case it accepts the conditions, it is clear that the state receives the rewards; in case it does not, the international organisation: a) withholds the reward, which is called reactive reinforcement; b) inflicts punishment, which is called coercive (proactive) reinforcement; or c) provides support, which is called supportive (proactive) reinforcement (Ibid).

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<sup>6</sup> Programme of Community Aid to the countries of Central and Eastern Europe (PHARE) was the main instrument for pre-accession assistance to EU candidate countries. The main aim of the programme was to support the countries in implementing the *acquis* and to teach them to manage structural funds. The programme was launched in 1989 to support the reconstruction of the economies of Poland and Hungary and in 1994 PHARE became available to all candidate countries. In 2007, PHARE was replaced by the Instrument for Pre-accession Assistance (European Commission 2009).



**Figure 1. Strategies of Conditionality (Ibid)**

The EU most often uses the *reactive reinforcement* strategy. As Scholtz writes: “EU conditionality (in the case of the ENP) is mainly “positive”, that is, the EU offers and withholds carrots but does not carry a big stick” (Scholtz et al. 2007). The EU is not punishing the non-compliant state but withholding the reward and sometimes even giving extra money through the Governance Facility. Thanks to this feature, EU conditionality is widely perceived as positive conditionality. There are some exceptions, e.g. Belarus, where the EU has applied travel restraints on Belarus leaders, withdrawn access to the GSP<sup>7</sup> (European Commission 2009) and some other restrictive measures that can be categorized as *coercive reinforcement*. However, the employment of negative conditionality requires a careful analysis of “where pressure can be effective” (Youngs 2008) based on a study of how the EU policies are influencing the domestic political environment.

<sup>7</sup> Generalized System of Preferences.

Today, the EU has several levels of conditionality, applied to different countries or groups of countries, according to the level of development of their relationship and to the registered progress in areas where the EU requires changes. There is no doubt that enlargement is considered the most powerful type of incentive for pursuing reforms. This is the reason why “enlargement is often called the most successful foreign policy of the European Union” (Schimmelfennig/Scholtz 2007). The membership perspective is considered to be the best instrument for accepting conditions due to the size of the reward and its credibility. Alongside membership, there are strict rules established for the accession process, which “vested the EU with considerable transformative power and contributed significantly to economic recovery, peace and stability as well as democratization” (Scholtz/Schimmelfennig 2007) in the transition countries from Central and Eastern Europe. More than this, the EU’s “pre-accession instruments highlight the involvement and active role of the EU as an authoritative external actor” (Lippert/Umbach 2005). For countries without a membership perspective, however, conditionality is different in weight and size.

After the EU enlargement of 2004, the European Neighbourhood Policy (ENP) was created with “the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours” (Maron 2007). It is aimed at transforming its target countries through political dialogue, export of the *acquis* and economic assistance, “though all in reduced doses” (Popescu 2009), in comparison to the enlargement policy. The ENP, together with the recently launched Eastern Partnership<sup>8</sup> (EaP) is perceived as an alternative to the accession process, though, the instruments used by the EU in the eastern neighbourhood are not able to produce high-quality effects similar to those achieved in the case of enlargement, in part, because the conditions are unclear and the deadlines are not enforced (Chirila 2009).

Before evaluating the features of (democratic, economic or social) conditionality that is being applied by the EU towards Moldova, it is important to mention that the success of conditionality depends very much on the local political elites from the country subjected to conditions (Schimmelfennig 2007). If authorities in a given state are not willing to implement the policies recommended by the EU, then the implementation of conditionality will fail from the

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<sup>8</sup> For the southern countries the EU boosted its engagement by creating the project of the Union of the Mediterranean.



very beginning and democratic change will not take place. As Benita Ferrero-Waldener said: “democracy can never be imposed from outside: genuine democratic transition must always come from within” (Ferrero-Waldner 2006).

When the EU is establishing the conditions under which certain states will receive the rewards, these states are usually calculating the costs and benefits of the reform before starting the implementation; consequently, implementation of the requested reforms by the EU is an exercise in calculating the costs and the benefits for the target state. As a result, the general rule is that “the positive impact of the EU on democracy in outsider states increases with the size and the credibility of the EU’s conditional incentives” (Scholtz/Schimmelfennig 2007). In other words: the larger and more credible the reward, the more likely the state will comply with the established conditions.

Until now the most credible and functional reward was membership engagement, which is considered as a “*mega-incentive*” (Emerson/Noutcheva 2005). In the same context, interdependence is highly asymmetrical in favour of the European Union. In times when the country subjected to conditionality is in need of export to the EU or needs European aid, the EU is in principle not dependent on the goods, which are being produced in this country. There are some exceptions, for example in the case of big countries like Ukraine. The gas crises from January 2009 showed very well that in some cases there might be a mutual dependence.

