

# **Moldova Strategic Conflict Assessment (SCA)**

**Stuart Hensel**

**Senior Editor, Economist Intelligence Unit**

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## Foreword

Almost fifteen years have passed since the fighting between Moldovan forces and separatist troops from the breakaway region of Transnistria ended in stalemate. The two sides have since avoided a return to open hostilities. However, they have yet to agree on an acceptable status for Transnistria—a narrow strip of Eastern Moldova stretching from the left bank of the Nistru River to the Ukrainian border. In the absence of a final settlement, the two parts of the country have drifted further apart. They have developed their own, distinct institutions and have benefited from relatively little people-to-people contact. Unfortunately, even as the possibility of a return to armed conflict has receded, so too have prospects for any easy reunification. Spurred on by the acrimonious rhetoric still heard from both sides, deep mutual mistrust on the part of citizens and elites has set in. By now, a generation of Moldovans has grown up with no memory of any joint existence.

The economic and social costs of the unresolved conflict are considerable for citizens on both sides. Transnistrians are weary of the isolation and uncertainty that result from their region's unrecognised status. They are denied basic civil rights by leaders loathe to surrender political or economic control of their self-styled state. The fact that those leaders have ensured living standards comparable to those in the rest of Moldova means little, in light of the poverty and deep social problems that afflict what is now Europe's poorest country by far.

Although citizens in the rest of Moldova are less isolated, they too are paying the cost of their country's division. The corruption and smuggling encouraged by the existence of an ill-defined internal border have depleted government resources, while keeping investors at bay and distorting the incentives faced by elites. The loss of Transnistria has moreover left the rest of Moldova overly dependent on its agricultural sector. It is thus easily buffeted by external shocks and is poorly placed to break into Western markets. The resulting economic difficulties have pushed more than a quarter of the workforce to seek employment abroad; these migrants send home sorely needed incomes, but at a huge cost in terms of families, rural communities and, not least, the country's longer-term economic prospects.

The Transnistrian conflict persists because the main actors involved see insufficient incentive to change the status quo. One of those actors is Russia, whose support for Transnistria's leadership has long stymied the search for a breakthrough. Other outside actors should certainly seek opportunities to point Russia towards a more helpful stance. However, they should also focus their attention on the incentives faced by elites on both banks of the Nistru river, whose policy choices and rhetorical excesses similarly preclude progress towards conflict resolution.

Much of the problem lies in the weakness of civil society, which is not yet in a position to force the elites to prioritise citizens' interests ahead of their own. The Strategic Conflict Assessment offers a framework for addressing that problem, based on the Peace Building Framework (PBF) established by DFID in 2004. In Transnistria the goal would be to increase civil society's understanding of the need to hold leaders accountable, and to encourage debate over the costs of current policies. In the rest of Moldova, the goal would be to increase civil society's capacity to generate sound policy proposals and to oblige the authorities to implement them effectively.

Greater accountability and more coherent policies will not only help Moldovans to achieve, finally, an acceptable standard of living, but also increase the likelihood that Transnistrian citizens will eventually reconsider their separatist choice. As none of this will happen overnight, there is nevertheless a serious risk that mutual mistrust, popular apathy and generational change will continue to chisel away at pro-reunification sentiments. Outside donors, working with civil society, must therefore be encouraged to counter that trend through far more concerted initiatives designed to foster contact and understanding between the two sides.

Stuart Hensel  
Economist Intelligence Unit

# Executive Summary

## Introduction

This study uses methodology that was developed by DFID over a two-year period and first published in 2002. The goal of such analysis is to ensure that outside assistance, influence and advocacy is as focused as possible.

The Strategic Conflict Assessment (SCA) comprises the three following steps:

- Analysis of structural causes and the position of actors involved;
- Analysis of current responses; and
- Examination of options and opportunities.

The team conducting this SCA consisted of Stuart Hensel of the Economist Intelligence Unit, and Andrei Popov and Gheorghe Stamate of the Foreign Policy Association of Moldova. The field work for the study took place in September-October 2006.

The strategic conflict assessment follows on from two similar studies conducted for DFID in 2000 and 2002. The latter study led directly to the launch of a Peace Building Framework (PBF) project in 2004.

## A. Analysis/Sources of Conflict

### Brief history of the conflict

The Transnistrian conflict originated even before the collapse of the Soviet Union. Faced with a rising threat from national revival movements in a number of constituent republics in the late 1980s, the Soviet authorities played on the fears of Russian-speaking citizens as part of a last-ditch effort to slow the break-up of the Soviet Union. In Moldova's case, this meant encouraging elites in the region of Transnistria to raise the spectre of lost language rights and unification with Romania in the event of Moldovan independence.

These efforts resulted eventually in Transnistria's declaration of independence from the rest of Moldova in September 1990. An escalation in tensions thereafter culminated in a brief period of heavy fighting and a July 1992 ceasefire. Since then, the region has existed as a de facto independent entity outside of the Moldovan government's control.

### Sources of tension and conflict

Russia's continued troop presence in Transnistria and support for the region's leadership is a major impediment to any final resolution of the longstanding stalemate. However, a number of other factors also play a role, including Moldova's Soviet political culture and incomplete transition.

Elites in Moldova continue to prioritise party political considerations and their own economic interests ahead of national ones, while the political system has remained untransparent and unaccountable. The result is an ineffective policy formulation process and a lack of public debate. This in turn has a deleterious effect on the general reform process, while producing incoherent policies with regard to Transnistria.

In Transnistria, politics are even less open than those in the rest of Moldova. As a result the ruling elites in that region face little pressure from below to resolve the conflict. They themselves have little incentive to end the stand-off, as their control of the region's economy and their involvement in smuggling has proved lucrative.

Moldova's inability to outperform Transnistria noticeably in economic terms is a key factor preventing a final settlement. The country's unbalanced economy, slow reforms and corruption reduce incentives for Transnistrians to rejoin—while entrenching deep-seated poverty throughout the country.

Moldova's impoverished and disenfranchised population plays little role in pushing elites towards a resolution of the conflict. As a result, a vicious circle emerges. Moldova today is struggling to break out of the trap created by a pernicious combination of corruption, poverty and conflict.

### Conflict dynamics since the last SCA

The conflict over Transnistria is no closer to resolution than it was at the time of the last Strategic Conflict Assessment (SCA) in early 2003. A number of negative developments have even rendered the context less propitious than it was four years ago. Although some positive developments have created new openings, the fundamentals of the conflict remain unchanged.

The OSCE-led settlement talks have yet to produce anything like a final agreement, and have stalled since early-2006. The likelihood of devising a more effective

negotiating framework is as remote as ever, while the Moldovan and Transnistrian sides now appear further apart than ever before.

The Transnistrian referendum held in September 2006 is the most recent contribution to a general widening of the gap between the two sides. With voters reported to have overwhelmingly supported the notion of independence and eventual association with Russia, Transnistria is now less willing to compromise.

Russia's stance as well is now more assertive. It is pushing for a settlement that guarantees Russian troops a continued presence in the region, and is punishing the Voronin administration politically and economically for refusing. Most recently, Russia has banned Moldovan wines and agricultural products from entering its market, while sharply increasing the price Moldova pays for Russian gas.

The Moldovan elites for their part have hardened their tone, and in 2005 the Moldovan parliament overwhelmingly endorsed a set of tough preconditions that the other side by definition will not meet.

The stabilisation of the Transnistrian economy and three more years of separation—during which Transnistria has built up institutions, and mutual feelings of alienation have strengthened—similarly diminish prospects of a settlement.

More positive has been the adoption by the ruling Party of Communists of the Republic of Moldova (PCRM) of a more pro-European and pro-reform stance, as well as the opposition's decision to cooperate rather than to block. The Moldovan economy is now also performing better than in the past, and reforms are proceeding. The EU, for its part, is much more engaged.

The regional context has changed too. Ukraine is now more constructive, although only to a point. Romania is on the verge of EU membership, which will bring the EU closer and could strengthen pro-EU sentiment in Moldova. But Romanian accession is also likely to renew the debate within Moldova over unification with Romania. That discussion could become a debilitating distraction and would ultimately buttress the Transnistrian leadership.

## B. Current responses

A range of multilateral and bilateral donors are active in Moldova, as well as private organisations. The government's main strategy documents have created a

helpful framework for that assistance. Outside donors are focused on a full range of reforms, including economic liberalisation, better governance, sectoral support and institution strengthening.

Donor assistance has helped to address the almost complete lack of civil society inherited from the Soviet period. However, Moldova's civil society remains weak, and still does not play a sufficient role in terms of shaping government policies or holding elites accountable.

Civil society in Transnistria is exponentially less developed even than in the rest of the country. The leadership accepts no political activity by NGOs and at best tolerates marginal social activities. NGOs are strictly controlled by security forces, and foreign funding is viewed with extreme suspicion. It is nevertheless still permitted, and an embryonic civil society is evident, although its impact on high-level policy is negligible.

The extent to which donors work in Transnistria remains limited. The Peace Building Framework Project (PBF) administered by DFID is the most advanced programme working in Transnistria, building the capacity of NGOs, media and the research community in a long-term response to conflict.

## C. Strategic risks and opportunities

No final agreement in Transnistria seems possible without one of the following developments:

### (a) An end to Russian support for Transnistria.

Transnistria could not survive without Russian political and economic support. However, a change in Russian policy seems unlikely. Outside pressure on Russia might help, but is unlikely to be forthcoming.

### (b) Moldovan and Western acceptance of Transnistria as an entity with a right to at least confederal status, and even independence or unification with Russia.

Such a policy seems even less likely than a change in Russia's stance. Nevertheless, pressure to begin at least addressing this taboo could rise in the face of further successful consolidation of the Transnistrian administration.

### (c) Reduced scope for Transnistrian elites to claim that reunification offers no gains.

This is possible, but would probably require Moldova to become considerably more attractive, a process that is complicated by political and economic weaknesses. It could also happen through greater democratisation and a broader media space in Transnistria, which is most likely only plausible over the medium- to long-term.

**(d) Far more concerted Western involvement in Moldova.**

Greater outside help will almost certainly be needed for Moldova to build a state able to win over the Transnistrians. However, even if more help were forthcoming, Moldova still lacks many of the attributes that enabled other countries in the region to capitalise on the EU's assistance. Significant progress is therefore only plausible over the medium- to long-term.

**(e) Increased willingness and capacity on the part of Moldovan elites to devise coherent reform policies and a workable integration strategy.**

The lack of both political will and capacity in Moldova hampers reforms and precludes the coherent approach needed with regards to Transnistria. This can change, but will take time.

**(f) Increased willingness on the part of Moldovan citizens to demand a settlement.**

On both sides of the river, apathy, disenfranchisement and exhaustion permit policies to go unscrutinised.

None of the above developments is expected to materialise over the short term. Chances for a solution over the medium to long term are better, assuming that progress on a number of the fronts identified above is achieved. In particular, a more attractive Moldova and somewhat greater pluralism in Transnistria would contribute greatly to prospects for a resolution. Neither is likely without a more developed sense of government accountability. This in turn will not materialise without a civil society and media that are able to take on a more active role in policy debates and subject their leaders to meaningful scrutiny.

## D. Conclusions and recommendations

### General Recommendations

Programmes in Transnistria are both possible and useful, albeit difficult. The goal should be to help citizens learn that leaders can be held accountable; encourage debate about current policies, and reduce mistrust and misinformation about the rest of Moldova.

Despite the extremely difficult context, outside assistance can have some impact, particularly if donors co-ordinate their activities. The focus of outside assistance should be on NGOs working to improve access to information, deepen contacts with the rest of Moldova or re-establish links between citizens and their local leaders.

The impact possible in Transnistria is nevertheless far less than in the rest of Moldova. Given that many of the conflict drivers come from the rest of Moldova, donors should focus considerable assistance there. The key underlying challenge could be characterised as follows:

- (i) The government needs to have good ideas available to it;
- (ii) the government needs to have the ability to implement those ideas; and
- (iii) the government needs to feel pressure from civil society to do so.

This focus could influence a significant number of conflict drivers, by working in three priority areas:

- (i) support to policy institutes and other research-centred NGOs;
- (ii) electronic media reforms; and
- (iii) strengthening government capacity.

Such a combination would help to ensure that the government has good policy options available, as well as the capacity and pressure needed to use them properly. To date, this process does not function well in Moldova.

The lack of reform at the public broadcaster, TeleRadio Moldova, is of particular concern. Given that it is the sole source of news for most Moldovans, its role as a government mouthpiece allows the elites to avoid implementing good ideas or addressing problems, even when solutions are available. The key is to

convince the current Moldovan administration that the costs in terms of its relations with the EU are greater than the political costs incurred through giving up media control. Given the right mix of pressure and incentives, it is conceivable that the Moldovan leadership could be brought to accept a far greater degree of media openness than has existed to date.

### Recommendations for the EU

The EU can play a pivotal role in ensuring real electronic media reform. It can do so through greater pressure on the leadership and through an offer of more concerted engagement more generally.

The EU should in any event increase its visibility and effectiveness on the ground. It needs to redouble efforts to promote greater understanding of the EU throughout Moldova (including Transnistria), and needs to ensure that the business community is able to take advantage of the trade liberalisation on offer.

Such an engagement is needed to minimise the significant downside risks apparent in Moldova. Not least, the political situation could look far less benign over the medium term. The EU and others should attempt to prevent this by working even harder than at present to encourage sound policies and to signal that closer relations with the West are beneficial.

Although prospects for influencing Russia's policy agenda are limited, more efforts should nevertheless be made to dent Russia's belief that its current course has no consequences in terms of its relations with the West. Even a partial shift in Russia's policy, which might prove possible to achieve, would make such efforts worthwhile.

### Recommendations for GCPP

The analysis suggests the need for a continuation of the sort of activities undertaken by the PBF project. The underlying problems have changed little since the last SCA: civil society and the media are too weak to provide either the good ideas or the scrutiny required for effective governance. A framework similar to that of the PBF could make a significant contribution by:

#### (i) Working with civil society in Transnistria

Financing for NGOs should be as long-term as possible, and should focus on key needs: broadening the information space; building connections between Transnistria and the rest of Moldova; and re-

establishing the link between citizens and local authorities.

The UK should moreover consciously leverage the experience that PBF has gained (PBF is far ahead of others in terms of working in Transnistria). The UK could play a leading role in encouraging other donors to launch their own projects in Transnistria, while ensuring that assistance be as co-ordinated and effective as possible.

#### (ii) Working with civil society in the rest of Moldova

GCPP should focus on fostering a think-tank sector able to generate policies, monitor progress and feed into a larger debate. The focus of research need not be narrowly aimed at the Transnistria conflict, given the extent to which policy shortcomings across a range of areas contribute to conflict.

#### (iii) Working with media

GCPP could help to encourage EU partners to increase pressure on the government to accept more fundamental public broadcast reform. Should such reform prove possible, the UK would be well-placed to help, and should recognise the importance of progress in this area.

Other media assistance is nevertheless also useful, particularly for projects that address the lack of accurate information on both sides of the river (concerning the other), as well as the current general lack of contact and dialogue between the two sides.

#### (iv) Building government capacity

Although a stronger civil society and media would go a long way towards improving policy, much of the problem still resides in insufficient government capacity. GCPP should look to finance advisors in key government ministries and offices.

These advisors need not be conflict specialists. However, an exception to this might be if GCPP chooses to work with the Ministry of Re-integration. This is worth exploring, given the interest that has been expressed and the clear need for greater effectiveness in that office.

## FULL REPORT

# Strategic Conflict Assessment

## Introduction

Strategic Conflict Assessment views conflict as an integral part of political, economic and social processes. It provides a model for developing an understanding of conflict that can be integrated into policy-making at all levels—and possibly help to integrate aid with diplomatic and security policy. The responses arising from such an analysis are potentially more likely than others to address governance from a conflict-informed perspective.

The first part of the report consists of a Strategic Conflict Assessment (SCA) based on DFID methodology.<sup>1</sup> The methodology is intended to identify the main issues underlying conflict and thereby to ensure that outside assistance, influence and advocacy are better focused. The three main steps involved are:

- Analysis of structural causes and the position of actors involved;
- Analysis of current responses; and
- Examination of options and opportunities.

The team conducting the strategic assessment consisted of Stuart Hensel from the Economist Intelligence Unit, and Andrei Popov and Gheorghe Stamate from the Foreign Policy Association of Moldova. The field work for the study took place in September-October 2006.

