

PROSPECTS FOR UNFREEZING MOLDOVA'S FROZEN CONFLICT IN TRANSNISTRIA



JUNE 14, 2011

**Briefing of the
Commission on Security and Cooperation in Europe**

Washington: 2018

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The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <www.osce.org>.

ABOUT THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The Commission on Security and Cooperation in Europe, also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance by the participating States with their OSCE commitments, with a particular emphasis on human rights.

The Commission consists of nine members from the United States Senate, nine members from the House of Representatives, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair rotate between the Senate and House every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

In fulfilling its mandate, the Commission gathers and disseminates relevant information to the U.S. Congress and the public by convening hearings, issuing reports that reflect the views of Members of the Commission and/or its staff, and providing details about the activities of the Helsinki process and developments in OSCE participating States.

The Commission also contributes to the formulation and execution of U.S. policy regarding the OSCE, including through Member and staff participation on U.S. Delegations to OSCE meetings. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from participating States. The website of the Commission is: <www.csce.gov>.

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PROSPECTS FOR UNFREEZING MOLDOVA'S FROZEN CONFLICT IN TRANSNISTRIA

JUNE 4, 2011

Commission on Security and Cooperation in Europe Washington, DC

The briefing was held at 10 a.m. in room 2203, Rayburn House Office Building, Washington, DC, Hon. Phil Gingrey, Commission on Security and Cooperation in Europe, moderating.

Commission staff present: Mark Milosch, Chief of Staff, Commission on Security and Cooperation in Europe; and Winsome Packer, Policy Advisor on Political-Military Issues, Commission on Security and Cooperation in Europe.

Panelists present: Igor Munteanu, Ambassador to the United States, Republic of Moldova; Vladimir Socor, Senior Fellow, Jamestown Foundation; Vlad Spanu, President, Moldova Foundation; and Lyndon K. Allin, 2008–2009 IREX Policy Specialist, U.S. Embassy in Chisinau.

Mr. MILOSCH. Good morning. My name is Mark Milosch. I'm the staff director at the Helsinki Commission. And on behalf of Chairman Smith, I'd like to welcome Ambassador Munteanu, our other panelists and everyone joining us today, including those joining us on video.

This morning, we will examine the human cost of Moldova's frozen conflict with its breakaway region of Transnistria and the prospects for resolving this 20-year-old conflict. We say it's a frozen conflict because it was settled not by a peace agreement, but simply by agreeing to freeze each side's positions.

In Moldova, this happened immediately after the dissolution of the Soviet Union, in 1992, when armed conflict between Moldova and Russian-backed separatist forces was frozen by mutual consent. The Moldovan Government had no reasonable alternative. Yet, it can hardly give away its territory. In the ensuing 18 years, almost nothing has been resolved.

The Moldovan Government has not managed to reassert control over Transnistria, nor has Transnistria won recognition, even from Russia, as an independent state. As is generally the case in frozen conflicts, we're also dealing with grave human rights and humanitarian concerns. Let me quote briefly from the 2010 country reports on human rights practices for Moldova.

Quote: "In Transnistria, authorities restricted the ability of residents to freely change their government and interfered with the ability of Moldovan citizens living in Transnistria to vote in Moldovan elections. Torture, arbitrary arrests and unlawful detentions were regularly reported. Transnistrian authorities continued to harass independent media and opposition lawmakers, restrict freedom of association, movement and religion, and to discriminate against Romanian speakers."

Today, we'll examine two general questions. First, given the frozenness of the situation, how can we address the human rights and humanitarian concerns in Transnistria? Second, and more optimistically, can the conflict be unfrozen? What should our policy be to promote the reintegration of Transnistria into Moldovan Government? We are fortunate to have an impressive panel of experts, and I will now turn the microphone over to Winsome Packer, staff advisor at the commission.