## **II. The EU policy instruments in the case of Moldova: conditionality and socialization**

Academics say that the nature of conditionality in the case of the EU is very fluid (Sasse 2008, Chirila 2009, Davalga 2009). There are many inconsistencies in its application (by the European Commission and by the EU in general) over time and weaknesses of clear-cut causal relationship between the application of the conditionality and reforms in the ENP countries, including Moldova. On the one hand, all instruments used by the EU in its Eastern neighbourhood are instruments of conditionality. When Moldova is not doing something required or advised by the EU, it can lead to tougher EU position towards Moldova. On the other hand, these processes are usually very difficult to trace and difficult to prove because of the absence of

clear cause-effect links.<sup>9</sup> As a result, a brief analysis of official documents signed between Moldova and the EU would be beneficial.

The EU uses many documents and mechanisms that could be considered instruments of positive conditionality. Among them, the Partnership and Cooperation Agreement (PCA), the European Neighbourhood Policy, the EU–Republic of Moldova Action Plan, the European Neighbourhood and Partnership Instrument (ENPI), the Eastern Partnership (EaP), Progress Reports, Visa Facilitation Agreement, Monitoring of Elections and other “linkages”<sup>10</sup> that chained the EU-Moldova relations should be emphasized.

Officially, the EU established its relationship with the Republic of Moldova through the Partnership and Cooperation Agreement that was negotiated and signed in 1994 and entered into force on 1<sup>st</sup> July 1998. The PCA has become the basic and most important document establishing the relationship between the EU and Moldova. The PCA is a very general document and is more like a register of areas in which both parties could eventually cooperate. The PCA is inspired from the European Agreement; however, with a different *finalité*, the PCA establishes the institutional framework, while the European Agreement gives a clear perspective for association to the European Union (Serebrian 2005).

It can be argued that the PCA signed between EU and Moldova is not employing EU conditionality. The document shows a general commitment to democracy and market economy principles and is not focused on concrete obligations. However, there are some signs of conditionality: for example, art. 49 of the PCA states that Moldova should protect intellectual property rights and should adhere to multilateral conventions in this area within not more than five years (European Community 1994). This is an example of an economic issue that does not touch the main problematic areas of Moldova, such as human rights, freedom of speech, independence of the judiciary, etc. Moreover, it is not clear what happens if Moldova does not comply?

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<sup>9</sup> Adomas Davalga, researcher at the Institute of International Relations and Political Science, Vilnius University, interview by author, 27 July 2009, Chisinau, Moldova.

<sup>10</sup> Trans-national relations, cross-border cooperation and exchange that are influencing the domestic situation (Scholtz/Schimmelfennig 2007).

The ENP could be considered a strategy that embodies a form of “conditionality light” because the most important components of conditionality (clear incentives and enforcement structures) “are vague for both the EU and its neighbouring countries” (Sasse 2008). The ENP generally resembles something between partnership and membership, being called the “politics of the half-open door” (Timmerman 2003). However, the most sizeable/attractive aspect of the ENP is the provision that the ENP has been designed to allow the target countries to benefit from the many incentives and especially from the four freedoms (free movement of services, goods, capital and persons), following the model “everything but institutions” (Chilosi 2006) as described by the EU ex-Commission President Romano Prodi. Nevertheless, “the reference to the freedom of persons has disappeared from Council documents – it has been replaced by references to visa agreements” (Sasse 2008).

The last policy initiative that was adopted between the EU and its eastern neighbours was the Eastern Partnership (EaP). The Swedish-Polish initiative was initiated to make a distinction between the countries from the east and south of the EU. While it is clear that Morocco<sup>11</sup> is not able to join the EU, due to its geographical location, Moldova and other EaP countries do not face this impediment. All six countries<sup>12</sup> included in this project have a different level of development in their relations with the EU. All the countries, except Belarus, are in the same institutional framework – PCA and ENP. Initially, Moldova (and Ukraine) adopted a critical approach to this initiative, being characterized by the former president of Moldova Vladimir Voronin as an attempt to create a EU-launched CIS 2<sup>13</sup> (Voronin 2009), ignoring that the EU does not only make promises but also offers financial support. Neither Moldova nor Ukraine is satisfied with this proposal (Meister/May 2009), claiming that there should be a clear perspective for integration in the EU. Russia considers the Eastern Partnership as interference in its sphere of influence (Popescu/Wilson 2009), but partially accepted the project after the EU-Russia summit held in Khabarovsk on 21-22 May, 2009. The EaP platforms deepen and strengthen measures for a better sectoral integration of the eastern countries. In fact, that the EU attempts to renew its

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<sup>11</sup> Morocco applied to join the EU in 1987 and was rejected on the grounds that Morocco is not a European (geographically) country.

<sup>12</sup> Moldova, Ukraine, Georgia, Azerbaijan, Armenia and Belarus.

