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A Brief Analysis of Russian Influence in Moldova: The Strategic Importance of Limiting the Economy of Transnistria

The war in Ukraine has created shocks among Eastern European nations. Russian aggression has allured once-neutral countries towards Western allyship. While Finland and Sweden submitting bids for NATO membership took the headlines, most of the West overlooked the strategic importance of Moldova's European Union candidate status. This past June, the EU granted Moldova candidate status, limiting the geopolitical influence of Russia in the region to Belarus. While Moldova statistically has the worst economy in Europe, establishing a new trade interdependence with the rest of the EU can prevent the resurgence of Russian influence over the region.

To understand the strategic importance of keeping a Western-friendly Moldovan government in power, it is important to first touch on the history of Russian influence in the region. Beginning after the collapse of the Soviet Union in 1991, Moldova became a battleground between Russian and Romanian influences. At first, Soviet-era Moldova fell victim to the exile of ethnic Romanians and Moldovans. Russians saw the ethnic migrations as an opportunity to move into the region and snatch up once-preoccupied land. According to Eugene Rumer, this event resulted in attempts to forge a new Soviet-Moldovan identity, where the Soviets shifted the entire language from Latin to the Cyrillic alphabet.¹ However, with the dissolution of the Soviet Union came the opportunity for Romanians to reassert themselves through a nationalist movement in the region. In the late 1980s, the Moldovan-Romanian nationalist movement emerged as a major challenge to Russian political forces. The movement called for a redrawing of the Soviet-era borders, reuniting the Romanian populations. The movement surged throughout Moldova, worrying the ethnic Russians currently residing there. According to Rumer, these Russians were apprehensive about losing their status and having their ties to Russia severed.¹ Eventually, they launched a new secessionist movement, which resulted in the formation of Transnistria, a de facto state backed by Russia. Shortly after its formation, Transnistria resisted reabsorption attempts by Moldova. This response resulted in a brief conflict, brought to a ceasefire when Russian army personnel were deployed for intervention in favor of the newly formed Transnistria. Following the conflict, Moldova was split between pro-Russian and pro-European governments. Unfortunately, attempts by different political actors to solidify their holding within the ever-shifting government have paved the way for corruption and various political scandals. These scandals have plagued the government and left the future of the country in doubt as pressures rise in the region following Russia's invasion of Ukraine.

Currently, fears are rising in Moldova that Russia could use political and economic instability to stage a coup. There were always fears that Moscow could use its influence in Transnistria to set up a permanent Pro-Russian regime in Moldova. According to Vladimir Solovyov, "By reincorporating the pro-Russian region into Moldova, Moscow believed

¹ Rumer, E. (2017, May 23). Moldova between Russia and the west: A delicate balance. Carnegie Endowment for International Peace. Retrieved November 7, 2022, from <https://carnegieendowment.org/2017/05/23/moldova-between-russia-and-west-delicate-balance-pub-70056>

Transnistrian voters would tip the balance in its favor and ensure that the country was always led by a pro-Russian government instead of continuing to drift toward the West.”² However, Russian aggression in Ukraine and the recent election of a pro-Western president have seemingly destroyed those ³⁴opportunities. President Maia Sandu’s decision to apply for EU membership following the invasion has angered the Pro-Russian Communist party. Former president Igor Dodon regularly calls for mass protests to bring about another election, while disgraced former politician Ilan Shor has even called for a massive anti-government rally.² Sandu’s adversaries are hoping to use the extreme rise of gas prices in the country to fuel the discontent needed to stage such protests and turn the country back into a Russian puppet state. Given the fragile state of Moldova’s economy, the rising pressure amounting from opposition parties, and the recent Russian aggression, Moldova needs economic support to keep the country from falling back under Russian influence. The European Union and other western allies can cement the current pro-western Moldovan political party in place through the establishment of new trade deals that decrease the country’s dependence on Russia and increase interdependence with the rest of Europe. Furthermore, the European Union can further weaken Russian influence by isolating Transnistria from the rest of Western Europe. The isolation of Transnistria through trade barriers would force an already weakened Russian economy to choose between continuing to support Transnistria or abandoning the region altogether.