The SCA follows on from two similar studies conducted for DFID. The first was undertaken by Susan Woodward in 2000 as a test of the SCA methodology and resulted in an unpublished report. The second was prepared by Tony Vaux of Humanitarian Initiatives and published in January 2003. It led to the launch of a Peace Building Framework (PBF) project in 2004.

The PBF is on-going. It aims to help strengthen non-governmental organisations (NGOs) across Moldova, including Transnistria, while enhancing the peace building role of the media. It also seeks to increase peace building awareness and co-operation among international actors, and to improve the quality of conflict-related debate within Moldova (see page 29 for more details on the PBF project).

## SECTION ONE

### Analysis/Sources of Conflict

#### A. Brief history of the conflict

The widely-held perception that the ethnic make-up of the Transnistria region differed significantly from that of the rest of Moldova at the end of the Soviet period is misleading. Like the rest of the country, Transnistria (a narrow strip of territory between the Nistru river in eastern Moldova and the Ukrainian border) featured a plurality of ethnic Moldovans living alongside large minorities of ethnic Russians and Ukrainians.<sup>2</sup>

In that respect, the Transnistrian conflict that emerged in the late 1980s and early 1990s lacked the ethnic roots of most other post-Soviet armed conflicts. The region nevertheless did contain a larger concentration of both Russians and Ukrainians than existed in the rest of Moldova. Moreover, unlike other parts of Moldova, Transnistria had come under continuous Russian or Soviet control since the late 18th century. It had also seen relatively greater and more recent inflows of people from other parts of the Soviet Union, owing to the region's industrial development after the Second World War and its appeal for retiring Red Army veterans.

By the late 1980s, therefore, Transnistrian society included a number of groups potentially uncomfortable with the national revival movement that was gathering speed within Moldova. Confronted with a growing nationalist threat not only in Moldova but also throughout the rest of the Soviet Union, the Soviet leadership at the time hoped to regain the initiative by playing up the fears of Russian-speaking citizens in those places. In Moldova's case, the Soviet leadership began to encourage the elites in the Transnistria region to raise the spectre of unification with Romania and the loss of Russian language rights. The pro-Romanian rhetoric of a substantial minority within Moldova during that period helped to lend these concerns credence.

Tensions in Moldova were therefore heating up rapidly by the end of the 1980s. In the final years of the Soviet

period, the Transnistrian elites began responding to pro-Moldovan language laws and nationalist demonstrations in Chisinau by organising counter demonstrations, and soon began to form self-defence units. The presence of the Soviet 14th army in the region provided a ready source of both weapons and personnel. The economic interests of the Transnistrian elites also contributed to the separatist momentum, as factory managers understood that independence from the rest of Moldova might allow them to retain control of their lucrative assets.

The first open hostilities surfaced following Transnistria's declaration of independence in September 1990. The fighting escalated particularly sharply in the first half of 1992 and only stopped with the mobilisation of the 14th army in July of that year. Attempts ever since to transform the ceasefire into a final settlement have proved fruitless. Negotiations have involved the Moldovan authorities, the leadership in Transnistria, the Organisation for Security and Co-operation in Europe (OSCE), Russia and Ukraine. Since 2005 the US and EU have taken part in the settlement talks as observers.

## B. Sources of tension and conflict

### Security issues

#### Military presence

The likelihood of open, armed conflict re-erupting in Transnistria is remote. Nevertheless, the conflict remains overtly militarised and comes with a history of violence. Around 1,500 armed forces and civilians died during the fighting in the early 1990s.

Notwithstanding occasional spikes in tension, the two sides have avoided a return to open military hostilities for almost 15 years. There have been no casualties, and only one shooting incident (involving a peacekeeper firing into the air in 2005). The lack of hostilities since 1992 is less a reflection of effective mechanisms being in place, but rather of a general military balance and a shared understanding that little is to be gained through a return to fighting.

A military solution appears to be completely off the table for Moldova, as is any serious consideration of re-integration with Romania. This has helped to reduce the likelihood of any return to armed conflict. Moldova would in any event stand little chance of resolving the stand-off militarily. Transnistria's armed

strength is more than a match for the Moldovan military, despite its population being less than one-sixth the size of the Moldovan one.

Transnistria's armed forces consist of around 4,000 regular military, a somewhat smaller number of "Cossack" auxiliaries, as well as interior ministry and police forces. Transnistria also has 18 tanks at its disposal. Moldova lacks tanks of its own, has not procured any major equipment since 1994, and has reduced its troop strength by more than half (from the roughly 12,000 under arms in 1992).<sup>3</sup>

The fact that the stand-off is still highly militarised is nevertheless a cause for concern. Some local Transnistrian commanders, who owe their status and preferential treatment to the ongoing conflict, have a vested interest in perpetuating the status quo. They are likely to feel endangered by any move towards eventual settlement. Similarly, a large security service exists in Transnistria that enjoys enormous power under the current system and might also feel endangered by the prospect of a lasting peace.

It is possible that these elements would refuse to accept a decision on final settlement taken in Russia and accepted by the top Transnistrian leadership. They might similarly refuse even to accept the replacement of Russian peacekeepers by international ones. Given the proximity of the two sides, it would not be difficult to provoke an armed incident involving Moldovan police or military with the goal of either halting progress or else merely fostering the perception of a high-risk environment, which might dissuade a Western deployment.

The likelihood of a change in the composition of the peacekeepers is nevertheless remote. Russia continues to reject any suggestion that it share its peacekeeping job. Although the EU would be unlikely to accept a peace enforcing role—given that many member states already face long term engagements in the Balkans, Iraq and Afghanistan—it might still be able to muster a small force consisting of police and civil observers. However, from a Russian and Transnistrian perspectives even this limited presence is unlikely to be acceptable.

#### Russia's Istanbul commitments

Russia retains a military presence in the region in addition to its peacekeepers. A part of its 14th army has remained in place ostensibly to guard a large stockpile of weapons and munitions left over from the break-up of the Warsaw pact. The Russian weapons



are stored at a base in Tiraspol and at the Colbasna arms depot, located two kilometres from the Ukrainian border in the northern part of the region.

At the OSCE summit in Istanbul in 1999 Russia agreed to withdraw all of its armed forces, its heavy weaponry and its munitions by the end of 2002. It missed this deadline, as well as the one-year extension granted in late 2002. For a while it at least seemed to be making progress. In 2000-01 the Russian forces destroyed more than 400 pieces of equipment, including artillery, armoured vehicles and tanks. They also shipped almost 50 trainloads of equipment and 22,000 tonnes of munitions out of the region.

These shipments ceased in March 2004, leaving just over 20,000 tonnes of munitions still in place. The condition of these weapons is not known; the OSCE reports that munitions observed during the withdrawal process were in good shape, and that Russian forces on the ground claim that munitions are not stored in the open. However, independent verification has not proved possible.<sup>4</sup>

Russia's failure to meet its Istanbul obligations is unlikely to escalate tensions in the region. However, it gives Russia a source of leverage over Moldova and remains a strain on its relations with both Moldova and the West. Moldova's insistence that Russia meet its obligations is supported by the US and by NATO, which refuse to ratify the Adapted Conventional Forces in Europe (CFE) Treaty until the Istanbul commitments are met.

Russia's position with regard to its Istanbul commitments is contradictory. The Russian authorities have long claimed that Transnistrian obstructions prevent them from fulfilling their obligations.<sup>5</sup> At the same time, they argue that they have already honoured the commitments taken on in Istanbul—although by that they appear to mean only their commitment to withdraw from Georgia.<sup>6</sup>

Russia now claims that any further withdrawal needs to be preceded by progress towards a just settlement. This position is at direct odds with legislation adopted by the Moldovan parliament in 2005. This legislation considers a complete Russian withdrawal from the region to be a precondition for any substantive talks on Transnistria. Neither side at present appears willing to back down.

In addition to blocking progress towards a settlement, Russia's continued military presence in Transnistria raises concerns over arms trafficking—as does the possibility that weapons production facilities still exist

in Transnistria. The leadership of that region is secretive about current production at those facilities, which had at one time been integrated into Russia's military industrial complex<sup>7</sup>.

Transnistria's porous borders—and Russian military flights out of Tiraspol airport—exacerbate arms-trafficking concerns. However, it is noteworthy that EU border monitors patrolling the Moldova-Ukraine border since late 2005 have so far found no evidence of organised arms trafficking in Transnistria.<sup>8</sup> Similarly, the OSCE claims no knowledge of any attempted arms smuggling, either related to Transnistrian weapons production or else to thefts from Russian military base. The OSCE has similarly seen no evidence of Transnistrian weapons being found elsewhere in the world.<sup>9</sup>

### Russia's troop presence

Russia's apparent insistence on maintaining a long-term presence in Transnistria continues to limit the prospects for a settlement. The peace plan proposed by Russia in 2003 (the "Kozak memorandum") included a provision for Russian forces to remain as guarantors in Transnistria for 20 years. Although Moldova rejected the plan and has subsequently characterised the Russians as an occupying force, Russia has budged little from the terms of its Kozak document.

Transnistria has strategic importance for Russia as a forward base on the edge of the Balkans. Moreover, Transnistria borders Ukraine—the loss of which proved particularly bitter for Russian elites following the break-up of the Soviet Union. The presence of Russian troops on Ukraine's western border is likely an important factor in Russia's calculations vis-à-vis Ukraine (as it is perceived to limit Kiev's strategic option).

### Russia's security concerns

Russia's stance appears to reflect a combination of imperial nostalgia and historic fears of encirclement. Russia has already seen the Baltic Soviet republics and former Soviet bloc countries join NATO and the EU. It is particularly unwilling to see other former Soviet republics follow suit. To achieve its goals, Russia is keen to ensure that Russia-friendly leaders are in power wherever possible in the CIS. It also supports separatist regions such as Transnistria, Abkhazia and South Ossetia, presumably in the hope of preserving leverage over the countries involved.

The leadership in Moldova is mindful of the fact that Russia is adamantly opposed to Moldovan NATO membership. Although Moldova has co-operated with NATO through the Partnership for Peace (PfP) programme since 1994, and signed an Individual Partnership Action Plan (IPAP) in mid-2006, it remains a neutral state and is not seeking NATO membership. In recent statements, President Voronin reiterated Moldova's commitment to neutrality.

Moldova's stated foreign policy goal of securing membership in the EU is nevertheless still of concern to Russia, given that it would reduce Russian influence over a country that it still considers to be within its sphere of influence. Moldova's explicit commitment to the goal of EU membership has therefore helped to harden Russia's stance towards the Moldovan leadership since 2003. However, Russia is aware of how far Moldova is from meeting EU standards, and how unwilling the EU is to contemplate further enlargement. Russia can therefore afford to maintain the position that it is the sovereign right of states to decide on their orientation towards the EU.

## Political issues

### Russian political interests

Russia's security concerns are closely linked to its domestic politics. The political leadership in Russia has pandered to—and to a large extent shares—the popular perception that Russia deserves to be a great power with a far reach, and that Russia therefore has a legitimate right to influence developments within the former Soviet republics. Any disengagement or acquiescence to Western encroachment in the "near abroad" would be hugely unpopular domestically and thus politically unpalatable. The US decision in 2006 to open military facilities on the Romanian Black Sea coast only reinforces these views.

The issue of Transnistria is particularly sensitive. The region is portrayed in Russia as one largely populated by ethnic Russians and harbouring an understandable desire to retain close ties to Russia. The current Russian leadership remembers the criticism sparked by the perceived abandonment of Russians in the "near abroad" during the initial break-up of the Soviet system, and is wary of bringing similar charges upon itself. It needs to show that it looks after its own.

Despite its current popularity and political dominance, the Putin administration cannot presume that the foundations of its rule are all that solid. It needs an ideological framework through which to galvanise support. The projection of Russian power and a vague plan to reunite the former Soviet space appears to serve this purpose. Any change in the Russian stance seems unlikely in the lead-up to the 2007 parliamentary election or the 2008 presidential one. In a charged pre-election climate, radical forces would use any suggestion of withdrawal to accuse the Kremlin of weakness and betrayal.

### Referendum in Transnistria

Russia is presumed to have played an active role in authorising and financing Transnistria's September 2006 referendum. The notion of Transnistrian independence and eventual union with Russia garnered 97% support in that referendum according to the official result. Although the results (along with the 79% turnout reported) are almost certainly exaggerated, it is very plausible that a solid majority of Transnistrians supports the notion of eventual union with Russia. The international community has refused to recognise the referendum results.

The referendum clearly complicates even further the search for a settlement. Within weeks of the vote, the Transnistrian parliament began shelving any documents calling for negotiations with Moldova that were based on notions of a common state.

Notwithstanding Russia's endorsement of the referendum, it is nevertheless unclear what Russia hoped the referendum would achieve, or what Russia's preferred outcome in Transnistria might be. It might have seen the referendum as a way to increase pressure on Moldova to accept a union of equal states, or even as a way to push the two sides even further apart and thereby perpetuate the status quo (which many see as working in Russia's favour). Russia's recent opening of a consular office in Transnistria to distribute Russian passports could fit with either objective; an increased number of Russian citizens in Transnistria allows Russia to justify its interest in the region and its rejection of unification along the lines sought by Moldova.

Alternatively, the referendum could actually suggest the start of a far more aggressive strategy whereby Transnistria and Russia will now push to secure international recognition of the region's independent status (and possible union with Russia). The wider context would appear to support this view:

Transnistria scheduled its referendum shortly before the November 12th plebiscite to be held in South Ossetia, and ahead of a widely anticipated referendum in Kosovo. The Transnistrian vote also came in the wake of the Montenegrin plebiscite earlier in 2006.

The suspicion is that Transnistria is hoping to use the former Yugoslavia as a precedent. Russian officials have stressed repeatedly that the international community's handling of Montenegro, and in particular of Kosovo, sets a precedent that will be applied elsewhere.<sup>10</sup>

Russia certainly sees the Balkan examples as a possible way to shore up separatist regimes in the "near abroad". However, Russia is also likely to have serious reservations about the Kosovo precedent. Independence for Transnistria—following the Kosovo example—would be more awkward and less useful than the status quo, while the implications for Chechnya would be serious.

Moreover, Russia is likely to recognise that the "precedent" argument is not a particularly strong one: Transnistria is unable to base its claim to independence on ethnic arguments or on a history of human rights abuses. Unlike Kosovo it never enjoyed legal autonomous status before breaking away.

### Ukrainian politics

Aside from Russia, Moldova's more immediate neighbours also continue to play a role in the conflict. Ukraine is particularly closely involved, as it shares a 440 km-long border with Transnistria and is a mediator in the OSCE settlement talks. Almost 30% of Transnistrians are ethnically Ukrainian—only slightly less than the number of ethnic Russians and Moldovans.<sup>11</sup>

Ukraine's attitude towards the Transnistrian conflict is generally described as ambivalent. Ukraine's ambivalence reflects the economic interests of Ukrainian elites who benefit from both legal and illegal trade with Transnistria. It also reflects sensitivity towards Russia. Ukraine is dependent on Russia for its energy imports and its machinery exports. Its leadership has frequently looked to Russia for political support.

Ukraine's role has nevertheless become more constructive since Viktor Yushchenko took over the Ukrainian presidency in early 2005. Over the past year Ukraine finally agreed to longstanding demands to tighten its border controls, and has allowed EU border

monitors to operate on Ukrainian territory. It has also sponsored a settlement plan, which all sides agreed to in May 2005 and which remains at the centre of Moldova's settlement strategy (even if in practice it appears to be moribund).

Mr Yushchenko seems to have concluded that Ukraine's interest in securing Western goodwill—through a co-operative stance on Transnistria—outweighs the costs incurred through lost trade with Transnistria or cooler relations with Russia. He also seems aware that Transnistria declaring itself part of Russia is not in Ukraine's interest, particularly given the existence of a large pro-Russian population in Ukraine's Crimean peninsula.

However, Ukraine's economic interests and the need to assuage Russian concerns are still occasionally able to trump Ukraine's other political interest. This has become evident again under the new Ukrainian prime minister, Viktor Yanukovich, who took office in August 2006. Ukraine now appears unwilling to ratchet up pressure on Transnistria, and has pushed for Moldova to reopen the rail link that passes through Tiraspol. Moldova argues that such a step would unravel the tighter border regime. There is now little likelihood that Ukraine will take tough measures such as banning Transnistria's top leadership from using the Odessa airport, or restricting overflights associated with the military airport in Tiraspol.