Ms. PACKER. Thank you, Mark. I also would like to welcome our panelists and I'd like to also acknowledge my colleague, Kyle Parker, who has worked with me to put this briefing together. The panelists' full bios are available outside the hearing so I won't read them. We will hear first from Ambassador Munteanu, Moldova's representative to the United States, who also has a distinguished academic and think tank career.

Ambassador Munteanu will be followed by Mr. Vladimir Socor, a senior fellow at the Jamestown Foundation and former analyst with Radio Free Europe/Radio Liberty. Next, we will hear from Mr. Vlad Spanu, president of the Moldova Foundation and former senior diplomat of Moldova. And then we will hear from Mr. Lyndon Allin, a corporate lawyer and policy expert who has done extensive work on Transnistria.

We also have a written statement from Matthew Rojansky, deputy director of the Russia and Eurasia program at the Carnegie Endowment for International Peace, which will be included in the briefing record. Following the presentation of the panelists, we'll accommodate questions from the audience at the microphone at the far right of the podium. Thanks. Ambassador?

Amb. MUNTEANU. Yes, good morning, everyone. It's a privilege for me to be here and speak in front of such a distinguished audience. Allow me to state from the outset that the origins of this conflict—Transnistrian conflict, which is called frozen—were not ethnic, not racial, nor religious.

With its mixed population of religion, the region is not a state or a nation, being artificially separated from the Moldova proper following the military conflict in 1992. The trigger for secession was opposition, by 1991, 1992, of the Soviets to understand and acknowledge the independent statehood of Moldova. And that was the major objective pursued by the largest share of the population of Moldova.

Military hostilities started in March, 1992, and lasted until July 21, 1992, when a ceasefire agreement was signed by the presidents of Russia and the Republic of Moldova introducing peacekeepers in the region with the aim to stop military hostilities and disengage hostile sites.

An OSCE mission has been established in Moldova after 1993 but it has been obstructed to perform its main tasks under constant objections, including from the separatist regime, as regards their requests to do military inspections, alleged arms production or accumulation of military illegal forces in the so-called demilitarization zone.

Unconstrained by international law, the separatist regime in Transnistria turned into a safe haven for criminal activities, smuggling and constant violations of the human

rights, which, performed systematically, imposed a totalitarian control over the population of the region, business and mass media. Movement of the population is hindered by multiple checkpoints.

People are put in jails and tortured physically or morally if they show dissent towards the official propaganda endorsed by the so-called Tiraspol authorities. Of special target are people which oppose the regime, like the villages of the left bank, which remained loyal to the Moldovan statehood and Moldovan jurisdiction after the conflict—the military conflict—ended.

And the second were the Moldovan schools, whose teachers are harassed, whose parents are intimidated and whose licensing is suspended by the regime. Just to mention that in spite of the OSCE mission actions, situation of the Moldovan schools remains unclear until today, and that was the main reason why the European Union introduced a visa ban for the leaders of the separatist regimes after 2004, after the shutdown of some of these schools.

Of special concern for us in Moldova is the situation of the political prisoners arrested by the local KGB, which is an instrument of power for the administration in Tiraspol. In 2002, the European human rights court found Russia guilty of actions or inactions that led to the arrest of Ilascu group and imposed penalties to be paid, calling Tiraspol to release people that were jailed for 12 years.

In 2010, Ernest Vardanyan, a journalist from Moldova, was arrested under accusation of espionage for Moldova. He was jailed for more than one year. Other cases of illegal arrests used by the authorities of this region to claim, afterwards, payments for the liberations have been reported almost weekly by the watchdogs of the region.

In that same year of 2010, another Moldovan citizen, Ilya Kazak, was arrested by the region's KGB and sentenced for 15 years of prison under accusation, again, of spying for Moldova. In April, 2011, Vardanyan was released, but several other people still remain in jail for alleged accusations, which, in some cases, seem to be an ordinary attempt to extort money from their families. And this is documented by Amnesty International, by Helsinki Group, by Promolex, local watchdogs.