When analyzing the weaknesses of the Moldovan economy, the significant weak point often highlighted is the country’s reliance on Russian gas. Moldova is completely reliant on Russian gas. Given the recent rise of President Sandu, the Kremlin has made attempts to undermine her rule through the disruption of gas supplies. According to Andrew Wilson, Russia has reduced gas supplies to Moldova by 30 percent as of October.³ The disruption of supplies has created major problems for the Moldovan economy as winter quickly approaches. Russia has not only cracked down on the supply of gas but has also dramatically increased the price to a crazy \$1,028 per thousand cubic meters.³ The resulting massive rise in inflation within Moldova has been exacerbated through the disruption of trade with war-torn Ukraine. With fears rising that Russia might eventually cut off the supply of gasoline, the possibility of a coup by pro-Russian forces has become a real possibility. For Sandu to avoid political disruption by Pro-Russian opposition, Sandu must keep the population content by providing an alternative gas supply at an affordable price.

For the west to keep Moldova from falling back into Russian hands, they must find a way to provide the country with cheap and affordable gas. The first and most feasible solution considers a pipeline from Poland. Last year, Poland sent Moldova an initial 1 million cubic meters of gas in an experimental run of the pipeline. The high capacity of gasoline the pipeline provides suggests that a long-term deal with Polish suppliers can potentially end overreliance on Russian fuel. The second solution is for Moldova to arrange continuous short-term supply deals

² Solovyov, V. (2022, September 23). Ukraine war risks repercussions for Transnistria. Carnegie Endowment for International Peace. Retrieved November 7, 2022, from <https://carnegieendowment.org/politika/87986>

³ Wilson, A. (2022, October 13). Escape routes: How the EU can help Moldova end its dependence on Russian Gas. ECFR. Retrieved November 7, 2022, from <https://ecfr.eu/article/escape-routes-how-the-eu-can-help-moldova-end-its-dependence-on-russian-gas/>

with western countries. Although not sustainable in the long run, the short-term plan could keep the Moldovan gas industry free of Russian supply until longer-term European projects are completed, such as the Neptun Deep drilling project projected to become operational in 2026. Evidence suggests Moldova has already begun incorporating this short-term plan as the country has arranged a deal with Romania and Slovakia for a gasoline supply that will last them through the winter. However, both plans will require a large amount of spending from an already crippled Moldovan economy. The failure of western allies to provide Moldova with the funding needed to diversify its energy supply could mean the destabilization of the political system and the eventual return of the country to Russian control. The EU needs to take advantage of the situation by loaning the funds needed to keep Moldova afloat, cementing the country into a permanent ally of the West.

While the EU is opening its doors to Moldova, they need to simultaneously shut down trade with the separatist region of Transnistria. While the Russian economy struggles, the EU has the chance to isolate the de facto state and force Russia to make a tough decision on the region. The Transnistrian economy is now heavily dependent on Russian energy and financial support. Several Soviet-era industrial plants generate more than half of the GDP. Consequently, the economy is extremely susceptible to collapse given any shock to its key trading partners. Given that the Sheriff corporation has a monopoly over most of the services and local trade, the problem is only exacerbated. If Sheriff was to fail, the Transnistrian economy would be likely to follow. Given the state of the local economy, Transnistria relies heavily on Russian financial support. One of the ways Russia supports Transnistria is through the free supply of Russian energy. The current holder of the controlling stake in Moldovan gas is Gazprom, a Russian company. According to Kamil, with Transnistria consuming two-thirds of the gas supplied to Moldova, Gazprom does not force any payments from the region.⁴ Moldova is forced to tolerate the growing debt resulting from the lack of payments since Gazprom controls the supply. The growing debt Transnistria is causing Moldova also allows Moscow to apply economic pressure on the current pro-western regime. If Moldova can find alternative gas supplies from European companies as mentioned before, it would force Gazprom to take on the debt itself or begin charging Transnistria for its use. What's more, Russia offers the region funding through so-called humanitarian aid packages. Moscow also funds the region's law enforcement agencies and has helped to stabilize the local currency. However, Russia was forced to cut funding for the region once before. According to Leşanu and Marandici, following the rise of Russia's debt in 2015, Moscow refused to increase aid to Transnistria.⁵ Even with Russia's continued support of the region, the refusal of aid proves that Russia is willing to cut funding for the region in a crisis.