### Romanian politics

Romania's effect on the conflict is similarly mixed. At the time of the Soviet break-up, calls for Moldova to unify with Romania helped the Transnistrian elites mobilise in favour of independence. However, Romania never overtly fuelled these unification sentiments, and the issue has moved to the margins of the Moldovan political discourse. Even the leadership of the Christian Democratic Popular Party (CDPP), which is traditionally the most visible pro-Romanian party in Moldova, no longer espouses unionism.

The issue is nevertheless still around and can easily reappear on the political agenda. In mid-2006 President Basescu reported proposing to his Moldovan counterpart that Moldova enter the EU via unification with Romania—an idea that immediately resonated with many in Moldova.

More recently, in October 2006 a frank debate briefly surfaced in Romania on the possible budgetary costs of absorbing Moldova. Much of the Romanian elites

appears to believe that such a move is both inevitable and desired by Moldovans.

Any resurgence in the debate over unification with Romania ultimately distracts attention away from solving Moldova's own problems. It also plays into the hands of the Smirnov leadership, which capitalises on the debate to underline the need for independence.

The Smirnov leadership uses the absence of any basic treaty between Romania and Moldova in a similar way. While Romania has signed treaties with other neighbours to recognise existing borders and forswear territorial claims, it has yet to do so with Moldova. This helps to fuel Transnistrian suspicions regarding Romania's intentions.

## EU politics

The EU has increased its engagement in Moldova significantly in recent years but still lacks the strategic vision or political will needed to maximise its influence over the Transnistrian conflict.

The European Neighbourhood Policy (ENP) is the EU's principal tool in its interaction with Moldova (as well as with other countries in the CIS, North Africa and the Middle East). The ENP is intended to permit the EU to shape political and economic developments in the "neighbourhood" in a favourable direction, through offers of deepened co-operation and access to the EU's internal market. However, the ENP does not include the promise of possible accession that the EU has offered to other former communist countries in the region. It also does not provide anything near the same scale of assistance that others have received.

The policy is likely to produce sub-optimal outcomes as a result. On one hand, the ENP is seen as threatening enough for the Russian leadership to adopt an aggressive stance designed to prevent closer Moldovan integration with Europe.

On the other hand, the ENP is too limited to ensure that Moldova commit itself whole-heartedly to the goal of closer EU ties. Moldovan political leaders do not yet see sufficient political or economic gains to justify attempting reforms (such as liberalising the media or judiciary) that could threaten their business interests or continued political control.

The ENP moreover fails to ensure that Moldovan bureaucrats have the capacity needed for timely and effective implementation of the EU-Moldova action plan (the main ENP framework). It also does not sufficiently ensure that the Moldovan and

Transnistrian businessmen who might benefit from closer EU integration receive the information and assistance needed to become active proponents for real policy changes on the part of their leaders.

The fact that the EU is not as fully engaged as it might be in Moldova reflects, at least in part, a lack of appetite among existing members for further accession. It is possibly also due to the EU not having fully assessed the costs of mishandling Moldova. The EU might otherwise have concluded that the upfront cost of more active, strategic engagement are significantly less than the cost of more concerted crisis management once things turn sour.

Moldova also suffers from the priority that large EU member states such as Germany place on bilateral relations with Russia. This priority is perhaps understandable, given the need for Russian co-operation elsewhere. However, the result is that Western states are unwilling to press Russia to adopt a more constructive stance with regards to Transnistria.

## Reliance on the OSCE framework

Although the US and EU are now more actively involved in the Transnistrian conflict, they have stopped short of any fundamental reappraisal of the settlement negotiating framework. The existing five-sided framework—which includes representatives from Transnistria and the Moldovan authorities, as well as the OSCE, Russia and Ukraine—has proved incapable of securing a breakthrough, even with the addition of the US and EU as observers in 2005 (the so-called 5+2 framework).

The Moldovans have long argued, with some justification, that the existing set-up gives Russia too powerful a role. It is represented as a mediator in its own right, as well as by its membership in the consensus-based OSCE and its tight control over the Transnistrian leadership. For many years, Russia could also exert indirect influence via its leverage over Ukraine.

Even with US and EU support, an overhaul of the negotiating format would nevertheless be extremely difficult to engineer, given Russian—and hence Transnistrian—opposition. The result is that the conflict continues to lack any effective official negotiating framework.

The imperfections in the existing format can nevertheless hardly be blamed for the failure to resolve the conflict. The parties involved have been able to take decisions and to negotiate outside of the 5-

sided (or 5+2) framework in those instances where sufficient political will and incentives have existed to do so. The real problem is that, for the most part, neither political will nor incentives are much in evidence.

### Moldovan interest in the status quo

An absence of political will is clearly a problem in Moldova, where much of the elite still sees no strong interest in securing a final settlement. Some have business interests in Transnistria or perhaps even derive political capital from the presence of Russian troops on Moldovan soil. Others, from the opposite end of the political spectrum, see Russia as the sole guarantor against a pro-Western and pro-Romanian policy direction.

It is also likely that much of the political class is wary of sharing power with Transnistrian political and business elites in the event of unification. Moldova's elites are quite comfortable with the current political arrangement, which has permitted their small political class to dominate the scene since independence. They certainly have little interest in expanding the pool of voters willing to back the pro-Russian and anti-Western groups that are currently conveniently marginalised in Moldova.

### Administrative resources

The current presidency does not seem to be among those actively wanting to perpetuate the status quo in Transnistria. Its politics are nevertheless part of the problem and work at cross purposes with its purported desire for a resolution.

Since coming to power in 2001 President Voronin has demonstrated an authoritarian streak and an interest in monopolising political power. By concentrating significant powers within his presidential administration, he has ensured that his own policy preferences and personal prejudices, such as his antipathy towards Mr Smirnov, shape the decision-making process. As a result, policies are frequently the product of personal factors rather than of calculated, institutional considerations.

More generally, the presidential administration de facto reserves the right to sidetrack the Ministry of Foreign Affairs (MFA) at key junctions—as seen at the time of the Kozak memorandum in 2003 and in recent talks over a "package deal" solution. This approach reduces prospects for a coherent strategy or

accountable politics, both of which are ultimately needed in order to solve the conflict.

Moldova's post-Soviet political culture has other deleterious effects on the country's policies, including those regarding Transnistria. Most notably, the presidential administration is reluctant to share political power at home or invite scrutiny of its policy choices. Instead, it frequently pursues personal, corporative or party political interests by manipulating the state's control over the regulatory framework, judiciary, bureaucracy, electronic media and electoral apparatus (the so-called "administrative resources").

Recent events provide numerous examples of such abuses. Political opponents have been harassed through criminal investigations into business activities.<sup>12</sup> The judiciary and the anti-economic crime unit have helped to further well-connected economic interests. And the public broadcaster continues to insulate the government from criticism.

With opposition parties, the independent media and civil society still too weak to serve as watchdogs or as sources of alternative ideas, links between business and politics go unexplored, and bad policies go unchallenged.

The result has been slow reform progress and an incoherent policy with respect to Transnistria. On one hand, the government refuses to negotiate with the Smirnov administration or to meet Russia's demands. It laments Russia's economic leverage, and has decided that closer European integration is the way to ensure greater Western involvement in the conflict and to make Moldova more attractive.

On the other hand, the government remains addicted to its administrative resources and to untransparent politics—both of which preclude its larger strategy from succeeding. For instance, the presidential administration's willingness to continue prioritising business interests stymies efforts to improve the investment environment—even though more investments are crucial for ensuring that the economy diversifies away from Russia and that living standards rise. Similarly, the government's attacks on political opponents and failure to clamp down on corruption reinforce Transnistrians' perception that Moldova has little to offer, thereby scuppering attempts to make Moldova seem more attractive.

Most notably, the government has failed to follow its own strategic choice to its logical conclusion. It has opted for a pro-European foreign policy, but drags its feet on the reforms—most notably media and

judiciary—needed for more concerted and longer-term EU engagement.

Poor administrative capacity only compounds these problems. Although on-going reform efforts—including the Public Administration Reform and Public Financial Management programmes—are having some effect, and the authorities are now co-operating better with IFIs, the bureaucracy as a whole in Moldova is still not up to the task. This reflects a combination of poor wages, mass labour migration, weak institutions, and insufficient reform or political will. Government bodies ultimately fail to function properly in terms of prioritising tasks, co-ordinating efforts, thinking strategically or implementing policies.<sup>13</sup>

### Transnistrian politics

The Transnistrian political system is clearly a major impediment to the conflict's resolution. Political power continues to be centred in the same political elites that engineered the region's separation from the rest of Moldova at the time of the Soviet break-up. The president, Igor Smirnov, has been re-elected twice by an overwhelming majority since first taking office in 1991; the rest of the executive branch of government has been in place for over a decade as well. Unlike in most autocratic post-Soviet systems, hardly any disgruntled government officials have defected to the opposition.

The political dominance of the Smirnov elites reflects their genuine popular support, but also the abuse of administrative resources on a far larger scale than in the rest of Moldova. Through the help of a pervasive security service apparatus, a tame judiciary, pliant electoral officials and tightly controlled media, the administration has quashed political dissent and perpetuated a Smirnov personality cult. The only message that most people hear is the official one: Transnistrian citizens, who are distinct from those in the rest of the country, have been saved by Mr Smirnov from Moldovan-language tyranny and reunification with Romania.

The Transnistrian government's populist policies clearly still resonate with key constituents. Mr Smirnov has ensured that pensioners enjoy a standard of living greater than in the rest of Moldova. He has preserved Soviet-era industrial jobs and has kept a Soviet-style system of benefits in place. More generally, the Transnistrian leadership has maintained a close and beneficial relation with Russia. Voters believe that the relationship leaves open the possibility of reunification—if not with Russia than within some sort

### The Gagauz precedent

*The Moldovan government's approach to the autonomous region of Gagauzia is a good example of how its policies frequently work at cross purposes. Moldova has long argued that the settlement in Gagauzia in the mid-1990s could serve as a precedent for Transnistria, as it achieved peaceful reunification on the basis of wide regional autonomy. However, for their own political reasons the central Moldovan authorities continue to handle Gagauzia in a way that precludes any positive demonstration effect. As a result, the Transnistrian leadership holds Gagauzia up as an example of why not to accept reunification on Chisinau's terms.*

*In theory the power-sharing agreement reached with Gagauzia in December 1994 defused local concerns by granting the Gagauz administration wide competences. Prior to that, Gagauzia, like Transnistria, had refused to come under the central government's control. However, it now appears as if the authorities in Chisinau had, from the outset, always intended a loyal and obedient leader to be in place in Gagauzia. When a less obedient leader won the governorship of the region in 1999 and began to make use of the competences granted to him by the power-sharing agreement, Chisinau proved unwilling to accept the results.*

*The outcome of this was a lengthy stand-off between Gagauzia and the central government. The latter finally resorted to using criminal charges to oust the Gagauz leader and, through unfair elections, elect a more obedient successor in 2002. Since then, the abuse of administrative resources has been a persistent feature of Gagauz politics, with the central authorities unwilling to tolerate dissent.*

*The Transnistrian press has closely followed developments in Gagauzia and provides a ready media platform for Gagauz opposition figures, in order to highlight the hypocrisy of the Moldovan government's stance.*

*In the lead-up to the Gagauz leadership vote in December 2006, the potential abuse of administrative resources is being watched not just by the Transnistrian leadership but also by the EU, which is likely to be critical. The government's policies in Gagauzia are thus at cross purposes both with its Transnistria strategy and with its foreign policy objectives. At the same time they risk fuelling anti-government tensions within Gagauzia.*

of larger post-Soviet space. Few Transnistrians appear to understand the extent to which Russian subsidies have kept the region afloat.

The political opposition to the Smirnov administration is easily managed, at least so far. In particular, the hard-core opposition is unlikely to enjoy more than 10-15% support and struggles to be heard. Although highly critical of the Smirnov administration, it hardly espouses an openly pro-unification message.

A newer strain of opposition—centred on the *Obnovlenie* (Renewal) party—has emerged since 2005. It enjoys considerably greater political and economic power, as it represents the interests of Transnistrian business (most notably the Sheriff group but also other home-grown businesses).

For years, Sheriff had benefited from favourable treatment with regards to taxes, customs and foreign-exchange access. However, a rift eventually opened up when the leadership began pressing Sheriff to plug budgetary gaps, and when Sheriff began to see its interests aligned somewhat differently than those of the Smirnov elites.

Sheriff's economic power allowed *Obnovlenie* to win majority control of the Supreme Soviet (the Transnistrian parliament) in December 2005, and subsequently to install one of its young leaders, Yevgeny Shevchuk, as parliamentary speaker.

This surprising outcome was due not just to *Obnovlenie*'s economic muscle but also to the success of its relatively moderate platform, which exploited the electorate's dissatisfaction over the uncertainty caused by Transnistria's status and delivered the message that common ground with Moldova could be found.

*Obnovlenie* was nevertheless soon forced to prove its loyalty to the Transnistrian cause once the new border regime introduced by Moldova and Ukraine in March 2006 escalated tensions. With Mr Smirnov gaining points by depicting the new border arrangement as an economic blockade and then launching his referendum campaign shortly thereafter, *Obnovlenie* was forced to adopt a far more anti-Moldovan stance in order to survive politically.

The *Obnovlenie* experience suggests that a more diversified political scene is possible in Transnistria. The party has on occasion successfully promoted policies differing from those of the Smirnov elites. However, in the face of escalating tensions there is still little room to diverge from the official line. *Obnovlenie* recognises that it needs to prove its credentials, and its

message to the public now highlights almost exclusively economic—rather than political—differences with the Smirnov leadership.

At present, therefore, no significant political forces exist that rejects the official message of independence, close ties to Russia, and mistrust of the Moldovan leadership. Without such a force, the government faces no pressure to return to the negotiating table, substantiate its claims that Transnistrian independence is viable, or explain why union with Russia would be either feasible or beneficial.

### Media control

The abuse of administrative resources on both banks of the Nistru is clearly evident in the media sphere. As a result, the media fuel feelings of mutual alienation while failing to serve as an effective watchdog or generate debate.

As in Soviet times, much of the population in Transnistria still looks to Moscow as its primary news source. However, in addition to Russian television and radio a number of local media outlets exist. Almost all of them are either controlled by the state or tow the official line.<sup>14</sup> While the Sheriff business group, which backs the *Obnovlenie* opposition party, controls a number of media outlets, it shies away from open attacks on the administration's politics.

Independently-minded or openly opposition press and radio stations nevertheless do exist in Transnistria. Those who consult them hear highly critical views of the Smirnov leadership. However, these outlets most likely only remain in operation because they are so marginal. The main opposition paper *Novaya Gazeta* has a readership of only 3,000 (just over 0.5% of the population).

The media situation is more diversified in the rest of Moldova. However the top leadership there still retains tight control over *TeleRadio Moldova*, the public broadcaster that operates the one television station able to reach the entire country. Most Moldovans receive their news from this source. The content and quality of the news provided are extremely poor, and criticism of government policies is almost entirely absent.<sup>15</sup>

NIT, the main private television station and the one with the farthest reach aside from *TeleRadio*, is also overtly pro-government. Its leadership is closely linked to President Voronin's inner circle. The other privately-owned television stations are more independent, but do not reach much beyond the capital, Chisinau, and

lack good analytical content. They face pressure if overly critical; the arrest of Pro-TV's sales manager in 2006 came shortly after the channel ran stories critical of a cabinet official and the Chisinau police force.

Newspapers in Moldova provide a greater diversity of opinions than do the electronic media, but reach a significantly smaller audience. Combined, Moldovan newspapers are likely to reach just 200,000 (out of a total population of well over 3m). Moreover, opposition newspapers occasionally face low-level harassment, and are hampered by expensive printing costs and limited printing options.

Moldova does not have any culture of investigative journalism. Journalists lack the financing, skills and leeway needed to investigate allegations of official corruption. Political debates, analysis or hard-hitting questions are rarely featured, even among the independent media. The authorities do not feel compelled to take part in radio or television discussions.

The Moldovan authorities have agreed to reform the media as part of the EU-Moldova Action Plan that entered into effect in early 2005. In particular, the Action Plan calls for the government to "ensure transparent relationship (sic) between the authorities and media institutions in line with Council of Europe recommendations".<sup>16</sup>

On both sides of the river it remains very difficult to receive an objective view of the other. Transnistrians watching Russian coverage of Moldova receive a biased view of the situation, while the mass media in both Transnistria and the rest of Moldova promote a distorted image of the other part of the country. This prevents Moldovan citizens from examining existing policies and distracts their attention from other pressing issues, such as flagging reforms. Moreover, the slant taken by the Chisinau media means that it only further alienates the Transnistrians whom it reaches. The Moldovan media have failed to come up with credible programming about Transnistria for Transnistrian audiences.