We want this situation to be changed, and by creating all necessary conditions to re-integrate the region of Transnistria into the Moldovan State within its internationally recognized borders as of January 1st, 1990. We call the settlement of the Transnistrian completely exclusively by peaceful means through a transparent negotiations process in the framework of the existing five-plus-two format.

Today, we have a favorable international situation defined by an increased attention to a viable settlement from Moldova's major partners: European Union, United States, Russia, Ukraine. As well, we've noticed a gradual intensification of political consultations in OSCE. In 2010, there were five unofficial meetings in the five-plus-two format; in 2011, there have been two meetings—first in February and second in April—testing the ground for official launch of talks, although the visions remain quite far distant.

We hope that the meeting scheduled for June 21st in Moscow will mark the resumption of the official five-plus-two format of negotiations with all five actors aiming to restore trust and respect international law. Once the official negotiations are relaunched, we will be able to see a clearer perspective in the settlement process and move towards identification of the status of the Transnistrian region.

Moldova's position is well-known. Transnistria should be an integral part of the Moldovan Republic or the Republic of Moldova. Within its sovereign constitutional space, it is supposed to enjoy a large degree of administrative, financial and political autonomy. Respect of democratic norms, values and practices should prevail, while national legislation should be applied in full throughout the territory of the country.

Resumption of negotiations shall not be done for the sake of resumption but on clear ideas related to the full and comprehensive settlement of this conflict, appropriate to consolidate a viable, democratic, independent and sovereign state of Moldova. We see this as a matter of exclusive internal power-sharing mechanisms and the emergence of territorial autonomy in Transnistria, similar to the Gagauz autonomy, which has been established in 1994, in December, in Moldova.

It is by default that a special statehood will provide fundamental civil and political rights to the population without any discrimination and the basis of the international and the European conventions. In fact, National Parliament of Moldova has adopted already, in 2005, a law on the principles of the conflict settlement in line with the international and European rules protecting the rights of local and regional governments.

And we want this sovereign law to be respected in full and acknowledged by the mediating parties. It is my pleasure to commend, in the same regard, the findings and conclusions of the Senate Committee on Foreign Relations report distributed on February 8th, 2011, under the name "Will Russia End Eastern Europe's Last Frozen Conflict?"

Wrapping up my references to the basic principles of the Transnistrian conflict settlement, I would like to quote Vice President Joe Biden, who put them in a very eloquent way during his March visit to Chisinau. He said, "the only solution that can be accepted is the solution which would ensure the respect of sovereignty and territorial integrity of the Republic of Moldova within its borders recognized by the international community. The future of Transnistria is within the Republic of Moldova."

Dear colleagues, today, Moldova is a democratic state, which is proudly advancing towards an (accession?) agreement with the European Union. It has ratified and is effectively implementing the European Convention on Human Rights. It is signatory of the most important international and the European human rights conventions. As a member of the Council of Europe, it is regularly monitored by specialized committees, which constantly assess the progress towards the rule of law.

Following the installation EUBAM in 2006—the border-monitoring mission of the European Union—over 620 Transnistrian firms were registered by Moldovan law, which allowed them, now, to use their access to the European common market with no taxes paid for their exports. Population of the region receives all social benefits from the national social budget. Hundreds of fellowships are provided free of charge to the region's youth annually.

Over 350,000 of its half-a-million population holds Moldovan citizenship, and many of them are actively using their rights and freedoms protected by the Moldovan constitution and support the reintegration process of the region against the obstructions made by the separatist regime. Nevertheless, conservation of the Russian troops and ammunitions and the territory of the Republic of Moldova is a flagrant violation of our constitution, a violation of international obligations and a challenge to the legitimated authorities of the national government.

The political solution to the conflict should be consistent with the strategic vector of the European Union integration for Moldova. A responsible though more active participation of the United States and the European Union in the conflict settlement is, of course, crucial, as it brings the impetus and the resources necessary in reaching the positive result of this process.