<sup>13</sup> Commonwealth of Independent States.

neighbourhood policies on an almost annual basis (ENP, New Ostpolitik, Black Sea Synergy, EaP) is proof of a lingering dissatisfaction on both sides of how things stand (Popescu 2009).

### **Economic conditionality**

The most obvious conditionality is present in concrete documents that offer tangible incentives. Probably the most relevant of these is the Agreement of Autonomous Trade Preferences which sets several conditions under which Moldova can sell its goods on the European market: a) certify the origin of goods, b) respect methods of administrative cooperation with the EU set in the Agreement, c) cooperate for prevention of any risk of fraud, d) non-application of any restrictions for the goods imported from the EU, e) implement the priorities from the EU-Moldova Action Plan, especially those chapters related to economic reforms and, f) engagement to stick to conventions to which Moldova is part (European Commission 2008). Certainly the EU is expecting a sort of spill-over from the economic to the political dimensions in order to shape a situation in which Moldova would be “forced” to cooperate due to economic dependence on the EU and as a result there would be a transfer of EU practices and standards. In the same context, another eloquent example is the Macro Financial Assistance (MFA) offered to Moldova by the EU. Since 1991, the EU gave € 87 million and the current grant of € 15 million has been conditioned, requiring from Moldova certain reforms before disbursement. The main conditions were to strengthen its fiscal position, adopt a fiscal policy which will lead to reducing the debt-to-GDP ratio, enhance transparency and management of public funds, improve business climate and create better conditions for private sector development (European Commission 2009). From these two examples, two conclusions can be drawn: the ATP conditionality is working well, Moldova started to use the possibilities offered by the ATP and increased its exports to the EU up to 54% (National Bureau of Statistics 2009) in 2009. The MFA conditionality is partially effective, taking into consideration that the internal debt-to-GDP has grown (Vocea Basarabiei 2009) and the fiscal system has worsened, whereas business climate in Moldova appears to have improved (World Bank 2009). Besides this, because of the elections and the power quest, the effects of MFA conditionality were outweighed by the mega-reward – executive power.

Conditionality depends on clear conditions; compliance with these conditions can be observed and measured (Reinhard 2008), consider the example of the Visa Facilitation Agreement. In order to facilitate the issue of the visas for certain categories of citizens like

students, journalists, officials, businessmen and to grant free visas for certain other categories (European Commission 2007a), Moldova had to sign the Readmission Agreement which is designed to counter the illegal migration and to oblige Moldova to readmit all the persons not fulfilling the conditions of stay of a given state from the EU (European Commission 2007b). Thus, in small but important areas, the effect of conditionality can be observed.

The ENPI is considered the policy with the strongest conditionality, and is applied not only on a mid-term perspective but also annually. The perception of the ENPI as the strongest conditionality is due to the funds offered to the Moldovan government as budgetary support in the framework of Food Security Programme (FSD). The finances are offered in tranches and according to the recorded economic progress, being the “single financial instrument with a strong governmental conditionality”.<sup>14</sup> In order to receive the budgetary support, Moldova has to comply with the conditions set in FSD, which are binding the government to spend the money for social assistance, poverty reduction and compensation for energy prices (European Commission 2009). Nevertheless, the ENPI focuses on three priorities: 1) support the democratic development and good governance, 2) support the regulatory reform and administrative capacity building and 3) support for poverty reduction and economic growth (European Neighbourhood and Partnership Instrument 2007).

### **Socialisation**

Socialisation is a mechanism used by the EU which positions the target country on the *Europeanization* track and is defined as “a process of including behavioural and identity change through interaction with the partner at any or all levels (e.g. government, business, civil society and students), which results in social learning, model emulation, lessons drawn, etc” (Emerson/Noutcheva 2005). Today, the biggest part of European assistance to Moldova is being offered by using the European Neighbourhood and Partnership Instrument (ENPI), approved for the timeframe 2007-2013, which contains socialisation and economic instruments. From 1991 to 2006 the European Community provided about 320 millions euro European Neighbourhood and Partnership Instrument 2007), mainly using the TACIS (Technical Assistance for Community of

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<sup>14</sup> Dr. Igor Munteanu, Director of the Institute for Development and Social Initiatives “Viitorul”, interview by author, 26 July 2009, Chisinau, Moldova.

Independent States) Programme and through aid programmes. According to the evaluation of TACIS, the programme achieved “good results at the project level but had less impact at sector and national policy level partly due to a lack of continuity and coherent long-term sector planning” (Ibid). In many cases this is due to the limited administrative and absorption capacity of Moldova.