## Hardening stances

The hard tone and aggressive stance adopted by both sides in the conflict is an additional factor aggravating tensions and diminishing settlement prospects. The Transnistrian leadership has long relied on an aggressive message to propagate its rule. It needs to depict the region as a fortress besieged by hostile forces eager to dismember its economy and deprive its

citizens of the right to speak Russian or look towards Russia. It cultivates the belief that the rest of Moldova has nothing to offer, and that Russia is the region's only reliable ally.

In terms of policy, the decision to hold a referendum in September 2006 pushed this hard-line stance even further. The Smirnov administration's position has now toughened in light of an overwhelming popular rejection of re-unification with the rest of Moldova.

The harder tone heard from the Moldovan side is a newer phenomenon. In contrast to the more conciliatory message heard when the PCRM and Mr Voronin first took power in 2001, top officials have in recent years begun to label the Smirnov regimes as "criminals" and "smugglers" and to describe Russia as an "occupier".

Moldova has matched its hardened tone with tougher policies. It has secured a tighter Ukrainian border regime, and overwhelmingly approved legislation in 2005 demanding democratisation and demilitarisation as preconditions for further negotiations. The notion of federalisation has been discredited.

This tougher stance achieves a number of goals for the Moldovan elites. Those who might be criticised for failing to deliver a settlement or governing the country effectively are able to deflect attention from their own shortcomings. They can blame the situation on the lack of any acceptable interlocutor in Tiraspol and on Mr Smirnov's failure to meet the preconditions set by Chisinau. Those who benefit from a lack of final settlement are similarly served. By loudly demanding, as a precondition, nothing short of an end to an illegitimate Tiraspol regime, they are actually ensuring the opposite outcome.

Ultimately, Moldova's hard-line stance buttresses Mr Smirnov's arguments that Transnistrians should fear the intentions of those across the border. His biggest recent success was to depict the new Ukrainian border regime as an "economic blockade" survived only through the help of brotherly Russia and his own leadership skills.

## Economic issues

### Smuggling

The Transnistrian conflict has included a major economic dimension since the outset. Economic considerations helped to spark the initial decision to



break away from the rest of Moldova, as Soviet-era enterprise directors calculated that independence offered them the best chances of retaining control of their assets. Since then, additional economic considerations have entered the equation. Most notably, elites on both sides of the Nistru river, as well as in Ukraine, Russia and even Romania have benefited from the unresolved status of the region.

For years, the unregulated border between Transnistria and Ukraine, and also between Transnistria and the rest of Moldova, permitted fortunes to accumulate on the basis of widespread, systematic smuggling. The combined shadow economy (to which smuggling contributes significantly) was estimated earlier this decade to amount to roughly one-third of official GDP.<sup>17</sup>

The impact of rampant smuggling is obviously pernicious. Most importantly, it dents both the state revenue inflows and the political will needed to improve the level of governance in Moldova. It also gives the Transnistrian regime every incentive to remain in place.

The most recent evidence nevertheless suggests that the extent of drug and arms trafficking originating in Transnistria has long been exaggerated. Neither the OSCE nor the EU (which has been monitoring the border since late 2005) has found significant evidence of either. According to other sources, the drug flows arriving at Odessa in Ukraine bypass Moldova on their way to the rest of Europe.<sup>18</sup>

However, large-scale smuggling of liquor, tobacco products and consumer goods still appears to be an on-going problem. These schemes make use of Transnistria's unsettled situation and porous borders, as well as the existence of corrupt officials on all sides. As detailed in a recent report by the International Crisis Group, a popular scheme is for goods to arrive in nearby Ukrainian ports, destined for Transnistria and thus not subject to Ukrainian duties. The goods do not remain long in Transnistria. Instead, they quickly leave again through back channels, either to Moldova or Ukraine. At most, much lower Transnistrian duties might be paid.<sup>19</sup>

Other schemes in recent years have taken advantage of tax loopholes, and of lower Transnistrian taxes and duties, in order to flood Moldova with fuel, alcohol, tobacco and consumer goods. For a while, at least, many schemes made use of provisions in Moldovan legislation that treated domestic companies selling to Transnistria as exporters. This treatment entitled firms

to value-added tax refunds and thus spawned a proliferation of dubious trade flows.<sup>20</sup>

The scale of smuggling is obviously extremely difficult to gauge. However, anomalous patterns of trade provide some indication. For instance, Moldova recorded a three-fold reduction in official fuel imports between 1996 and 2002, presumably related to Transnistria's significantly lower excise duties. And in the late 1990s, Transnistria was importing ten times more ethyl alcohol and more than twice as many cigarettes as the rest of Moldova, alongside disproportionate amounts of fuel. It is presumed that these goods made their way into Moldova at an estimated annual cost to the budget of around Lei235m.<sup>21</sup>

Similar distortions persisted in subsequent years: Transnistria reported an unusually large trade deficit of more than 80% of GDP in 2002, caused by implausibly high per capita imports of various types of goods and massive trade imbalances with Ukraine and Belarus.<sup>22</sup>

The tighter controls that Chisinau imposed on Moldovan trade with Transnistria in recent years has reduced the gains to be made through trade across the internal border. Similarly the introduction of a new border regime along the Ukrainian border—including an EU border monitoring programme—over the past year has also had an effect. However, the smuggling trade is still assumed to be thriving, or at least to be sufficiently lucrative to ensure that powerful interests throughout the wider region continue to benefit from the status quo.

### Economic stabilisation in Transnistria

The Transnistrian economy's ability to stabilise in recent years—at least in contrast to the extreme volatility experienced throughout much of the previous decade—has helped to strengthen the leadership's position.

Part of the reason for the improvement reflects better policies. The Transnistrian authorities have adopted sounder fiscal and monetary policies. At the start of the decade, they finally began structural reforms and privatisations. Albeit unevenly and slowly, Transnistria has moreover built up a full range of institutions, including a functioning banking sector and central bank, a fiscal sector, and a regulatory apparatus.

Outside factors have also helped. Buoyant world steel prices have boosted the Rybnitsa steel factory, which supplies 60% of budget revenue. Most importantly, Russia continues to subsidise the region heavily. An

implicit (and possibly explicit) agreement ensures that Transnistria does not pay for its gas imports; the cumulative unpaid bill amounts to over US\$1bn (or more than US\$2,000 per head).

Russia has furthermore provided additional support, including a US\$150m humanitarian loan in March 2006 in response to Ukraine's tightened border restrictions. The cumulative result is that, on the surface at least, the Transnistrian economy appears viable—assuming that Russia continues to subsidise gas use and that Moldova and Ukraine do not seal off the region's borders completely.

That is not to say that the economy is robust or functioning well. Even though trade relations exist with a diverse range of countries, and even though inflation is under control, the currency stable and real GDP growing, economic diversification is limited.

A renewed downturn in global steel prices could therefore have a serious impact on the budget. Public finances are also likely to come under far greater strain as the government runs out of desirable assets to privatise. However, the economy is at least sufficiently developed to insulate the region from the volatility experienced in the past, particularly with Russia standing by.

Russia's willingness to cut subsidies (or threaten to do so) even to its closest allies such as Armenia and Belarus suggests some risks for the Transnistrian leadership. Armenia saw its gas price rise sharply—along with most other former Soviet republics—at the start of 2006. Belarus is now being threatened with a quadrupling in gas prices unless it agrees to hand Russia further control of its export pipelines.

However, similar developments are still unlikely with respect to Transnistria. Key economic assets there are already in Russian hands, while the leadership's policies remain fully in line with those desired by Russia.

The increased viability of the Transnistrian economy—assuming continued Russian support—helps to prolong the stalemate over the region's status. The government has been able to ensure that wages are broadly in line with those in the rest of Moldova, and that pensions even exceed those across the river. With the help of Russian energy subsidies, utility prices are two-thirds lower than in the rest of the country.

Transnistria's claims of economic superiority vis-à-vis the rest of the country are therefore not completely far-fetched. Aside from Chisinau, the infrastructure and

living standards in the rest of the country are not demonstrably better than in Transnistria.

### Transnistrian property rights

Transnistria's belated turn towards economic reforms and privatisation has produced a new class of Transnistrian and Russian property owners. Many of these would benefit from an end to the region's isolation and greater access to external markets. However, these new owners are concerned over the sanctity of their property rights in the event of unification.

According to Moldovan legislation, Transnistrian privatisation sales are not valid. This stance is backed by Moldovan economic interests keen eventually to take control of Transnistrian assets, as well as by ordinary Moldovans indignant that the unrecognised leaders of Transnistria have sold publicly-owned assets at cut-rate prices.

The Moldovan government at least acknowledges that mistrust on the part of Transnistrian property owners reduces their support for reintegration. It has therefore sought to ease their concerns through verbal assurance guaranteeing property rights. However, so far Moldovan legislation contradicting this stance remains in place. Even if it were repealed, the mistrust in Transnistria is sufficiently deep to prevent businessmen from viewing the repeal as final.

### Vulnerability to economic shocks

Moldova's lack of economic diversification is an important factor slowing the speed of transition and permitting Russia considerable leverage over the country's leadership. The narrowness of the Moldovan economy is a function of Soviet inheritance, poor policy choices since independence and the consequences of the Transnistrian conflict itself (more than one-third of the country's industrial base is located in the break-away region, while uncertainty over the conflict has hampered investment).

As a result, Moldova has been left with Russia as by far the most important economic partner and a crucial destination for key export products. 80% of Moldova's wine exports—the single largest export—as well as the bulk of agricultural products sold abroad have gone to Russia since independence.

Events over the last two years have underlined the dangers inherent in such a degree of export concentration. In early 2005 Russia began imposing tight restrictions on Moldovan exports in an attempt to

weaken the ruling PCRM and influence its policies. Russia first banned Moldovan meats (in February 2005) and then closed its borders to Moldovan fruits and vegetables (in May 2005). These export items, combined, had usually accounted for 10-15% of export earnings. Russia was by far the most important market.

Moldovan fruits and vegetables have proved partially able to circumvent Russia's restrictions. However, the ban that Russia imposed on Moldovan wine exports in March 2006 has proved far more critical. Citing health concerns, Russia has not permitted Moldovan wine to enter its market since then. The results have been devastating for Moldova's important wine industry.

Data for the first five months following the imposition of the ban show wine exports and exports to Russia down by over 60% year on year. Estimates by the Economist Intelligence Unit suggest wine exports in 2006 will amount to only around US\$170m, or half of what was previously anticipated.<sup>23</sup> Even this assumes that a portion of the wine normally destined for Russia could be sold elsewhere. The loss in revenue will amount to more than 4% of GDP.

Moldova's vulnerability to external shocks is acute with respect to imports as well. Unlike most other former Soviet republics, Moldova lacks the fungible energy resources that are easily sent to new markets abroad. Instead, it is in a position similar to that of Georgia. Both are major wine producers dependent on the Russian market and poorly equipped to redirect their exports quickly to Western markets.

Moldova's lack of energy resources means that it relies solely on Russia for its natural gas supplies. This has given the Russian authorities immense leverage over Moldovan economics and politics since independence. Russian gas suppliers have frequently cut supplies for political reasons, and over the course of 2006 doubled the price that Moldova pays. Spending on mineral imports already rose by well over one-third during the first eight months of 2006 (equivalent to around 3-4% of GDP), and a further price increase in 2007 seems likely. The fact that Moldova now pays the highest price in the CIS is almost certainly a result of Russian antipathy to Moldova's pro-Western foreign policy and stance on Transnistria.

Moldova's excessive dependence on both wine and Russia reflects the undiversified economy inherited from the Soviet period. Slow progress on economic reform has exacerbated the problem. Even though the services sector has grown strongly since independence, agriculture and agro-processing

continue to play a disproportionate role. In terms of industry, only textiles have emerged as a significant new sector trading with the EU. Textiles nevertheless remain considerably smaller than agro-processing and add little value; the sector works primarily on a "tolling" basis, with Moldovan workers merely assembling imported inputs.

### Weak demonstration effect

The manifold weaknesses of Moldova's economy have so far precluded the degree of economic prosperity and opportunity needed to convince Transnistrians that they would be better off through re-unification.

That is not to say that Moldova's macroeconomic fundamentals are as bad now as they were at the start of the decade. The economy has grown strongly for many years, real incomes have surged, and the currency is stable. Inflation, while not low, has remained under control. However, several years of economic recovery have only dented the effects of the massive economic downturn experienced as a result of the Soviet collapse.

Even though the economy has now grown by almost half in real terms since the start of the decade, it is still only just over half the size it was at the time of independence.<sup>24</sup> Per capita GDP amounted to just US\$860 in 2005, compared with a CIS average of over US\$3,500. Even on the basis of purchasing power parity, GDP per capita in Moldova is by far the lowest in Europe (amounting to half that in Albania).

Most visibly, poverty remains rampant, and the basic infrastructure is still in poor shape. Visible economic improvements outside of the capital and a couple of regional cities are not readily apparent. Electricity, water and gas supply are unreliable in certain areas outside of the capital, and transport networks are in disrepair.

Most rural communities and small towns are in a terrible state, with factory closures eliminating employment opportunities and prompting mass emigration. For those who remain, poverty is a widespread problem. Although average incomes are roughly comparable on both banks of the rivers, Transnistria's substantially cheaper utility prices suggest that its real living standards at the moment could even be higher.

## Migration and Remittances

One of the manifestations of Moldova's weak economic position is that significant numbers of citizens have left the country to seek better employment prospects and earnings abroad. Alone between 2002 and 2004, the number of workers in Moldova aged 15-29 dropped by 35-40%.<sup>25</sup>

According to IMF estimates, Moldova's migrant potential amounts to almost 700,000 or roughly one-fifth of the total population<sup>26</sup> (this figure includes those working abroad at the time of the IMF's most recent survey, as well as those in Moldova who intended to work abroad in the near future).

This makes Moldova by far the most remittance-dependent country in the region, if not the world. Migrant workers now send back remittances equivalent to around one-third of GDP every year.

The IMF data show that around 60% of migrants head to Russia, with most of the rest heading to Western Europe (Italy and Portugal alone account for 25% of the total migrant population). Migrants to Russia were able to earn four times as much as in Moldova according to 2004 data. Those working in Southern Europe earn ten times as much.<sup>27</sup>

The net positive effect of remittances and labour emigration are difficult to ascertain. On one hand, they have played a major role in supporting household incomes, financing import purchases, sustaining the local currency, and increasing employment and wage prospects for those who stay behind. Not least, remittances have fuelled the consumption boom and housing construction that are largely behind the strong economic expansion witnessed in recent years. On the other hand, remittances and emigration have numerous negative effects. They do little to boost the capital investment needed for more sustainable growth, and allow the government to ignore necessary structural reforms.<sup>28</sup>

Evidence also suggests that remittances are not as effective in fighting poverty as is often thought. In the Moldovan case, remittances primarily benefit households already in the mid- to high-income groups. The richest 40% of Moldovans received around 85% of remittances in 1999-2004, while the poorest 40% received just 7%.<sup>29</sup>

Finally, large-scale labour migration has a deleterious social effect—as measured in broken families and empty villages—and is closely connected with human trafficking: the vast majority of Moldova's trafficking victims were lured abroad by promises that they were

being set up with legitimate employment. The extent of such trafficking is hard to quantify. It appears nevertheless to be extensive; the main helpline in Chisinau reports receiving 4,300 trafficking and migration related calls in 2004.<sup>30</sup>

## Social issues

### Widespread poverty

Moldova experienced a particular steep and lasting economic collapse as a consequence of the break up of the Soviet Union. This plunged huge swathes of the population—including the educated elite—into poverty, while destroying the economic and social fabric of much of the country outside of the main urban centres.

Although numbers living in poverty began to decline after the mid-1990s, the regional economic crisis in 1998 dealt another serious blow. By the end of that decade, over 70% of the population was living in poverty.<sup>31</sup> The number of Moldovans living below the absolute poverty line fell to 40% by 2002 and below 27% by 2004 as the economy stabilised.<sup>32</sup> However, a mix of poor government policies and unfavourable external developments put a halt to that trend. The percentage of poor people edged up to 29% in 2005.<sup>33</sup> It is expected to have increased further in 2006, in part because of Russia's trade restrictions.

Although income inequality fell between 2000 and 2004, it began rising again in 2005-06 and remains a significant problem.<sup>34</sup> Moldova's gini coefficient (a widely used measure of inequality) suggests greater inequality than in a number of countries in the region, including Romania.<sup>35</sup> The numbers living in abject poverty are particularly worrisome. 15% of the population has less than US\$1 per day available for consumption. Small towns are particularly badly hit, as they had often relied on one sole employer and lack the agricultural activities that at least help to reduce rural poverty.