Why should the Western community be interested in solving the problem, and how this conflict can affect the West? The region is simply 60 miles away from the border of NATO and the European Union. Therefore, this conflict is directly affecting the European Union security areas. And we are talking here about 60 miles—something comparable to the distance from here, where we are now, to Fredericksburg, Virginia—one-hour drive.

So the danger generated by the existence of a region of instability at the immediate proximity of the Euro-Atlantic community is obvious and it is also obvious that the price of solving the conflict is far lower than the price of instability and the risks of escalation. A civilian mission under international mandate would be of great value to the viable conflict settlement by taking stock of the ammunitions and troops concentrated in the security zone between the two banks of the Nistru River.

Today, there is not enough information about the heavy deployment of military equipment and arsenals. At the same time, efforts to change the existing so-called peacekeeping forces with the international mission under the mandate of international organizations should be intensified. Constant violations of the human rights must be stopped and innocent people ought to be released from the jails of the regime.

Moldovan authorities call international organizations to intensify their watching and monitoring activities on the region's situation and intensify collective efforts to stop the existing abuses, ensuring basic rights to be protected in a region that is not covered by international law today.

We call towards all states and actors that are involved in the five-plus-two format of negotiations to abstain from any sort of actions that directly or indirectly obstruct restoration of the Moldovan sovereignty over the region, focus attention to the 3D commandments that are indispensable for a fair settlement: democratization, demilitarization and decriminalization of the region. I think I will stop here to pass the floor to the next speakers and to leave more room for discussion during the session of questions and answers. Thank you very much.

Mr. GINGREY. Ambassador, thank you very much for your testimony. We'll now hear from Vlad Spanu, president of the Moldova Foundation, a former senior diplomat of Moldova. And I'll turn it over to Mr. Spanu.

Mr. SPANU. Thank you, Mr. Chairman. I would like to express gratitude to the U.S. Helsinki Commission members and staff for including in its agenda this important topic today. And a special thanks to Winsome Packer, Kyle Parker and Mark Milosch, who made this briefing today and other briefings and hearings for Moldova, in the past, possible.

I express this gratitude on behalf of those who suffer the most because of this externally imposed conflict—that is, the residents of the towns and villages east of the Nistru River in Moldova. Although they constitute the majority, those people are not represented at the negotiation tables.

Their voice is not heard, not only in Moscow, Brussels, Vienna or Washington, but even in their own capital, Chisinau. They are not on the front pages. They are not inter-

viewed by public or private TV stations in the Republic of Moldova, or elsewhere to say their painful story of living in ghetto-type settings where residents have no rights.

What is happening today in the eastern part of Moldova is nothing else than a continuation of the Soviet Union geopolitical policies now, after 1991, embraced by the Russian Federation. To understand better the conflict, one should look back in history. There are several events that have to be remembered when tackling the Transnistrian conflict.

First, the 1792 Treaty of Jassy, signed between the Ottoman Empire and the Russian Empire, after which Russia, for the first time, reached the Nistru border and became the neighbor of the principality of Moldova.

Second is the 1812 Treaty of Bucharest between the same two actors—resulted in the partition of the principality of Moldova, the eastern half of which was incorporated into Russia as Bessarabia until 1917 Bolshevik revolution.

Third, the creation, in 1924, within the Soviet Ukraine, of the Moldovan autonomous Soviet republic on the eastern bank of Nistru, where the majority of population constituted ethnic Romanians, as bridge-head to once again successfully occupy Bessarabia in 1940 by the Red Army as an outcome of the Hitler-Stalin Pact of 1939.

Finally, in 1990 and 1991, the same territory east of Nistru, with its main city, Tiraspol, was once again used by the Kremlin's masterminds as an outpost to keep the Republic of Moldova—back then Soviet Moldavia—from getting away from the USSR control, and today, from Russia's control.

Today, Russia's minimum objective in Moldova is to create a second Kaliningrad in the south to keep the Republic of Moldova and Ukraine in check. Its maximum objective is to get full control of the Republic of Moldova through federalization schemes imposed on Moldova where Transnistria is to play the main role of holding veto power on the future of Moldova, its internal and external policies.