In the same context, for supporting the implementation of the Action Plan, the EU is using programmes such as Twinning<sup>15</sup> and TAIEX<sup>16</sup> that are designed to support national authorities in preparing coherent sector strategies and teach the employees who are working with such issues in the field. However, Moldova made little progress in winning Twinning projects. As an example consider the latest data for 2009 where Moldova has 8 projects (2 launched/ongoing and 6 under preparation/identification), falling behind countries with less rhetoric on European integration (except Ukraine) but more results in this instrument: Morocco-32, Egypt-32, Ukraine-32, Tunisia-23, Azerbaijan-21, Georgia-13 and Jordan-10 (Vanhoeacker 2009). As for TAIEX, the results for Moldova are much better (88 projects), being overrun only by Ukraine, which has 129 projects (Ibid.).

Although as a country it is still relatively unknown amongst European students and institutions, Moldova did not make use of the Tempus IV and Erasmus Mundus programmes to the full extent. For example, the Progress Report on implementation of ENP in 2008 shows that, for the 2008-2009 academic year, 9 projects were won by Moldovan universities within Tempus IV and only 6 students received scholarships under the Erasmus Mundus programme (European Commission 2009). This reveals a deficient dissemination of information about these programmes and an experience deficit among Moldovan students in dealing with EU research opportunities.

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<sup>15</sup> Pre-Accession Assistance for Institution Building – Twinning is a programme launched in 1998 to help beneficiary countries in the development of modern and efficient administrations, with the structures, human resources and management skills needed to implement the *acquis communautaire* (European Commission 2009).

<sup>16</sup> The Technical Assistance and Information Exchange Programme (TAIEX) is an institution-building instrument for short-term assistance in adoption, application and enforcement of the Community *acquis* which has been operational since 1996. The programme is available for candidate countries, acceding countries, ENP countries and Russia (Ibid).

Last but not least, civil society plays an equally important role in the transformation of Moldova. The EU could rely on civil society as a credible partner, due to the latter's potential to make demands and persuade the government to run more democratic reforms and deeper economic transformation. The EU has only poorly financed Moldova's NGOs, showing interest mainly in electoral campaigns and some issues related to human rights and the environment. Thus, the top-down approach should be complemented with a bottom-up concept that could essentially raise the government's accountability as well as the society's awareness.

A general conclusion is that many organisations and institutions in Moldova do not know how to apply and use the European funds to the full extent. The ENPI has a symbolic political aspect, because within ENPI there are also programmes which were previously available for accession countries, thus Moldova and other ENP countries are being treated like accession countries. The ENPI financing is based on a system of earmarking EU funds, which, however, results in more difficult access to EU funds. As a result a political upgrade may become an economic downgrade. In this context a viable solution would be the establishment of a joint EU-Moldova Application Unit in which EU experts would share their experience and teach others how to submit a successful application.

### **Democratic conditionality**

In 2008, the PCA expired and was automatically extended by one year due to its special provisions. The European Commission received a mandate to negotiate the new Partnership and Cooperation Agreement since December 2008. However, the European Commission conditioned negotiations of a new agreement by stating that the level and the quality of the future agreement will depend on the extent to which Moldova assures free and fair elections. The conditionality used by the EU has not achieved its purpose, however. The elections, held on April 5, were only partially fair and free and were followed by violent protests. More compliance could be seen on the occasion of the early parliamentary elections (July 29, 2009) organized after the dissolution of the just elected parliament. Although an improvement of the elections standards was observed, they are still far from perfect.

Following the ENP framework, in February 2005, EU and Moldova signed the EU – Republic of Moldova Action Plan. The document is “consistent” (Buscaneanu 2007), having 80

objectives, 294 actions and 7 areas of cooperation. The biggest part of these actions and objectives had to be implemented by the Republic of Moldova, 14 of them are referring explicitly to the EU and 40 concern both. Nevertheless, the document illustrates an asymmetric volume of tasks and responsibilities following the “centre-periphery” model (Ibid.). In general, the Action Plan resembles the Accession Partnership for candidate countries: they have almost the same structure, the Commission’s ENP Country Reports are similar to the Commission’s Opinions for the candidate countries and the ENP Progress Reports are comparable to the Commission Regular Reports for the candidates. However, the documents relating to ENP countries contain fewer details on reform progress (Sasse 2008). The monitoring process is “reminiscent of the formalism, generalities and absence of clear benchmarks that characterized the regular reports on the candidate countries during the Eastern enlargement” (Sasse 2006).

Generally, the EU–Moldova Action Plan is monitored quite attentively. However, the statements on the non-implemented chapters remain very cautious and usually no punishments/consequences are mentioned. Even if, according to official reports, only 2 of 147 actions have experienced backsliding, the EU observes limited or minor progress among the remainder.<sup>17</sup> The EU’s policy of engagement through dialogue with Moldova has been characterized as “keeping the issue of democracy and human rights high on the agenda, but not really punishing the undemocratic practices” (Kwarciak/Panainte 2006). The reason for such behaviour is the EU’s desire to keep Moldova at least partly cooperative<sup>18</sup> (Youngs 2008); otherwise, if the EU punished Moldova, the latter would cooperate with Russia and put a stop to ongoing reforms. On the other hand, it may be argued that this is unlikely to happen under conditions where the biggest part of Moldova’s exports go to the EU<sup>19</sup>.