Even rural areas have seen no reduction in poverty since 2004. Although many can find work in agriculture, the sector suffers from low productivity and volatile earnings. Almost 70% of the poor in Moldova are therefore found in families where the head of household is gainfully employed.

Government policies have played a role in limiting anti-poverty gains. In particular, the PCRM's reluctance to accelerate agricultural reforms and reduce the state's

role in the sector has hindered the fight against rural poverty.<sup>36</sup> Similarly, the state has been slow to improve the targeting of public transfers to the most needy. Although an increase in pensions proved instrumental in bringing down poverty rates in the past, benefits continue to be spread too thinly.

### The Smirnov administration's support

The depth of the poverty problem in the rest of Moldova helps to buttress the Smirnov regime's claims to be building at least as viable a Moldovan state as on the other side of the river. In other ways as well his message clearly still resonates with a significant percentage of the Transnistrian population. As such his popular support cannot merely be dismissed as "brainwashing" or as an illusion achieved through large-scale electoral manipulation (even though both these factors are certainly present).

Mr Smirnov's message resonates for a number of reasons. First, those in Transnistria identifying closely with the rest of Moldova, or who chafe most at the region's limited economic possibilities, have left in large numbers. This has increased the weight of those most open to Mr Smirnov's message—particularly pensioners. These account for 40% of the population, as a result of both large-scale youth migration and a Red Army tradition of retiring in the region.

Transnistria's pensioners appreciate the timely payment of pensions, and the fact that these are still higher than in the rest of Moldova. They also stand to gain little from a more open economic system, and view the Soviet period with nostalgia. Transnistria has preserved for them the iconography, rituals, paternalism and security that pensioners elsewhere in the former Soviet Union often sorely miss.

Also strongly represented in the region are ex-Soviet military personnel and non-Moldovan speakers. Not only had the percentage of Moldovan speakers already been lower than in the rest of the country at the time of independence, since then the option of moving to the rest of Moldova was deemed more feasible for Moldovan speakers than for others.

All of the above constituents are open to at least parts of Mr Smirnov's message. They identify with the connection he makes between the "Soviet man" and the Transnistrian citizen. They share his nostalgic representation of the Soviet period, and agree that only Russia has ever looked out for the Transnistrian people. They believe his claims that Moldova is bent

on forcing Transnistrians to speak the unfamiliar Moldovan language.

Mr Smirnov's message even resonates, at least in part, with those who oppose his authoritarian regime. Some of this reflects a lack of information—for instance about the extent to which Russian is still spoken in Chisinau, and about the gains to be made through closer ties with Europe. However, it also reflects Moldova's failure to construct a Moldovan state that others might wish to join.

Even opponents of Mr Smirnov look to Moldova and see a poorly functioning democracy, widespread poverty and corruption, dilapidated infrastructure and mass emigration. They hear a Moldovan media and Moldovan leadership that make them feel unwanted and unappreciated. In this respect, the PCRM's history project is hardly less of a construct than the Smirnov one. It leaves Transnistrians with little feeling that they belong in the state being constructed across the river.<sup>37</sup>

Even those most critical of the Smirnov administration should therefore not be assumed to want unification. They seek democratisation, and economic prosperity. But they do not necessarily identify these with reunification.

This does not mean that they want the status quo to continue. Transnistrians are tired of living in a state of uncertainty. The overwhelming majority of them want negotiations to resume, even if many of them expect talks to lead nowhere. Many Transnistrians most likely also understand that, ultimately, they have little option but to find some way to get along with the Moldovans on the other side of the river. However, Moldova's missteps in building a prosperous, democratic state that is open to all reduces support in Transnistria for a unified state—particularly as the Transnistrian state-building project seems in many respects no less viable.

### Mutual mistrust and estrangement

Fifteen years of separation, combined on both sides of the river with incomplete or inaccurate information, has cultivated a deep mutual mistrust. This is a serious impediment not only to achieving a settlement but also to then ensuring successful reunification thereafter.

The mistrust felt on the Transnistrian side has several components. Many Transnistrians feel that the Moldovan government does not appreciate their concerns, and has not left a place for them in their construction of a Moldovan identity. They fear that

Moldova would subject them to an unwanted process of Romanianisation following reunification.

On the Moldovan side, many have bought into the stereotype of Transnistrians as anti-Romanian, criminals and rabid Russophiles. All of this dampens the possibility that pressure from below could ensure a change in the government's unconstructive tone and policies.

### Disenfranchisement

The lack of popular demand on either side of the river for a rapid settlement is not merely a function of fatigue or mistrust. A sense of disenfranchisement and a lack of shared identity most likely also play a role.

Feelings of disenfranchisement in the Republic of Moldova are a function of the difficult transition away from both a Soviet political culture and a Soviet planned economic system. The former has saddled Moldova with a political system riddled with problems: unresponsive political elite, a poorly developed civil society, weak political parties, widespread recourse to administrative resources, rampant corruption, a beholden judiciary and a bureaucracy incapable of delivering basic services or responding to citizens' needs.

These problems have exacerbated the difficult transition away from a planned economic system. The break-up of the Soviet trading system, the move to world market prices for energy supplies and the switch to a market system has left vast swathes of the population and entire regions of the country mired in poverty and deprived of rights taken for granted during the Soviet period: a living wage, gainful employment, basic services and a decent education.

The explosion in poverty that followed the break-up of the Soviet period has had particularly serious consequences. Life expectancy and birth-rates have fallen, and the disappearance of job prospects in local communities has prompted mass emigration. This in turn has resulted in emptied villages, broken families and parentless childhoods.

This situation leaves much of the population too distracted to think politically, or else intensely bitter.<sup>38</sup> People are left with little trust in their political leaders, see little way to influence the system, and conclude that their only hope is either to emigrate or to send family members abroad to provide incomes unavailable in Moldova.

Feelings of disenfranchisement, combined with the apathy inherited from the Soviet period, encourage a lack of responsiveness on the part of political elites. With no audible complaints about their performance, the elites continue with business as usual. Unfortunately, this includes ignoring the reforms and increased transparency that are ultimately necessary for Moldova to turn into a place that Transnistrians might want to join.

### Lack of national identity

Moldova's particular history has left many of its citizens lacking a strong sense of national identity. Prior to independence, the population in Moldova had experienced no periods of Moldovan state-building, unlike almost all other countries in central and eastern Europe.

The primary experience for Moldova has been two centuries as part of either the Russian or Soviet empires, broken only by a brief inter-war period as part of Romania. After the war, the region saw a large influx of Russians and Ukrainians, and identification with the Soviet Union was generally stronger than with the Moldovan Soviet Socialist Republic. Russification policies were the norm for all but that brief period with Romania.

The result, after independence, is that much of the population identifies closely with Russia, Ukraine or the Soviet Union. Although they might welcome the existence of a Moldovan state, they do not necessarily identify strongly with it. This includes many ethnic Moldovans. Even if they feel distinct from Russia, they have a deep familiarity with the Russian language and identify at some level with the Soviet past.

The country therefore lacks the sort of consensus that drove the transition in most other former communist states in central and eastern Europe. Most Moldovans want neither to join Romania or a new Soviet state. However, they identify with elements of both, and have little practice in thinking in terms of Moldova. Unlike in many other former communist countries in the region, they sense little urgency to escape Russia's grasp or rejoin Europe once and for all.

The overwhelming support for EU integration shown in recent opinion polls seems to belie this. However, that support is primarily a function of economics rather than a desire to reconnect with Europe. A similarly beneficial relationship with Russia, if offered, could potentially be just as popular for much of the population, if not for the elites.

A still unformed sense of national identity ultimately leads citizens to put less stake in the success of their state-building venture, and hence to put less pressure on their leaders to deliver on building a prosperous state or resolving the Transnistria issue.

### **Divided youth**

Pressure for a settlement is further diminished by the fact that an entire generation has grown up knowing nothing except a divided state. For this generation, the other side of the river seems naturally to be a separate and alien entity.

The fact that this generation also has little or no memory of the war mitigates this somewhat. So too does the likelihood that the young presumably have less deeply engrained world views or a Soviet mentality. However, the fact that they have no recollection of a unified existence and little contact with the other could still outweigh this.

## Matrix: Factors driving conflict

	<b>Security</b>	<b>Political</b>	<b>Economic</b>	<b>Social</b>
<b>International</b>	<ul style="list-style-type: none"> <li>• Russian security concerns</li> <li>• Russian military presence</li> <li>• NATO enlargement</li> <li>• Porous borders</li> <li>• Potential for trafficking</li> </ul>	<ul style="list-style-type: none"> <li>• Russian policy agenda</li> <li>• EU hesitation re involvement</li> <li>• Other US/EU priorities re Russia</li> <li>• Ukrainian ambivalence</li> <li>• Romania accession to EU</li> <li>• Reliance on 5+2 format</li> </ul>	<ul style="list-style-type: none"> <li>• Russian support for Transnistria</li> <li>• Widespread smuggling</li> <li>• Russian economic interests</li> <li>• Russian energy leverage</li> <li>• Undiversified exports</li> <li>• Labour emigration</li> <li>• Romanian EU accession</li> </ul>	<ul style="list-style-type: none"> <li>• Cross-border people flows</li> <li>• Russian/Romanian passports</li> </ul>
<b>National</b>	<ul style="list-style-type: none"> <li>• Military balance</li> <li>• Porous borders</li> <li>• Face-off on Nistru</li> </ul>	<ul style="list-style-type: none"> <li>• Poor governance</li> <li>• Administrative resources</li> <li>• Political party weakness</li> <li>• Vested interest in status quo</li> <li>• Corruption</li> <li>• Lack of political accountability</li> <li>• Hardened tone</li> </ul>	<ul style="list-style-type: none"> <li>• Vested interest in status quo</li> <li>• Poor business environment</li> <li>• Economic unattractiveness</li> <li>• Undiversified economy</li> <li>• No mutual economic interests</li> </ul>	<ul style="list-style-type: none"> <li>• Distrust of Transnistria</li> <li>• Youth alienated</li> <li>• Solving conflict not a priority</li> </ul>
<b>Transnistria</b>	<ul style="list-style-type: none"> <li>• Need for Russian presence</li> <li>• Powerful security service</li> <li>• Interest in porous border</li> <li>• Large armed presence</li> </ul>	<ul style="list-style-type: none"> <li>• Authoritarian government</li> <li>• Vested interest in status quo</li> <li>• Hardened tone</li> <li>• Referendum results</li> </ul>	<ul style="list-style-type: none"> <li>• Stabilisation raises sustainability</li> <li>• Vested interest in status quo</li> <li>• Fears over property rights</li> </ul>	<ul style="list-style-type: none"> <li>• Distrust of Moldova</li> <li>• Youth alienated</li> <li>• Little interest in unification</li> </ul>
<b>Local</b>	<ul style="list-style-type: none"> <li>• Rights abuses</li> </ul>	<ul style="list-style-type: none"> <li>• Weak civil society</li> <li>• Real support for Smirnov</li> <li>• Limited democratic culture</li> <li>• Gagauz precedent</li> </ul>	<ul style="list-style-type: none"> <li>• Poverty</li> <li>• Lack of employment prospects</li> </ul>	<ul style="list-style-type: none"> <li>• Poor services</li> <li>• Poverty</li> <li>• Broken families</li> <li>• Limited contacts</li> <li>• Mutual misconceptions</li> </ul>



## SECTION TWO

### Dynamics since the last Strategic Conflict Assessment

The conflict over Transnistria is no closer to resolution than it was at the time of the last Strategic Conflict Assessment (SCA) in early 2003. On balance, a number of negative developments appear even to have rendered the context even less propitious than it was four years ago. Although a number of positive developments have created some new openings, the fundamentals of the conflict remain unchanged.

#### Settlement negotiations

The five-sided OSCE framework for settlement negotiations has effectively altered little since 2003. Although the inclusion of the US and the EU as observers since 2005 (the so-called 5+2 framework) represents a welcome move towards greater internationalisation of the conflict, the settlement talks are now even more marginal than in early 2003. In 2005 all sides at least agreed in principle to introduce a Ukrainian proposal into the settlement talks. However, they differed widely in their interpretation of the proposal and any progress proved short-lived. The 5+2 talks broke off in February 2006. As of October they had yet to resume.

#### Referendum in Transnistria

Prospects for successful negotiations have worsened further as a result of the Transnistrian referendum held on September 17th 2006. According to the official results, 97% of Transnistrians voted in favour of Transnistrian independence and subsequent association with Russia. The result is almost certainly inflated, and the vote failed to meet basic international standards.

Although only the Russian Duma has recognised the results, the referendum still changes the equation in a worrisome way. First, the referendum is likely to have consolidated Mr Smirnov's position and cements his re-election chances in the December 2007 presidential election. Moreover, the Transnistrian side can now argue that it has no mandate to return to the sorts of solutions previously under discussion. Nothing short of a

confederation could plausibly be argued to honour the referendum results. Indeed, soon after the referendum the Transnistrian parliament withdrew the government's mandate to negotiate unification with Moldova along the lines of a common state or even of two equal states.

The referendum was almost certainly carried out in close co-ordination with the Russian leadership, as part of a broader strategy to bolster the break-away republics aligned with Russia. Transnistria and Russia now repeatedly draw parallels with the West's support for Kosovan and Montenegrin independence. The result is a widening, and hardening, gap between Chisinau and Tiraspol. The fact that Russia has now opened a consular office in Transnistria to disburse passports is a further indication of its more assertive stance (More than 80,000 Transnistrians now hold Russian passports).

#### Hardening line

The Transnistrian leadership now seems far less likely than in 2003 to approve even of a loose federation. Positions have hardened as well on the Moldovan side. The hardest line was taken in July 2005, when the Moldovan parliament passed legislation spelling out extremely tough preconditions for any settlement. These stand little chance of being met and hence paralyse the process further.

Although the Moldovan government's tone has softened somewhat since then, its approach to the conflict's resolution remains qualitatively different than before. Moldova no longer appears willing to make significant concessions to Russia regarding Transnistria, nor appears to hope that a bilateral deal with Russia will solve the conflict.

Harder positions are also evident elsewhere. The US and EU has imposed a travel ban on the Transnistrian leadership since February 2003, while the EU has pushed for tighter border controls. This has allowed Transnistria to complain of an "economic blockade" and has prompted even greater help from Russia. The two sides of the river are now further apart than ever.

#### Bilateral relations with Russia

Relations between Russia and Moldova have deteriorated since the last SCA. This further complicates efforts to resolve the Transnistrian conflict.

Russia reacted negatively to President Voronin's rejection of a Russian settlement plan proposed in late 2003, and to Moldova's subsequent turn to the EU. Russia also resented the Moldovan parliament's 2005 vote demanding a full Russian pullout.

Having hoped that the Moldovan government and the PCRM would not be re-elected in 2005, Russia intensified its economic pressure on his administration ever since. The goal is to force a policy shift in Moldova: less active pursuit of Euro-Atlantic integration and acceptance of a settlement along Kozak memorandum terms.

Given the economic pressure it is under, concern is rising that the government might contemplate such a move. Mr Voronin's visit to Moscow in August 2006—and subsequent visits by top advisors—is thought to have included discussion on a range of possible concessions.

It is difficult to believe that the government could accept Russia's maximalist position without incurring serious political consequence. However Russia does not appear willing to back down, which suggests at the very least that the current stalemate is likely to continue.

Russia has now given up any pretext of being an unbiased mediator, while the Russian media has promoted an increasingly negative image of Moldova. In parallel, Russia's image in Moldova has worsened. These developments have reduced the likelihood of an acceptable Russian-brokered solution materialising.

### Three more years of separation

The mere fact that three more years have passed is in itself a negative development since the last SCA. Particularly as the Smirnov administration has managed to stabilise the macroeconomic situation and deepen the region's economic and political institutional framework, Transnistria's claim to be a viable, de facto state is strengthened.

The government's tougher policies have meant that trade across the internal border has all but dried up and mutual alienation has mounted, while inter-personal contacts have hardly increased. The population on both sides of the river have had more time to get used to living apart, and a general feeling of fatigue has intensified.

While this latter consideration could help to increase pressure for a settlement, it could also contribute, on

the Moldovan side, to a growing feeling that Transnistria is effectively lost and no longer worth struggling for. The fact that the conflict has no visible impact on daily life further reduces pressure for a solution.