As a bonus, by reaching these objectives, Russia will be able to encircle Ukraine, closing its only large window to the West, thus keeping Ukraine into its orbit. Focusing entirely on fruitless official negotiations to solve the conflict between Russia and Moldova is a big mistake. During 19 years of bilateral negotiation and multilateral negotiations, no result was achieved in ending the conflict.

Russian troops are still stationed in Moldova and Russia's support for separatist movement continues while local residents of this region suffer. These residents, who are nothing less than geopolitical hostages, are not allowed to have access to basic freedoms, including freedom of expression, of education in their native language and of assembly, among others.

Education in the Romanian language is viewed by those in charge of this separatist regime as their main threat. This is why, as soon as the legislative body in Chisinau, still within the Soviet Union back in 1989 adopted the language law that established the return of the Roman script to the republic's official language, the Soviet authorities in Moscow triggered the separatist movement in Transnistria. The alphabet issue became central to the secessionist movement and it developed into a school war against educational institutions that opted for Latin characters.

As a result of discrimination policies in the field of education, the majority of the population in Transnistria, Romanian ethnics, has only 88 schools that are authorized to teach in the native language, but only eight are permitted to use the Latin alphabet. The

several Romanian language schools made headlines in international media when, in July, 2004, the Tiraspol militia seized the orphanage school in Tighina, and schools in Tiraspol, Ribnita and Corjova were closed.

The closing down for good of these schools was prevented only thanks to the international pressure. These days, the situation in the eight schools is worsening. Last week, on June 9th, in an open letter to the Moldovan Parliament and to Prime Minister Vlad Filat, Eleonora Cercavschi, chairwoman of the Lumina Association that represents teachers from Transnistria, asked for help.

She accuses Moldovan authorities of designing discriminatory policy against Romanian-language schools that use the Latin alphabet. Cercavschi argues that these students are put in tougher competition when applying to Moldovan universities than those schools controlled by Tiraspol. Those, along with the Tiraspol regime's persecution and discrimination against pupils, their parents and teachers, are the major cause why these five high schools and three middle schools lose students.

An example: If, in 1989, the total number of students in five high schools was about 6,000, in 2011, this number was only about 2,000, three times less. The other 80 Romanian-language schools in the breakaway region continue to use the Russian, Slavonic alphabet in teaching of their language, dubbed "Moldovan," as it was imposed by the Soviet regime on all schools in Bessarabia in 1940.

More than that, today, these schools continue to use an outdated curriculum and use textbooks from the Soviet period. If the Russification of the Republic of Moldova largely stopped in 1991, when Moldova gained independence, it still flourishes in the Transnistrian region. Suffer mostly the Romanian-speaking population, but the Russification policy also affects other minorities, such as Ukrainians, Bulgarians, Jews and Gagauz.

This 21st-century soft genocide, called by the OSCE "linguistic cleansing," mainly against the Romanian ethnic population, resulted in sharp reduction of Romanian Moldovans, from 40 percent in 1989 to 31.9 percent in 2004, while Russian ethnics increased their presence in Transnistria from 24 percent in 1989 to 30.4 percent in 2004.

Schools are not the only target of the regime in Tiraspol. Free media cannot penetrate on the east bank of Nistru because of radio and TV jamming and prohibition of printed media. Local journalists are arrested and intimidated. The arrest, in 2010, of Ernest Vardanyan, an Armenian-born journalist, citizen of Moldova and a resident of Tiraspol, is the most notorious example of the KGB-style intimidation of free press.

He was accused by intelligence services of Transnistria, which are, in fact, the local office of the Russian FSB, of spying for Moldova. That is, he was accused for spying for his own country in his own country. In March, 2010, the Transnistrian intelligence services kidnapped Ilya Kazak, an employee of the Moldovan fiscal inspectorate in Tighina. He was kidnapped in the town of Varnita, controlled by the Chisinau central authorities.