As previously mentioned, the economy of Transnistria is mostly controlled through the monopolistic Sheriff corporation. With demand in the economy severely limited by the small

⁴ Caşu, K. (2018, April 19). An aided economy. the characteristics of the Transnistrian economic model. OSW Centre for Eastern Studies. Retrieved November 7, 2022, from <https://www.osw.waw.pl/en/publikacje/osw-commentary/2013-05-16/aided-economy-characteristics-transnistrian-economic-model>

⁵ Marandici, I., & Leşanu, A. (2020). The political economy of the post-soviet de facto states: A paired comparison of Transnistria and the Donetsk People's Republic. *Problems of Post-Communism*, 68(4), 339–351. <https://doi.org/10.1080/10758216.2020.1785317>

size of the local market, the company makes most of its income through exports. 2012 numbers show that exports account for nearly 70% of the GDP.⁴ The metallurgical, textile, and energy sales generate around 75% of the export revenues.⁴ If Sheriff were to lose its export income, Transnistria is forced to rely almost completely on Russian financial aid to keep its economy afloat. However, exports to Moldova, Romania, and other EU nations continue to bring in income. One of Europe's largest textile producers, Tirotext, has Sheriff as its main stockholder. The EU can put more economic pressure on Russia by targeting the holdings of the Sheriff corporation. Additionally, western countries can halt imports from the four industrial giants of Transnistria: SC Moldova Steel Works, Tirotext, the Ribnita Cement Plant, and the Moldavskaya GRES power plant.⁴ The boycott of these companies by European nations and their allies will eliminate most of the income brought in by exports. This isolation forces Russia to either pour more money from its struggling economy into the region or to pull out completely to focus on its current war effort. If Russia pulls out, the region will most likely collapse due to economic instability, allowing for the pro-western Moldovan regime to reintegrate the region. However, continued financial support of the region would mean steering more funds away from the war effort in Ukraine. Either way, the situation would likely cause the further weakening of Russian influence in the region. Still, forcing Russia's hand in the Transnistrian region runs high risks. There is still the worst-case scenario that Moscow would choose the path of aggression, even going as far as to annex the region. Even so, this event would force Russia to divest precious military resources from Ukraine.

The past strategy of the EU has been to try to drive the region away from Russian influence through trade and visa-free access to travel. According to Kramer, the hope was that greater cooperation between the EU, Moldova, and Transnistria would help to reduce Russian influence in the area.⁶ However, following the Russian invasion of Ukraine and the rise of a pro-western political leader in Moldova a new opportunity for economically pressuring Russia has emerged. The economic support of Moldova through gas supplies and funding could keep the pro-Russian regimes of the past at bay, while the isolation of the Transnistrian economy could either force Moscow to abandon the region or force them to divert precious resources away from the war effort in continued support of the de facto state. The EU and its allies need to take advantage of the opportunity presented to them to weaken Russian influence or risk Russian control of the entire Moldovan region.

⁶ Kramer, R. (2016, October 17). Transnistria Primer. Foreign Policy Research Institute. Retrieved November 7, 2022, from <https://www.fpri.org/article/2016/10/transnistria-primer/>

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