### Moving to the EU and market reforms

A number of other developments are more promising. The situation within Moldova has improved. The ruling PCRM has changed its stance notably with regard to EU integration, market reforms, and multilateral co-operation. This process had already begun at the time of the last SCA, but then accelerated rapidly once relations with Russia soured.

Valid suspicions linger over the depth of this transformation. The PCRM had come to power in 2001 on a pro-Russian, anti-market platform, and the president's leadership initially had a decidedly authoritarian bent. The party's instincts are still in that direction, and its conversion to a pro-European course is at most a pragmatic one.

Foot-dragging on key reforms confirms this. There is nevertheless substance to the PCRM's shift, and real progress is still evident. At least in areas where the key political or economic interests of the president's inner circle are not obviously jeopardised, significant reforms have begun. A growing number of influential posts are filled with pragmatic people attempting to implement comprehensive reform packages.

In early 2005 the government signed the EU-Moldova Action Plan, as part of the EU's European Neighbourhood Policy (ENP). Even though the ENP fails to offer any promise of membership perspective and provides only relatively vague incentives, the government has, at least in theory, chosen to prioritise the Action Plan's implementation.

### Expanded EU involvement

Both the EU-Moldova and EU-Ukraine Action Plans signed in early 2005 include considerable emphasis on solving the stand-off over Transnistria. This has permitted the EU to press for a more constructive Ukrainian engagement. It has also paved the way for a considerably more concerted EU involvement in the region in general (even though more is still needed, including an offer of more tangible gains and more concerted assistance).

In March 2005, the EU appointed an EU Special Representative for Moldova (EUSR), Adriaan Jacobovits de Szeged. Based in the Hague, his mandate concerns conflict resolution in Transnistria. In October 2005 the EU (alongside the US) began participating as an observer to the settlement talks, and also opened its Delegation in Moldova.

At the end of 2005 the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) became operational. EUBAM originated from a joint request issued by the Moldovan and Ukrainian leaderships in June 2005. EUBAM's focus is on preventing smuggling, trafficking and customs fraud, and improving the capacity of the Moldovan and Ukrainian customs services. Although only a two-year mission, EUBAM is likely to continue for longer. This was confirmed in September 2006 by the EUSR, who sees EUBAM as part of broader efforts to "Europeanise" border controls in the region.<sup>39</sup>

The EU approach to funding has also changed. Beginning in 2007, financing for the ENP and for implementation of the EU-Moldova Action Plan will come through a new, dedicated European Neighbourhood and Partnership Instrument (ENPI). This will replace MEDA and TACIS, and will incorporate the European Initiative for Democracy and Human Rights (EIDHR).

The EU claims that the ENPI will be a simpler, more efficient instrument, with a new component focused on "joint programmes" between Moldova and bordering regions in Romania. According to the EU this will allow more effective (and better funded) cross-border co-operation than in the past.

### Improved political context in Moldova

The PCRM's move to the political centre over the past few years effectively co-opted the opposition's pro-European message and thereby reshaped the political scene. Since April 2005 politics have proved far less fractious.

Most significantly, the once hard-line opposition Christian Democratic Popular Party (CDPP) is now co-operating with the PCRM, despite being historically virulently anti-communist. The CDPP leadership has concluded that its interests are better served by co-operating than by returning to the mass street protests and parliamentary boycotts with which it paralysed the political scene in 2002-04.

Two years on, a general consensus still exists across the leadership of all parliamentary factions in favour of EU integration, closer ties with the West and market reforms. Moreover, the parliamentary opposition is now no longer completely marginalised, and greater co-operation between the various factions has proved possible.

The consensus in Moldovan politics is nevertheless far from solid. Pro-Russian and anti-market voices are still well represented in parliament and in the political space more generally, as are vested business interests eager to slow reforms. Not least, President Voronin and his inner circle have concentrated extreme powers. They are by no means fully committed to reforming either the political scene or the economic context, due to their own business interests and desire to monopolise power. Their acquiescence to the current policy course is thus conditional, and their resistance to some key reforms persists.

### Economic improvements within Moldova

The change in the PCRM's stance has accompanied—and is to some extent the cause of—important macroeconomic improvements. This should not be overstated: serious concerns remain over slow progress in diversifying the economy. It is also a worry that the economic recovery is largely consumption-driven and reliant on remittances.

Nevertheless, the economy has grown by well over one-quarter since the end of 2002, wages are up by more than half in inflation-adjusted terms and the incidents of poverty has fallen. The banking sector has strengthened, the currency is relatively stable, the fiscal stance more consolidated, and the country overall is in better shape to weather shocks.

### Regional developments

The regional context has altered as well. To the East, Ukraine's political scene has changed as a result of the 2004 "Orange Revolution" that produced a pro-Western president and a pro-Western foreign minister. Since then, Ukraine has been a somewhat less ambivalent player with regard to Transnistria. At least compared with his predecessor, President Yushchenko has taken more seriously the need for a constructive position, paying less attention to Russia's interest and prioritising the Transnistria components of the EU-Moldova Action Plan.

More recently, however, the situation became less promising. The elites who were ousted from power in the "Orange Revolution" won the March 2006 parliamentary election and are now once again in control of the Ukrainian cabinet and parliament. Although not officially in charge of foreign policy, they have already demonstrated the capability and willingness to depart from Mr Yushchenko's pro-Western agenda.

They are also more likely to prioritise economic interests, with the result that the Moldovan side is now justifiably concerned that Ukrainian commitment will weaken. However, it is unlikely to regress to the level seen before the "Orange Revolution". Moreover, although parts of the recently elected government in Ukraine are likely to have business interests in Transnistria, the same can be said for the pro-Yushchenko forces in power before them.

To the West, Romania's EU prospects have solidified, and it is now poised to enter the EU at the start of 2007. This is likely to have a mixed impact for Moldova.

On the negative side, the advantages of EU membership could illuminate for Moldovans the differences between their own economic prospects and those of people across the border. Given the close ethnic links between most Moldovans and the Romanians, and the existence of hundreds of thousands of dual passport holders in Moldova, this could have a negative effect. Ever more Moldovans could decide to move to Romania, while the debate over the desirability of unification with Romania could reignite.

An open debate over reunification with Romania would moreover buttress Mr Smirnov's arguments for Transnistrian independence. It would fuel the fears even of those who oppose his regime but are still wary of rejoining the rest of Moldova.

The net effect within Moldova could be to distract attention away from the need for domestic reforms, and diminish even further any shared sense of identity with the project of building a viable Moldovan state.

The state-building project could be further damaged by the trade-diversionary effects of tighter borders following Romanian accession. Moldovans may take refuge in the argument that their own internal problems are due to an inhospitable EU and an artificial divide.

On the positive side, Romania's EU accession could nevertheless give Moldova a valuable EU ally willing to push for closer ties with Moldova and an offer of membership perspective. It also means that Moldova now borders the EU. The relative prosperity available through EU integration will become that much more evident to Moldovans—possibly cementing support for Moldova's EU efforts. Economic spin-off effects can also be expected. As Romanian wage costs rise, businesses may relocate across the border or source more inputs from Moldova.

At a general level, the fact that the EU will now border Moldova holds out the possibility of greater Western interest in the country in general—and in the Transnistria situation in particular. The EU might feel less comfortable with its inability to effect changes on its borders and with the existence of a "frozen conflict" just over 100km away.

### Political developments in Transnistria

On the surface, the Transnistrian political landscape seems little changed over the last three years. Mr Smirnov continues to enjoy high popularity ratings and retains firm control over the executive branch of power. However, his loss of control of the legislature in the December 2005 parliamentary election has changed the dynamic by empowering an opposition of sorts.

This opposition, centred on the Obnovlenie party, has interests that differ in concrete terms from those of the Smirnov leadership. It has substantial economic and media clout, and reportedly enjoys almost 40% support. In contrast, the Respublika party closely linked to Mr Smirnov receives just single-digit support.

Respublika's limited popularity clearly understates the degree of Mr Smirnov's backing—given that other pro-government political forces exist and that Transnistrian parties are largely virtual entities. However, the consolidation of the Sheriff company and of its political wing (the Obnovlenie party) is a dynamic that dilutes the Smirnov elites' monopoly on power.

Obnovlenie is driven by economic interests, but represents the best hopes to date for greater pluralism in Transnistria and for a more moderate approach towards the rest of Moldova. Indeed, Ukraine's 2005 settlement proposal seems to have been designed to bring Obnovlenie to power

through rapid elections, in order then to improve chances for a negotiated settlement (Sheriff has extensive business connections with Ukraine).

The Smirnov elites nevertheless seem to have regained the upper hand in 2006, helped by the introduction of a new customs regime and Russia's overt endorsement. Despite adopting a harder, anti-Moldovan line in response, Obnovlenie has failed to dent the Russian leadership's support for Mr Smirnov, who is now sailing towards re-election in December.

Obnovlenie presumably hopes—not without reason—that Mr Smirnov will encounter renewed political difficulties once re-elected, and that this will permit the opposition to regain momentum. Having portrayed himself as solely responsible for developments in the region and then inflated expectations in the lead-up to the referendum, Mr Smirnov could soon face criticism for stagnating living standards and for his failure to deliver integration with Russia.

## SECTION THREE

### Current responses

#### Summary of foreign assistance

The World Bank and IMF, along with a number of other multilateral and bilateral donors have long been active in Moldova. The overall framework for their support is provided by the government's Economic Growth and Poverty Reduction Strategy (EGPRS) and the EU-Moldovan Action Plan.

Both documents set out wide-ranging political and economic reforms to complete the process of economic liberalisation; combat poverty; accelerate structural reforms; and improve government capacity and transparency. The government is more committed than in the past to implementing these policies, although its record is mixed.

The World Bank is a key source of assistance for Moldova. US\$90m is envisioned for 2006-08. The Bank's Country Assistance Strategy (CAS) for 2005-08 and focuses on three priority areas consistent with the government's EGPRS: Poverty reduction; better social services; and improved governance.

The IMF's current involvement in Moldova is through its three-year, US\$118m Poverty Reduction

and Growth Facility (PRGF) approved in May 2006. The reforms envisioned as part of the PRGF include better corporate governance, privatisation and administrative reforms, business environment improvements and a stronger financial sector.

A number of UN agencies are actively involved in Moldova, and also work in Transnistria. The UN Population Fund (UNFPA) has set up a reproductive health centre in the Transnistrian town of Kaminka, and reports successful co-operation from local and, to some extent, Tiraspol authorities.

The EU has provided €70m in assistance since independence via its TACIS programme, with a focus on agriculture, private sector and human resources development. Bilateral donors are also active in Moldova, including the US, UK, Netherlands, Sweden, Switzerland, Germany and Japan. The US is the largest of these, providing around US\$30m annually through USAID. It focuses on a range of issues including health, private sector development and democracy building.

The US also assists Moldova through the Millennium Challenge Account (MCA) mechanism. Moldova is initially receiving US\$24.7m in assistance over two years for programmes fighting corruption in the main government agencies and judiciary. Since early 2006, an NGO-driven anti-corruption alliance plays a key part in these efforts. More funds could then be made available, based on performance.

The UK's involvement centres on DFID, which has allocated £2.7m, in the 2006-07 fiscal year focused on good governance, public finance management, public administration reform, social assistance reform, regional development and conflict resolution. DFID also administers the Peace Building Framework (PBF) project financed through the GCPP. The PBF initiative involves a range of peace building activities centred on the Transnistrian conflict (see box on the following page).

#### Moldovan civil society

Largely through the concerted financing and assistance of bilateral, multilateral and private donors, Moldova has developed an evident, if weak, civil society since independence. A range of functioning non-governmental organisations (NGOs) now exist, and civil society actors to a limited extent are providing policy assistance to the government, defending citizen's rights, performing services or pushing for greater transparency. Civil society is

## **In focus: Peace Building Framework**

### **Programme summary**

The three-year Peace Building Framework Project (PBF) launched in February 2004 is centred on a range of peace-building activities designed to support conflict resolution in Moldova. The project is administered by DFID and funded from the UK Government's Russia-CIS Global Conflict Prevention Pool (GCPP).

The PBF project considers peace building to be a strategic process closely linked to the development of democracy and civil society. It adheres to the notion that change is unlikely to come from external pressure, but can only be generated from within the divided communities. The project aims to facilitate change from a long-term perspective, and involves four key components:

#### **NGO strengthening**

The aim is to increase the capacity of civil society actors to promote civic initiatives and dialogue in their communities. Activities include training, financial and other support for community-based and non-governmental organisations in Gagauzia and Transnistria, as well as support for joint initiatives and exchanges. This component is implemented in co-operation with the CONTACT Center, a Moldovan NGO.

#### **Journalist collaboration**

The goal is to enhance the peace-building role of the media in Transnistria, Gagauzia and the rest of Moldova. It focuses on improving the standard and diversity of media coverage, and encouraging co-operation among journalists involved in peace journalism and investigative reporting. This component is implemented together with the Independent Journalism Centre (IJC).

#### **Peace building awareness and co-operation**

Here the aim is to increase peace building awareness and co-operation among international actors interested in conflict resolution. Activities include sharing of information and best practice in working on conflict.

#### **Conflict debate**

The aim of this component of the PBF is to improve the quality of conflict-related debate, by facilitating discussion of conflict-related issues and supporting analysis of these issues.

### **Review of progress**

The PBF's greatest impact has come in its work with civil society. It has helped its civil society partners in both Transnistria and Gagauzia to improve in terms of the quality and diversity of their work. The project has emerged as the main one with dedicated programming in the region. It generally appears to have been recognised for its balanced and conflict sensitive approach.

The peace-building awareness component of the PBF programme has also had an impact, but mainly on the international community. The journalist collaboration component has struggled to maintain a focus on peace-building issues, but has provided high-quality trainings and encouraged partnerships between journalists on both sides of the river.

The project implementation overall is proceeding somewhat slower than expected, particularly as regards conflict-related research and public debate, joint activities between NGOs across Moldova's regions, and promoting interaction between Transnistrian NGOs and their local authorities. However, overall the PBF programme's design appears relevant to the context.

Sources: PBF website: [www.peacebuilding.md](http://www.peacebuilding.md); as well as an unpublished annual project review (April 2006) *Mission Report on Moldova Peacebuilding Project*.

nevertheless still operating at a level far below what is needed. The interaction between NGOs and government is hardly systematised, and overall civil society effectiveness is still limited. The consequences are serious: oversight of government activities is lacking, policies are adopted without a wide-ranging debate of alternative options, and citizens continue to feel alienated from the political process.

With little sense that they have an influential voice, citizens ask little of their political leaders. The latter are therefore not required to explain policies, deliver results, or serve national interests.

Freed of most constraints, the political leadership reacts accordingly. The consequences with regard to Transnistria are evident in the dearth of good policies, and the unchallenged readiness of officials to prioritise their own economic or party political interests ahead of national ones.

### Transnistrian civil society

The civil society in Transnistria is exponentially weaker even than that in Moldova. Civil society appears to have no capacity to push the Smirnov administration towards a solution of the conflict. The Transnistrian leadership does not accept any overtly political NGOs and is at best indifferent towards social NGOs. It does nothing at the central level to encourage the latter, and at times actively works to impede their work.

The vast majority of the hundreds of NGOs registered in Transnistria exist in name only or else are Soviet-style organisations centred on trade union activities, pensioners, etc. Although a small sub-section of NGOs is focused on issues such as youth, environment, community improvements and even human rights, only around a half dozen of these are actually properly functioning NGOs. These have been built up in recent years with the help of foreign donors and Moldovan partners.

Outside of the main cities, NGO activity is even scarcer, in part because of the extremely tight control enjoyed by local officials and collective-farm bosses. As a result, these areas suffer even more from a dearth of alternative information or knowledge about basic civic rights.

Through its pervasive security apparatus, the government keeps a very close eye on NGOs. The government is particularly hostile to foreign funding of NGOs, in light of the role that outside assistance is thought to have played in overthrowing authoritarian

leaders elsewhere. In March 2006 a presidential decree banned all such financing of NGOs. However in a rare sign that civic society can have some impact, a coalition of civic groups lobbied successfully to prevent non-political NGOs from being covered by the ban.

A handful of other promising signs are also apparent. Isolated examples exist of NGOs working successfully with local government authorities on community issues, and even helping to draft legislation in parliament. However, it is telling that the only thriving and prominent NGO at the moment is the youth organisation Proryv. The authorities established Proryv with Russian assistance in 2005 as an antidote to any possible attempts to mobilise the youth against the government.