Following the objectives of the Action Plan, the EU has appointed the European Union Special Representative (EUSR) who is representing Javier Solana (EU High Representative) and

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<sup>17</sup> Dr. Igor Munteanu, Director of the Institute for Development and Social Initiatives “Viitorul”, interview by author, 26 July 2009, Chisinau, Moldova.

<sup>18</sup> Harald Berwanger, Expert of Social Democratic Party (SPD) on Eastern Europe, interview by author, 11 August 2009, Berlin, Germany.

<sup>19</sup> Victor Chirila, Executive Director of Foreign Policy Association, interview by author, 11 June 2009, Chisinau, Moldova.



deals mainly with the promotion of the EU-Moldova political dialogue and Transnistrian conflict. So far, the EUSR has not influenced the EU-Moldova relations too much and this is due to a systemic gap: the European Commission's Delegation has funds and instruments and appears to be not very active, whereas the EUSR has no money or instruments but is publically visible and is trying to promote the EU's message.<sup>20</sup>

Nevertheless, Moldova has done better than most ENP countries in complying with EU conditionality.<sup>21</sup> For example, Moldova is the only country from the CIS, in which a change of government occurred through elections in the last decade (Popescu 2009). Thus, Moldova has been rewarded in 2008 with the Governance Facility Programme, which allocated € 16.6 million for good governance (EC Progress Report on ENP 2009, p. 22) and for endorsing the democratic change in the future.

	<b>Instruments</b>	<b>Assessment</b>
Economic Conditionality	Autonomous Trade Preferences (ATP)	Mostly successful implementation and almost full compliance
	Budgetary Support	Almost full compliance and targeted spending
	Visa Facilitation	Moldova signed the Readmission Agreement and is fully compliant but the public opinion requests less documents for visa processing and extended categories of beneficiaries
	Macro Financial Assistance	Partially effective, half of the conditions were not met
Socialisation	Twinning	Lowly effective due to small absorption capacity
	TAIEX	Highly effective (second country within

<sup>20</sup> Dr. Andrew Wilson, Senior Policy Fellow at the European Council on Foreign Relations, interview by author, 18 August 2009, London, United Kingdom.

<sup>21</sup> Dr. Nicu Popescu, Policy Fellow at the European Council on Foreign Relations, interview by author, 18 August 2009, London, United Kingdom.

		ENP)
	Civil Society Support	Moderate effective due to a top-down approach and insufficient interest
	Erasmus Mundus / Tempus	Moderate effective for Tempus and moderate/low effective for Erasmus Mundus
	EUBAM	Effective/moderate effective, being able to decrease smuggling and to increase transparency (please see chapter III for full description)
	Advisors	No EU advisers so far (expected in 2010 for advising the negotiations on Association Agreement)
Democratic Conditionality	Action Plan	Moderate/lowly effective in terms of democracy issues, moderate/highly effective in economic issues and moderate effective in social issues
	Election advise	Moderate/highly effective (mainly on elections from July 29, 2009)
	EU Special Representative	Moderate effective
	Statements of EU's Ambassadors to Moldova	Lowly effective/moderate effective

**Table I. The impact of EU conditionality in Moldova**

### **III. EU conditionality and the Russian factor in Moldova**

Evaluating the impact of EU conditionality in Moldova is fraught with challenges due to overlaps that could appear while assessing the implemented reforms in Moldova. These difficulties might result from the fact that we do not know exactly whether the government of

Moldova is compliant to the requests of the EU, due to an intrinsic motivation or because of globalisation trends.

The Russian Federation, as an old player in this area, knows better how to employ conditionality and other instruments to achieve its interests and reduce the influence of the EU. Even if Moldova declared that its strategic priority was European integration, all Moldovan governments are still manipulated by Russia through key mechanisms where the EU is weak and has no tools to influence. The Transnistrian conflict, the Russian minority, the control of many media companies by Russian capital, the debt for gas of Transnistria<sup>22</sup> to Russia, the energy dependence of Russian energy resources, and the pro-Russian political parties are only a few examples where Russia is consistently outrunning the EU. The EU has its own mechanisms, too; the most important being that the EU is the biggest trading partner for Moldova and that aid is coming from the EU.