Evidence from the NGO Confidence-Building Forum organised by the Czech Embassy in Chisinau in September 2006 suggests that a number of donors are interested in becoming involved with Transnistrian civil society. However, they appear to be uncertain how best to approach Transnistria's difficult operating environment.

In the mean time only a small number of outside actors are working with Transnistrian civil society. Their focus is primarily in the following areas: attempting to support the nascent NGO sector and independent media; backing civil initiatives; assisting with legal rights; and increasing contact between Transnistrians and both the rest of Moldova and the outside world.

The PBF programme administered by DFID is currently the most advanced Western programme working with Transnistrian civil society. The other player with significant experience is the Soros Foundation, which has worked to strengthen NGOs and media, build leadership skills and encourage dialogue. Soros-Foundation Moldova supports civic initiatives and promotes partnership programmes involving groups from both sides of the Nistru river.

The OSCE maintains an office in Tiraspol, and provides grants for organisations in both Transnistria and the rest of Moldova involved in democratisation and citizen's rights programmes.

The US Embassy has for years supported NGOs in Transnistria through grants, and has organised exchanges for young Transnistrian leaders. Additional US assistance comes from ABA-CEELI, which operates a legal clinic in Transnistria working with vulnerable groups.

One of the major players in Transnistria is the CONTACT Center. CONTACT is a Moldovan NGO active on both sides of the river, providing services, training and assistance for rural NGOs involved in community development. It actively supports civic initiatives in the region.

## SECTION FOUR

### Strategic risks & opportunities

#### A. Prerequisites for settlement

Chances for a settlement in Transnistria currently seem even more remote than they did at the time of the last SCA. It would appear that no final agreement on the political status of Transnistria is possible without at least one of the following developments.

##### **(a) An end to active Russian support for Transnistria.**

Transnistria's continued rejection of the settlement terms on offer from the Moldovan authorities is only possible because Russia condones it. A shift in Russian policy would therefore be pivotal. Were Russia to insist on payments for energy supplies, completely withdraw its forces or accept a more workable settlement solution than the one proposed in its Kozak memorandum, the Transnistrian leadership would find itself in an extremely difficult situation.

A change in Russian policy is nevertheless unlikely. Russia is expected to retain its current assertive stance at least until the 2008 presidential election and even well beyond.

Its active support for the Transnistrian leadership seems to have a deliberate purpose. Russia appears to want to weaken the Moldovan economy and polity while strengthening Transnistria, in order to achieve one of the following outcomes: international acceptance of a viable Transnistrian state, possibly associated with Russia; Moldovan acquiescence to a powerful Transnistria within some sort of a union state; or, at the very least, a perpetuation of the status quo. A settlement along the lines proposed by Moldova and backed by the West is by far the least favoured outcome for Russia.

Outside influence over Russian policy at this stage seems limited. Russia's assertiveness and self-confidence has grown in recent years, in tandem with

the Putin administration's political consolidation and windfall earnings from record oil export prices.

The evolving ideology of the Russian leadership seems to emphasise the active defence of perceived Russian interests in the near abroad, and the reassertion of Russian influence over the post-Soviet space. It also includes a promise to protect those outside who still look to Russia for support.

Neither the EU nor the US seems willing to challenge this. They are currently not prepared to jeopardise their larger bilateral relationship with Russia by insisting that Russia change its approach in Transnistria.

More could nevertheless be done to ensure that Russia understand that its aggressive behaviour towards the former Soviet republics is not without costs. Russia has other interests besides reasserting its control over the post-Soviet space. However, at present it believes quite rightly that its reassertion of control carries no costs in terms of other interests. Were it forced to conclude otherwise, it might reconsider.

This is nevertheless far from certain. It could be that Russian control of its own backyard is of such importance that costs elsewhere would be ignored. It could also be that a more critical tone on the part of the West would only reinforce the defensiveness and feelings of encirclement that inform Russia's current stance. Similarly, more pressure from the West would buttress Mr Smirnov's "besieged fortress" argument and confirm for Transnistrians that their only friend is Russia.

##### **(b) Moldovan and Western acceptance of Transnistria as an entity that has a right to confederal status within Moldova, and even outright independence or unification with Russia.**

Such a policy is still largely taboo. Little is likely to change this, despite mounting evidence that the Transnistrian leadership has built relatively viable, state-like institutions, and that the vast majority of Transnistrians appear not to want reunification with the rest of Moldova.

Arguments for maintaining the taboo are persuasive: there is no ethnic basis or history of minority oppression upon which to stake claims of statehood; Moldova's post-independence constitution gives Transnistria no rights of succession; a significant minority within Transnistria is likely to be against independence or unification with Russia; and any claims of a popular desire for independence are



dubious given a lack of information and democracy in the region. Not least, no defined border between "Transnistria" and Moldova exists.

However, these arguments are hardly unassailable, and their resonance could diminish over time. As the conflict drags on, the existence of working Transnistrian institutions would be undeniable, while feelings of separateness would grow. Arguments based on the original Moldovan constitutional arrangement might appear increasingly legalistic. And a move towards at least Russian levels of democracy could prove sufficient to weaken outside criticism of the Transnistrian system.

Particularly if calls for unification with Romania intensify within Moldova in coming years, the West and the Moldovan authorities might eventually be forced to examine their taboo. However, the likelihood of this process beginning any time soon seems even less likely than a switch in Russian strategy. Neither Moldova nor the West seem anywhere near willing to entertain the notion of Transnistria as a legitimate state.

**(c) Reduced scope for Transnistrian elites to claim that reunification offers no gains.**

This outcome would require at least one of the following developments: (i) a mega-offer from the EU too good for either side to refuse but contingent on unification; (ii) more Transnistrian democratisation and a dramatic improvement in the Transnistrian information space; or (iii) a widening development gap between Transnistria and an ever more prosperous Moldova.

(i) Counting on an EU mega-deal at present seems the least plausible of the lot. Such a deal would most likely need to centre on a concrete promise of membership perspective—something that most EU member states currently deem politically impossible. This could nevertheless change over time. Improvements within Moldova might ultimately undermine the credibility of the EU's *de facto* position—namely that a small European country directly on the EU border, with close cultural and historical links to an existing member state and an express desire to join, can be denied accession.

Alternatively, the situation in Moldova could deteriorate sufficiently that the EU is forced to deploy its only effective foreign policy tool (the offer of possible membership) in order to preserve security on its Eastern border. The membership perspectives extended to the Balkans have set a precedent for this.

However, even an offer of future membership would probably not be enough—and would be too distant a prospect—to bring around the elites in Moldova or Transnistria.

(ii) Over the longer term, somewhat greater political pluralism and an improved information space in Transnistria are imaginable. The Smirnov leadership already faces a challenge from *Obnovlenie*, and might find outside pressure to democratise (either from Russia or the EU) too difficult to ignore entirely. As the room for debate expands, Mr Smirnov's hard-line approach—and its lack of results—would come under greater scrutiny from civil society and from parts of the business and political elites. The argument that reunification offers no gains could become increasingly difficult to defend in such a context.

(iii) Any reduction in the scope for Transnistrian elites to claim that reunification offers no gains could also come through a widening development gap. Although Transnistria has stabilised its economy and built functioning institutions, it is still likely to fall increasingly behind Moldova in terms of development, which would help to increase chances for a settlement.

Given Moldova's own problems, any development gap between the two sides of the river is nevertheless unlikely to open up quickly. Moreover, an opposite outcome is not unimaginable. If Russia chooses to follow current policies to the end, it could finance noticeable improvements in Transnistrian incomes and infrastructure, while at the same time pressurizing the Moldovan economy sufficiently to push it to the brink.

**(d) Far more concerted Western involvement in Moldova.**

Any hope of propelling living conditions in Moldova significantly higher than those in Transnistria would almost certainly require a large increase in Western engagement with Moldova. Western policy-makers have fixed on the argument that Moldova "needs to make itself more attractive" if it hopes to convince Transnistrians to join. The argument is seductive—but the risk that this approach could easily fail needs to be properly understood.

The premise is that Moldova can emulate the successful transition experience witnessed in central Europe and the Baltics. However, in order to come even close to this, Moldova would need to benefit from far more engagement from the West. Even then, Moldova lacks the cultural, historical and institutional

considerations that allowed a solidly pro-European and pro-reform consensus to emerge in central Europe and the Baltics. Moreover, Moldova's Soviet legacy is particularly unfortunate. It inherited an unbalanced economy and suffered disproportionately from the collapse of Soviet trading arrangements. The split with Transnistria has only exacerbated the problem.

This context suggests that Moldova will be extremely hard pressed to develop sufficiently rapidly for its depressed towns and villages to appear significantly better off than those in Transnistria. Even if objective improvements were achieved, they could be rendered irrelevant through Transnistrian propaganda and a lack of interpersonal contact between the two sides.

**(e) Increased willingness and capacity on the part of Moldovan elites to devise a workable integration strategy.**

The policies espoused by the Moldovan elites are clearly part of the problem. They have failed to devise the coherent strategy or policy framework needed to increase the prospects of an acceptable settlement.

This seems to be due to two factors. First, the capacity for devising strategic, coherent policies remains limited. Second, even if that capacity existed, it is not clear that the elites would avail themselves of it—given that they are not fully committed to solving the Transnistria question. This lack of commitment means that elites on occasion pursue and prioritise party political goals or self-serving economic policies that are at cross purposes with the declared goal of resolving the Transnistria dispute.

Examples abound. If the government's hope is to make Moldova more attractive and pry the Transnistrian people and business community away from their pro-independence leaders, then it should radically accelerate its own reforms, provide concrete assurance to the Transnistrian business community and soften its harsh tone (which alienates ordinary Transnistrians and buttresses the leadership). Little sign of this is evident.

Similarly, if the conclusion is that economic diversification can reduce Russia's leverage, then foot-dragging on economic liberalisation cannot be condoned. Finally, if the presidential administration has concluded that its Transnistria strategy can only succeed with more concerted EU involvement, then it should no longer avoid tackling the more politically sensitive parts of the EU-Moldova Action Plan.

All of these contradictions reflect personal or party political interests being prioritised ahead of solving the Transnistria stand-off. Economic reforms or guarantees to Transnistrian enterprises hurt the elites' business interests; greater political openness threatens the power of Moldovan elites; and aggressive rhetoric is useful as it distracts the population from the Moldovan leadership's own failings. The result is a particularly protracted and extremely costly (in terms of human development) post-Soviet transition in Moldova, as well as an ultimately unproductive approach to the Transnistria question.

**(f) Increased willingness on the part of Moldovan citizens to demand a settlement.**

More evident interest in a settlement on the part of the Moldovan electorate could help to concentrate the leadership's minds. Until now, leaders have not been held accountable for their failure to devise a workable strategy towards Transnistria.

A combination of apathy, disenfranchisement and exhaustion has permitted the contradictions inherent in the government's policies to go unchallenged. Were the government to come under greater scrutiny, or see real political gains to be made in being seen to try to solve the Transnistrian problem, it might change its stance. However, this would require a far stronger civil society, more information on the part of the population (regarding the costs of the conflict festering), and greater interest in reunification.

A similar context exists in Transnistria: civil society there is even less sufficiently developed, and even less interested in reunification. Particularly as the leadership is only nominally accountable to the electorate, Transnistrian voters currently play no role in pushing the leadership towards negotiating a workable settlement.

## **B. Assessing the options**

### **Russia is decisive**

The only one of the above developments that could on its own and over the short term ensure a solution is, arguably, a shift in Russia's stance. Even here there are risks. First, security concerns would rise substantially in the event that Russia ceases its support of the Transnistrian leadership or agreed to pull out its armed presence.

Second, even without a last-minute escalation in conflict, making any eventual reunification work would prove to be monumentally difficult. Little planning appears to have gone into this. Citizens on the two sides of the river are by now extremely far apart in terms of their world views. The two economies are developing almost entirely separately. Fundamental differences exist with regards to education systems, fiscal policy, pensions and property rights. Without resolving these, it seems hard to imagine how Transnistrian citizens could—or would want to—be re-integrated.

### Implications of the status quo

None of the other developments outlined above (a more attractive Moldova, greater Western engagement, etc) is likely to materialise quickly enough to bring an end to the conflict over the short term. Chances for a solution over the medium to long term are somewhat better. However, any longer-term solution to the problem is likely to require progress on a number of the fronts identified above. In particular, a more attractive Moldova and somewhat greater pluralism in Transnistria appear necessary. Neither will happen without more government accountability and hence a stronger civil society and media. In the absence of such developments, a solution is unlikely even over the longer term.

The security implications for both Moldova and the wider region in such a context could be considerable. As long as Transnistria exists as a sizeable yet unrecognised entity, it will remain fertile ground for corruption, criminality and human rights abuses. Claims that the Transnistrian leadership survives only through active involvement in large-scale trafficking are overblown. Nevertheless, the region's unrecognised status still means that it is not easily constrained by the international norms that usually help to regulate cross-border flows, govern relations with other states or protect rights.

### Concerns for the EU

With its eastern border now only 120km away from Transnistria, the EU should be particularly concerned. Due to the conflict, this segment of the EU's border is particularly vulnerable to unregulated flows of goods and people. As Moldovan authorities do not maintain proper controls at the internal border with Transnistria—and as Ukraine's border with both Transnistria and Russia is still porous—migrants and

contraband from as far away as Central Asia can reach the EU largely unimpeded.

More generally, the EU's eastern border will remain a source of risk as long as Moldova is economically and politically weak. The likelihood of such weakness is far greater as long as Transnistria remains unresolved.

The conflict with Transnistria is not only a consequence of Moldova's dysfunctional politics and economics, but also a direct cause: Moldovan elites take advantage of the economic gains possible through shadowy dealings with Transnistria, to the detriment of the country as a whole. Similarly, the unresolved conflict scares investors, while precluding the gains that economic interaction between the two sides might otherwise offer.

The Transnistria stalemate is moreover both a major distraction and a convenient excuse for the Moldovan elites. It also hampers the consolidation of any sense of national identity within Moldova. As the above analysis has shown, these factors contribute to the country's economic weakness and slow transition, both of which should be of concern to the EU.

It is worth considering that the situation could deteriorate further, such that the current context might begin to look good in comparison. Moldova's political scene is unlikely to continue to enjoy the relative stability experienced over the past two years. The 2009 parliamentary election could result in a far more fractious political scene. The current consensus in parliament could disappear as vocal pro-Russian or pro-Romanian groups take up mandates.

Moreover, if current migration trends continue—alongside further underinvestment and only limited progress towards economic diversification—stagnant growth and renewed financial turmoil will become increasingly greater risks. A downward spiral could then emerge, with economic stagnation breeding poverty, migration and a further loss in momentum for the Moldovan state project.

In order to reduce the risk of such an outcome, urgent work is needed to strengthen civil society and media in both Transnistria and the rest of Moldova. Along with more effective use of outside leverage and improved government capacity, a civil society and media able to assume an active role in policy debates and hold leaders accountable could contribute significantly towards conflict resolution.

## SECTION FIVE

### Conclusions & recommendations

#### A. General recommendations

##### Working in Transnistria

Programmes working in Transnistria are both possible and useful, and should be encouraged even though the region's closed, consolidated system provides only limited room for manoeuvre. The goal for donors should be to strengthen civil society and increase the information space in order to:

- (i) help Transnistrians learn that their leaders can be held accountable;
- (ii) encourage debate about the costs associated with the administration's policies; and
- (iii) reduce mistrust and misinformation about the situation in the rest of Moldova.

All three address problems that currently exacerbate the conflict. Policies go unchallenged because citizens are not used to questioning their leaders and because little information exists either about the implications of the existing course or the availability of alternatives. Widespread mistrust and misunderstanding regarding the rest of Moldova only compound these problems, while dampening interest in eventual unification.

Donors are aware of the difficulty of working in Transnistria. Assistance that targets top officials is impossible, the main electronic media seem all but impenetrable, and opposition media sources will remain extremely marginal even with more assistance. NGOs and civic initiatives are still far below critical mass, and it is unclear how they will ever influence central government policies.

Nevertheless, donors should understand that work in Transnistria is still possible, despite tight media control and the government's ban on politicised NGO work. They should also know that results are possible. Albeit over time, outside assistance can help to create a nucleus of citizens who have access to information, who understand their role in a democratic society and who are willing to begin asserting their rights.

Donors could enhance their impact if they target assistance carefully and co-ordinated with others. In particular, the NGOs being funded should be

encouraged to address as much as possible the key priorities identified in the above analysis. Transnistrian interlocutors could, for instance, develop their organising and advocacy skills through projects that increase the information available to citizens or that increase contacts between the two sides of the river. The independent media could be helped to engage (for instance) in the debate about economic relations with the EU, and to deepen their contact with counterparts across the Nistru river.