For a comparative approach, we will use the table below, defined by Nicu Popescu and Andrew Wilson to show Russia’s use of soft power (Popescu/Wilson 2009, p. 38)

Russia	European Union
<ul style="list-style-type: none"> <li>• Rhetoric of fraternity</li> <li>• Multilateral institutions with membership benefits</li> <li>• Strategic investments</li> <li>• Visa-free regime and open labour market</li> <li>• Protects authoritarian regimes</li> <li>• The “sovereign democracy” model</li> <li>• Sets the media narrative</li> </ul>	<ul style="list-style-type: none"> <li>• EU information centers</li> <li>• Lingering accession hopes</li> <li>• Biggest trading partner</li> <li>• Economic opportunities</li> <li>• Aid to governments and civil society</li> <li>• Supports democracy</li> </ul>

**Table II. The use of Russia and EU soft power**

<sup>22</sup> As far as Moldova does not recognize the breakaway region of Transnistria, the 1 billion 800 millions debt of Transnistria becomes Moldova’s debt.

The principles of the ENP, such as differentiation, socialization and conditionality, are not very clearly observed in Moldova due to small incentives offered by the EU. The biggest problem among Moldova's elites is the calculation that the rewards are smaller than the cost of the reforms. Here appears the usual and simple question the Moldovan government poses: why should costly economic reforms be implemented if the membership is not forecasted? While starting many reforms, Moldova's government needs to justify its decision and the argument that the "EU requires this" is not enough. Often the reforms requested by the EU are unpopular among citizens, like ENP reforms such as the "removal of state aid and subsidies" (Kratochvil/Lippert 2008) in order to improve market efficiency. Many of the state-owned companies are still receiving financial aid from the state and this action would raise a wave of criticism. The assurance of receiving a consistent reward is working as a catalyst for transformation. However, refusing to implement a particular reform on the grounds that the reward is too small might be used as an excuse for the governing party when it does not desire to pursue certain modifications.

According to these mechanisms, the countries should approach the EU gradually and selectively. Some authors argue that this process offers many opportunities to "deepen the rhetoric rather than the substance of the relationship" (Sasse 2008). It seems like a joke where "we pretend to be converging on common European values and they pretend to be helping us do so" (Emerson 2005).

Although the results of the EU's policy towards Moldova have not met the expectations the EU has had, there was also some progress. Compared with the Central Eastern European countries that joined the EU in 2004 and 2007, conditionality is of course significantly weaker because of the lack of the accession incentive. It remains unclear to what extent lessons drawn from these examples could simply be transferred to Moldova because of the country's different political, economic and social situation. Conditionality is also weaker because assistance provided within the framework of the ENPI is comparatively small<sup>23</sup> as compared to accession perspective; and this also applies to instruments designed specifically to reward political reforms, such as the Governance Facility. Trade preferences or even a future free trade agreement offer

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<sup>23</sup> For the period of 2008-2012 Moldova will receive approximately € 317 million from EU (author' calculations from different sources).

considerable advantages. But in the case of Moldova, they have been or are likely to be granted for economic or political reasons and not only as rewards for progress; and once granted, they are not likely to be withdrawn even if the conditions are not fulfilled. In such cases, one could always calculate that the EU would prefer political dialogue over sanctions. One particular problem is that Moldovan authorities have adopted legislation to a number of requirements outlined in the EU-Moldova action plan, but fell short with their actual implementation (European Commission 2008) due to the fact that reforms would generate uncomfortable democratic developments. This is one more dissimilarity between Moldova and other Central Eastern European countries: the political leadership of the latter usually wanted faster and more decisive reforms for the modernization of their countries themselves. In Moldova, reforms required within the framework of EU-Moldova relations, nearly always fell short when they seemed to endanger the power base of the government. In conclusion, Moldovan ruling elites engaged only in partial and rather careful reforms, while the EU failed to provide enough attention and incentives that could significantly alter the domestic balance between those interests in favour and those against reforms within Moldova.<sup>24</sup>

A good example of the EU's partial success in Moldova is related to the Transnistrian conflict. Moldova's refusal of the federalization plan "Kozak"<sup>25</sup> is the outcome of the EU+US efforts. On the same issue, the EU established (2006) the EUBAM (European Union Border Assistance Mission) at the Moldova – Ukraine border in the perimeter of the Transnistria breakaway region.<sup>26</sup> Even if the EU remains only as an observer, it is at least connected to the problems of Moldova's territorial integrity. The EU's interest in the Transnistrian issue significantly rose<sup>27</sup> after the Russian-Georgian war (Grund/Sieg 2008), because the "war in Georgia demonstrated that the Russian pressure – economically, politically and ideologically –

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<sup>24</sup> Dr. Martin Sieg, Foreign Policy and Security Adviser at Christian Democratic Union (CDU), interview by author, 29 July 2009, Chisinau, Moldova.

<sup>25</sup> The "Kozak" plan (officially Russian Draft Memorandum on the Basic Principles of the State Structure of a United State in Moldova) was a federalization plan proposed by Russia in 2003 and rejected in the last moment by president Voronin at the influence of many international organisations and diplomats.