##### Working in the rest of Moldova

Given the constraints involved, the impact possible in Transnistria is nevertheless still less than what is achievable in the rest of Moldova. Moreover, many of the conflict drivers, and in particular those most easily changed, emanate from outside of Transnistria. The consequences of not addressing these issues could be even more significant than not undertaking the limited activities currently possible within Transnistria.

The key underlying challenge in Moldova could be characterised as follows:

- (i) The government needs to have good ideas available to it;
- (ii) the government needs to have the ability to implement those ideas; and
- (iii) the government needs to feel pressure from civil society to do so.

Focusing on these main problems could influence in a positive way a number of conflict drivers (see matrix on page 29). Most importantly, the proposed focus would address the permissive framework that currently allows corruption, poverty and vested interest to thrive, and that precludes the coherent policy stance needed to bring Moldova closer to a resolution in Transnistria.

In practice, the proposed approach could centre on three priority areas in tandem:

- (i) support to policy institutes and other research-centred NGOs;
- (ii) electronic media reforms; and
- (iii) strengthening government capacity.

All three of these areas would help to give the government better policy options, and would help in

assessing the effect that ongoing policies are having. The first and second priority areas would moreover help to compel the government to implement good ideas and policies. The third area of focus is required to give the government the tools needed to ensure successful implementation.

The existing situation with regards to all three of the proposed areas of focus is not good. Only a very small number of policy institutes exist. Those that do exist have shown that they can make an impact, for instance in monitoring fulfilment of the EU-Moldova Action Plan. However, their number needs to be expanded and their capacity should be significantly built up. They need to become part of a larger debate.

The electronic media situation is particularly serious. Rather than reform TeleRadio Moldova properly, the state has instead focused on structural changes while continuing to use the company as its mouthpiece. Without far more sweeping reforms, the company will never provide the real news, real debate, independent analysis and tough questions needed for proper scrutiny of the government's work.

Changing this is absolutely vital. Without proper scrutiny, the elites will never separate out business from politics, close down corrupt practices or accept policy options that go against their own personal interests.

Finally, outside donors should provide more technical assistance to Moldovan ministries in order to improve the government's capacity to plan strategically, prioritise tasks and assess impact. The experience with these sorts of programmes is mixed. However, improvements have been noted in those instances where appropriate advisors have worked with receptive ministries. The latter do exist in Moldova; officials frequently recognise the limits of their current capacity and are under pressure to deliver.

### **Tackling state television reform**

The gains possible through better policy options and improved implementation capacity will only accrue, though, if the lack of a properly critical national television media is addressed. Elites will not embrace good ideas and implement them unless forced by the electorate to do so. Although more vocal criticism and feedback from civil society will help, better media are absolutely crucial.

The proven difficulty of reforming TeleRadio Moldova suggests that the presidential administration recognises and fears the constraints that would arise through

effective scrutiny. Past failures are nevertheless no reason to avoid attacking what is easily one of the most glaring reform omissions.

The current administration needs ultimately to know that shirking the media reform components of the EU-Moldova Action Plan carries real political costs. The leadership needs to conclude that these outweigh the similarly large political costs that proper media scrutiny will impose.

## **B. Recommendations for the EU**

### **Addressing difficult reform**

The EU is best placed to impose the pressure needed for fundamental electronic media reform to begin. While bilateral donors can work at the journalist and editor levels, no progress is possible if the signals coming from the top of the Moldovan leadership do not change.

The EU should stress that Moldova scuppers any chance of a good Action Plan report card if it avoids the fundamental reforms required of the media. The EU should avoid the temptation to gloss over this point, or to view the area of media reform as one in which formalistic changes will suffice.

### **Increasing carrots**

By increasing its engagement in Moldova, the EU could minimise the risk that its pressure for media reform might ultimately weaken the Moldovan leadership's pro-EU stance. The EU needs to be seen to be actively committed to helping Moldova to succeed, and it must give Moldova sufficient reason to want to succeed.

This requires a more attractive offer from the EU—in terms of rapid liberalisation of trade and people flows and more sign that Moldova could eventually become part of the club. As long as the latter option is politically unfeasible, the EU should at the very least increase its visibility and effectiveness on the ground. The chances of forging a proper pro-EU consensus in Moldova would rise if Moldovans felt that the EU was itself actively engaged, and if more understanding of the institution existed.

At a more practical level, the EU needs to ensure that Moldovan and Transnistrian businesses have the information and assistance needed to make use of more liberalised trading relations. It needs also to ensure that it sends the most appropriate advisors to

work in Moldova—possibly by focusing on those from the east European accession countries who understand transition issues on the basis of first-hand experience.

### Understand dangers of neglect

More understanding is required on the part of the EU regarding the precariousness of Moldova's position and the potential costs of neglect. In particular, Moldovan politics need to be viewed more dynamically. The current stability is unlikely to last, and a return to a far more fractious political scene seems likely.

The EU and others should take this threat (and its wider regional impact) more seriously. The chances of avoiding a worsening political situation would be increased if serious economic gains and progress towards Europe were more readily apparent.

Alternatively, if a return to more fractious politics cannot be avoided, then greater institutional strength is needed in order to minimise its impact. An open electronic media in Moldova, along with a stronger culture of accountability and frank debate over real choices and risks, would help in this.

### Addressing Russia's policy stance

Although prospects for influencing Russia's policy agenda are limited, the EU and others should still redouble their search for ways to engage Russia more fruitfully, and to dent Russia's belief that it can pursue unhelpful policies in the "near abroad" without consequences for other aspects of its bilateral relations with the West. The gains to be made even through a small shift in Russia's policy suggest that efforts here are worthwhile, even if the prospects are limited.

## C. Recommendations for GCPP

The analysis of this SCA and the conclusions summarised above suggest a continued need for the sort of work undertaken by the PBF project since 2004. Although parts of the overall context have certainly changed since the previous SCA, the key underlying problems remain the same.

Civil society and media in both Transnistria and the rest of the country remain too weak to ensure the good ideas and the scrutiny needed for effective governance. Without scrutiny or a broader range of inputs, leaders on both sides of the Nistru river will

continue to espouse policies that fail to address the needs of citizens or to resolve conflict.

A framework similar to the PBF would be well suited to carry out the "General Recommendations" suggested earlier. The following components would appear key:

### Working with civil society in Transnistria

GCPP should continue its work with civic organisations, ensuring that these groups are being financed on a longer-term basis rather than project-to-project. Even small amounts of funds guaranteed for a multi-year period would be an important step towards ensuring more sustainable organisations.

For greater impact the NGOs financed by GCPP could focus on activities in certain priority areas. These include:

- (i) Expanding the information space.

Transnistria needs initiatives that set up information centres in local areas able to bring resources and internet facilities to those communities. These are vital for increasing contact with—and information about—the rest of Moldova and the outside world. A focused approach would be useful, such as establishing an information centre that addresses the lack of understanding that exists concerning the EU and the potentials that the EU offers (both at the personal level in terms of exchange programmes and, more broadly, as a community of values).

- (ii) Building links.

In the absence of any imminent conflict settlement, initiatives emphasising people-to-people contacts are essential. The project could work towards building partnerships and networks involving NGOs on both sides of the river.

- (iii) Working with the local authorities.

Activities whereby citizens either work with officials to solve local problems or else attempt to monitor local government operations could begin to re-establish the connection that needs to exist between citizens and government.

In addition, GCPP should explore ways of leveraging PBF's experience. The UK already has considerable credibility working in Transnistria, and should take a lead role in informing other donors that work in Transnistria is possible, and in ensuring that any

assistance be as effective, co-ordinated and strategic as possible.

The UK could in particular lead efforts to deepen outside understanding of the context in order to avoid earlier mistakes, and to eliminate all barriers to the development of Transnistrian civil society that come from outside (including Chisinau registration requirements for NGOs, and accounting hurdles). These barriers are surprisingly numerous and largely avoidable through greater flexibility. Given the barriers that NGOs already face in Transnistria, no additional ones should come from outside.

### Civil society work in the rest of Moldova

GCPP should address the need for more, and more effective, think tanks in Moldova. The focus of these think tanks need not be narrowly focused on the Transnistrian conflict. Considerably more and better analysis of that conflict is certainly needed, and the possibility of setting up a joint organisation staffed by analysts from both sides of the river should be explored. However, the polity in Moldova also lacks institutions able to offer sound policy proposals and monitor officials more generally. These institutions are crucial if Moldova is to solve the issues of poverty, unattractiveness and lack of accountability that are currently blocking a solution to the conflict.

### Working with media

GCPP would be unlikely to succeed in convincing Moldova's top leadership to loosen its hold on TeleRadio Moldova. However, the UK could certainly take a lead role in alerting the broader donor community and the EU in particular as to the crucial importance of more fundamental public broadcast reform.

The UK should strive to convince its EU partners that the Moldovan government's Action Plan already implies a commitment on its part; no greater signal from the government of Moldova is needed to begin pushing for action.

Should these efforts prove successful, GCPP could then consider taking part in the reform efforts. The UK is presumably well placed to do so, given its BBC experience.

Other, smaller-scale media projects worth financing would be ones that address the lack of accurate information on both sides of the river (concerning the other), and a general lack of contact or dialogue.

Worthwhile projects in this respect might include regular talk shows or documentaries prepared by joint teams of journalists and broadcast on both sides of the river; or else jointly produced web portals aimed at increasing information and interaction among youth on both sides of the river. It is by no means necessary that these initiatives focus directly on the conflict.

### Building government capacity

The analysis of this SCA suggests that strengthening civil society and media might even ultimately contribute more to improving government performance than would efforts to address government capacity directly: much of the policy confusion and slow reform progress so evident in Moldova today is largely a reflection of unaccountable officials taking decisions based on their own interests.

Insufficient capacity is nevertheless still frequently a reason for bad policies, and significant gains might be achievable if the main offices were better organised, and better able to prioritise and analyse. GCPP should therefore look to finance advisors in key government ministries and offices. Once again, this work need not be explicitly directed at conflict itself, given that the conflict is being indirectly perpetuated by poor implementation across a broad range of policy areas.

However, it would still be worth exploring the possibility of working directly with the Ministry of Re-integration, which is understaffed and not working optimally (despite being potentially an important player). The Ministry has expressed interest in assistance. If functioning properly, it could help to provide the policy coherence needed for swifter progress towards a resolution in Transnistria.

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## SCA Meetings

September 25 – October 6 2006

Margareta Mamaliga, Pavel Cabacenco, PBF Project

Nicu Popescu, Research Fellow, CEPS, Bruxelles

Viorel Cibotaru, European Institute for Political Studies in Moldova

Vasile Sova, Minister of Reintegration (plus staff)

Tomas Baranovas, Political Advisor to the EU Special Representative

Doina Rosca, Soros Foundation

Vlada Lysenko, Projects Coordinator, OSCE Mission, Tiraspol

Igor Botan, Executive Director, ADEPT

Oleg Serebrian, MP and Chairman of the Social-Liberal Party of Moldova

Igor Nedera, SIDA

Serghei Ostaf, Executive Director CreDO

Mihai Godea/Serghei Neicovcen, CONTACT Centre

Dumitru Braghis, MP and Chairman of the Party of Social Democracy

Anatol Taranu, MP, Our Moldova Alliance

Martin McDowell, US Embassy

Galina Shelari, Executive Director, CISR

Arcadie Barbarosie, Executive Director, IPP

Valeriu Prohntichi, Executive Director, Expert-grup

Corina Cepoi, Executive Director, CIJ

Alex Grigorievs, Representative to Moldova, NDI

Grigorii Volovoi, Editor-in-Chief, *Novaya Gazeta*

Stella Vinokurova, Executive Director, World Window

Viktoria Gladkovskaia and Ernest Vardanean, Novyi Region news agency

Elena Bobkova, General Director, Novyi Vek Research Centre

Alexandr Gonchear, Vybor Molodyh

Iulia Abramova, Center for Development and Support of Civic Initiatives

Johan Mathisen IMF Resident Representative

Ion Leahu, co-Chairman, Joint Control Commission

Francis Delaey, EBRD Representative to Moldova

Steliana Nedera, UNDP

Boris Galca, UN Population Fund

Andrei Galbur, Head of Multilateral Affairs Department, MoFA

Marko Schevchenko, Deputy Chief of Mission, Ukrainian Embassy

Valeriu Ostalep, Deputy Minister of Foreign Affairs

Claus Neukirch, Spokesman, OSCE Mission

Edward Brown, World Bank Country Manager for Moldova

Dmitrii Chubashenko, Editor-in-Chief, *Moldavskiye Vedomosti*

Ruslan Slobodaniuc, Deputy Foreign Minister, Transnistria

Jan Plesinger, Czech Embassy and UNDP

## Endnotes

<sup>1</sup> DFID (2002) *Conducting Conflict Assessments: Guidance Notes*.  
[www.dfid.gov.uk/pubs/files/conflictassessmentguidance.pdf](http://www.dfid.gov.uk/pubs/files/conflictassessmentguidance.pdf)

<sup>2</sup> The 1989 census reported the following changeswing demography: in Transnistria, 39.9% of the population was of Moldovan ethnicity, 28.3% Ukrainian, and 25.5% Russian. In the rest of Moldova, the ratio was 64.5% Moldovan, 13.8% Ukrainian and 13% Russian.

<sup>3</sup> Interview in Chisinau.

<sup>4</sup> Email correspondence with Claus Neukirch, Spokesperson/Press and Public Affairs Officer, OSCE Mission to Moldova.

<sup>5</sup> See statements by the Russian Minister of Foreign Affairs, Sergey Lavrov, following an informal meeting of the Russia-NATO Foreign Ministers' Council in Brussels on April 2nd, 2004: "Negotiations are being conducted with regard to our equipment. Only the guards of the weapon depots remain there at present. If the guards are removed, the depots may be looted and weapons may get into Europe too. If withdrawing the equipment depended on us alone, it would long have not been in Transnistria. Unfortunately, this depends on, among other things, the position of Transnistria's leaders. And our colleagues in the OSCE well know about this."

<sup>6</sup> See interview in *Interfax* with the Deputy Minister of Foreign Affairs of Russia, Alexander Grushko: "Russia has fulfilled the 'Istanbul obligations' a long time ago" (October 25th 2006).

<sup>7</sup> The OSCE mission in Chisinau claims to have well-documented information that weapons and parts of weapons had been manufactured in Transnistria for Rozobronexport, the Russian Arms Export company. In early 2006 the OSCE, along with Ukrainian and Russian negotiators, had drafted a protocol on factory monitoring. Further progress has proved impossible since the 5+2 talks stalled in March 2006.

<sup>8</sup> International Crisis Group (2006), *Moldova's Uncertain Future*, Crisis Group Europe Report No. 175, August 17th 2006.

<sup>9</sup> Email correspondence with Claus Neukirch.

<sup>10</sup> See "Russia Says Kosovo Sets Precedent", in *The St. Petersburg Times*, September 22nd, 2006.

<sup>11</sup> Transnistria's 2004 census reported a total population of 555,347. Of these, 31.9% claimed to be of Moldovan ethnicity, 30.4% Russian, and 28.8% Ukrainian.

<sup>12</sup> In September 2006 the Centre for Combating Economic Crime and Corruption (CCECC) secured the arrest of Eduard Musuc, a leader of the opposition Social Democratic Party. Mr Musuc is accused of an illegal deal in 2001 that cost the state budget \$200,000.

<sup>13</sup> For a good overview of poor governance in Moldova, see *National Human Development Report 2003, Republic of Moldova* (2003).

<sup>14</sup> For an overview of the media situation in Transnistria, see Miklós Haraszti, OSCE Representative on Freedom of the Media, *Assessment Visit to the Transdnistrian Region of the Republic of Moldova*, March 2005.

<sup>15</sup> For an overview of the media situation in Moldova, see Miklós Haraszti, OSCE Representative on Freedom of the Media, *Assessment Visit to Moldova*, December 2004.

<sup>16</sup> EU-Moldova Action Plan.

- <sup>17</sup> Center for Strategic Studies and Reforms (2003), *Research Paper on Transnistria*.
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- <sup>36</sup> World Bank, *Moldova: Poverty Update*, Report No 35618-MD June 2006.
- <sup>37</sup> Interview in Chisinau.
- <sup>38</sup> See chapter 2 of the National Human Development Report (2003), *Republic of Moldova*.
- <sup>39</sup> Conference speech, September 27th 2006.