<sup>26</sup> Also, there should be emphasized the inclusion of the EU in the negotiation format (5+2) of the Transnistrian settlement.

<sup>27</sup> EC prolonged the mandate of EUBAM until December 2011 ([www.eubam.org](http://www.eubam.org)).

had failed. What is more, while Russian embargoes, blockades and energy cuts may advance Russian interests in the short run, in the long term they actually diminish Russian leverage by driving target states to diversify their economies or export markets” (Popescu/Wilson 2009). The EU became more engaged in order to assure that there would be no such developments as in Georgia in August 2008. The EUBAM represents a sort of conditionality instrument, not conditionality itself, but nevertheless, the EUBAM brings transparency and more security at the border.<sup>28</sup>

The new PCA or the New Association Agreement (without a membership perspective) represents an important tool of influence. The EU agreed to negotiate the new agreement only after the Moldovan elections in April 2009 and in July 2009 (Botan et al. 2009). The problem is that, in the last four years, Brussels determined that Moldova had not implemented a series of chapters from the EU-Moldova Action Plan mainly related to human rights, freedom of media, independence of the judiciary and fighting against corruption (Prohntichi et al. 2008). The EU’s conditionality voiced by European officials was almost all the time ignored by Moldovan representatives. Despite this fact, the EU has continued to tolerate the way in which Moldova pretends to implement democratic reforms, being “appreciative” with the pro-European rhetoric of the Moldovan government. Promising but not doing became almost a “*déjà-vu*” for European officials (Chirila 2009a). There is some evidence (Chirila 2009; Munteanu 2009; Ciurea 2009) that the EU has geopolitical reasons for having such attitudes in order to avoid Russia’s irritation. As long as the EU is perceived as a normative actor, playing the geopolitical game to the detriment of democracy promotion might result in a lack of credibility for the EU (Chirila 2009a). Among the factors impeding the implementation of the EU’s recommendations we can include the lack of political will within the former Moldovan government to start a real political dialogue, the fear that Russia might punish Moldova for more openness towards the EU, and for non-compliance with Russian “advice”, as the case of embargoes imposed on wine illustrated (Kratochvil/Lippert 2008).

The EU has mainly failed to implement its policy in Moldova, particularly in the political sphere. The ENP and Eastern Partnership might have the same destiny if the EU does not add

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<sup>28</sup> Elena Gnedina, Visiting Research Fellow at the Centre for European Policy Studies, interview by author, 18 August 2009, London, United Kingdom.

clear components of European integration, including a deeper trade agreement and free-visa regime. One might say that the Eastern Partnership is offering (Eastern Partnership 2008) both integration components (free-visa regime and free-trade), but these incentives should be strictly conditioned by timely and qualitative implementation of assumed engagements. The same is true in other policies, such as human rights and good governance (Chirila 2009b). In the same context, the partial cause of the EU policy's failure is due to the EU's limited knowledge about Moldova and due to Moldova's dissatisfaction of EU's offered privileges,<sup>29</sup> especially the visa regime.<sup>30</sup>

The new government of Moldova that took office after the July elections met some difficulties with the transfer of power from the communist party. The Alliance for European Integration, formed by 4 democratic parties, has more chances to boost democratic reforms and to bring Moldova closer to the EU. The new government is asking for Moldova's inclusion in the "Balkan package", but in the same time, is enhancing the cooperation within EaP as recommended by many EU members.<sup>31</sup> The EU's openness towards the new government meets unprecedented levels in a situation when Moldova finds itself in a deep economic crisis. The former government has left behind a terrible financial situation and a big disorder in the judiciary system.

It is noteworthy that the EU and Moldova have already started a very promising "reload" of their relationship. The official visit of the EU Troika led by Swedish foreign affairs minister Carl Bildt has moved forward the cooperation by agreeing to start the negotiations over the new Association Agreement (without membership perspective) which will have three core dimensions: political and security cooperation, free trade and free-visa regime (Bildt 2009). Carl Bildt also gave an important sign for Moldova, saying that in the long run he sees Moldova in the EU and stating that: "the new government opens new perspectives for the EU-Moldova cooperation" (Ibid.). Following this meeting, the visit of Gunnar Wiegand<sup>32</sup> established the start (January 12,

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<sup>29</sup> Dr. Anneli Ute Gabanyi, German Institute for International and Security Affairs, interview by author, 24 August 2009, Berlin, Germany.

<sup>30</sup> Dr. Nicu Popescu, Policy Fellow at the European Council on Foreign Relations, interview by author, 18 August 2009, London, United Kingdom.

<sup>31</sup> Germany, Poland, Romania, Lithuania and Sweden.

<sup>32</sup> Chief of the Department for Eastern Europe, Caucasus and Central Asia of the European Commission.

2010) of the negotiations over the new agreement. In the same context, Gunnar Wiegand declared that the European Commission will send a technical experts mission to evaluate the question whether Moldova will be ready to move towards a free-visa regime (Wiegand 2009). But the most sizeable aspect of these meetings was the promise of € 100 million credit from the EU after Moldova receives \$ 580 million from the International Monetary Fund (signed late October).

Together with the abolishment of the visas for Romanian citizens, Moldova and Romania signed (19 October 2009) the Convention for Small Cross-Border Traffic that allows Moldovan citizens who are close to the Romanian border (up to 30-50 km) to travel to Romania for a similar distance without visa (Leanca 2009). The EUSR stated that beginning with December 2009, the EUBAM will open a regional office in Chisinau. Basically there were many events that proved the commitment of both the EU and Moldova, such as the promise of Poland to help Moldova financially, the visit of Germany's Special Representative for Eastern Europe and Central Asia (Hans-Dieter Lucas), the visit of Moldova's Prime Minister and speaker of Parliament to Brussels and other events that brought a new momentum to EU-Moldova relationship.

The new government should pursue the path of reforms and involve the society in deploying these reforms. In regard to the membership perspective, Moldova should focus on fulfilling the Copenhagen Criteria and stop complaining about membership, because it is not the missing membership perspective that causes all the problems of Moldova. Membership will appear on the agenda as soon as reforms are carried out.



## **Conclusions and recommendations**

### **Conclusions**

This research has shown that the result of the EU's conditionality is modest in Moldova. Its impact on the political and the economic field should be considered separately.

It is obvious that Moldova would like to join the EU, but is not being encouraged by the rhetoric of the Union or by the partnership framework. The absence of the mega-incentive of membership makes the EU's current incentives too insufficient to induce Moldova's compliance, given that the costs of reforms are bigger than the announced rewards. These factors also hamper the quality of the reforms; many of them have been adopted in legislation, but fell short in implementation. Moreover, a lack of a clear-cut cause-effect links between conditionality and outcomes has had a deleterious effect. In many cases, reforms are implemented at the governments' own initiative for adjusting to world economic trends and not as a result of external influence.

To advance its relationship with the EU Moldova has to do its "homework" by underpinning its rhetoric with some facts and filling in the requests with some substance. Nevertheless, the EU continues to apply positive conditionality even though Moldova is not fully complying. In this context, the EU does not inflict punishment for non-compliance, trying to engage with Moldova and create linkages, which might later become a leverage to influence Moldova and to apply stronger conditionality. However, there should be a comprehensive analysis to determine where pressure could be most effective. Keeping Moldova cooperative with the EU is another reason for non-punishment. Otherwise, punishment may induce Moldova to cooperate more with Russia and to quit the path of reforms.

In line with the conditionality applied to the government, there should be a bottom-up approach with a substantial support for the NGOs in fields where Moldova still suffers from deficiencies, such as human rights, freedom of speech, social issues and other related concerns. Currently Moldova's society is not aware of many reforms and the top-down approach is not able to produce high-quality effects without civil society support.

Alongside Moldova, the EU has its own shortcomings. The ENP lacks instruments for political change, although it has leverage over economic development, the Autonomous Trade Preferences being a relevant example. In line with this instrument, the EU is expecting a spill-over from economic to political dialogue, which will certainly occur in the following years if the EU remains Moldova's biggest trade partner.

Finally, one of the main factors that are contributing to the failure of some policies in Moldova, but also in the whole eastern neighbourhood, is the Russian factor. Russia has a vital interest in keeping its influence in this area for reasons of geographical proximity and other benefits. The Russian Federation is successfully counterbalancing and often outrunning the EU in Moldova by using its hard power tactics, like blackmail, the Transnistrian conflict, energy resources, embargoes or Russian minorities and soft power like media control, free-visa regime, and strategic investments. This makes the objective of keeping Moldova on the European integration path a challenging policy goal.

## **Recommendations**

As for the recommendations, there are several actions that could improve the ongoing reform process. I suggest that the EU should:

- boost the socializing strategies through engaging Moldova in more frameworks (as suggested in the Eastern Partnership),
- create the EU-Moldova Application Unit for earmarking EU funds,
- increase the incentives for reforms, especially in the political dimension,
- create a link between political progress and economic incentives by granting bigger economic perspectives/incentives for political reforms and compliance,
- increase its involvement in the Transnistrian conflict and continue to support EUBAM and Moldova's integrity,
- adapt EU policies to the necessities of Moldova, meaning co-ownership of partnership and individualization,

- offer a better visa for circular migration,
- intensify the political dialogue by offering multilateral institutional membership/participation to/of Moldova, which will lead to a deeper relationship with the EU,
- condition the amount of the macro-economic assistance (especially the budgetary support) with the implementation (not only adoption) of laws,
- monitor closely the implementation of the EU-Moldova Action Plan.

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