Kazak was accused, also, of espionage. His parents have been on hunger strikes numerous times for weeks, protesting outside the Russian embassy in Chisinau, hoping, through their actions, to secure the release of their son, but in vain. Last Sunday, June 12th, Kazak's mother approached U.S. Senator John McCain, who was visiting Moldova, and pleaded for help. What else a mother can do for her son?

The private property is another target of the separatist regime. From time to time, local farmers are prevented to cultivate their land or bring home crops from their own

fields. Small business owners can also see their property confiscated through different schemes, including intimidation, arrest or worse, killing.

Why are these violations of basic freedoms allowed to continue to happen in the 21st century? Who is responsible for it? The right and obvious answer is the masterminds behind the separatist movement strategy in Moldova's eastern region. Somehow, identical elements of this strategy can also be seen in another ex-Soviet republic, Georgia, with two separatist regions, Abkhazia and South Ossetia, that launched a war against the central government in Tbilisi in 1991–1992, the same time when the war against the central government of Moldova happened.

In all these cases, Russia played the major factor in triggering the conflict and then supporting the separatist puppet governments. As in Georgia's Abkhazia and South Ossetia, in Moldova's Transnistria, leaders of the separatist regime are Russian citizens and reportedly on payroll of the Russian intelligence services and military. Blaming only Russia for the existence of Transnistria is just part of the story. There are other actors who benefit from the status quo, mainly in Kiev and in Chisinau.

Smuggling of arms and good, human trafficking and others are also associated with Transnistria, dubbed the "black hole of Europe." But the main responsibility has to be put on shoulders of the political leadership in Chisinau. After all, most residents of Transnistria are Moldovan citizens, although Moscow and Kiev rush in giving passports in expedite mode to everyone who asks, in order to later claim the need for protection of their citizens and, eventually, claiming the territory east of the Nistru River. Russia's actions in Moldova are as many and as reckless, as allowed by both the Moldovan government and by international community.

Mr. GINGREY. Mr. Spanu, if you don't mind trying to finish up in the next 15 seconds or so, we have other panelists, but continue.

Mr. SPANU. OK. Moldova's Western partners—United States and the European Union, as well as other mediators like OSCE—should put more pressure on Moldova, but also offer support when it comes to provide basic services for residents in Transnistria.

When a Moldovan citizen from Transnistria comes to law enforcement in Chisinau to ask for help, they usually are told that Transnistria has no—that they don't have jurisdiction over Transnistria, which is wrong because the person who orders arrests, beatings and torture is the president of the self-named Transnistrian region but those who execute are those in prosecution office and militia and so forth. And in all of the cases or most of the cases they are a citizen of Moldova, they need to be prosecuted and asked to respond for their unlawful actions.

Mr. GINGREY. We'll go ahead and stop there with your oral presentation, and your written remarks will be part of the permanent record. And now we'll hear from our next panelist, Vladimir Socor. Vladimir is a senior fellow at the Jamestown Foundation and a former analyst with Radio Free Europe and Radio Liberty. Mr. Socor?

Mr. SOCOR. Thank you. I have been asked to review the background of the Transnistria conflict and to provide an accounting of the current state of play. It is frequently observed that the conflict in Transnistria is comparatively easier to resolve than the conflicts over territories of Georgia or Azerbaijan because this particular conflict has neither an ethnic, nor a religious component. Therefore, the solution seems to be more reachable.

Why, then, has the solution not been reached during the past 20 years? It is, of course, because of the role of Russia. The conflict in Transnistria has been entered into the international diplomatic lexicon as a conflict between two parts of Moldova. This is the greatest success of Russian diplomacy in the last 20 years, in terms of approaching this conflict.

We are in the presence of an interstate conflict between Russia and Moldova. There is no inner conflict between two parts of Moldova. The conflict originated in the overt Russian military intervention of 1991–1992, when units of the Russian 14th army stationed in Transnistria occupied, in a piecemeal fashion, one-by-one in a low-level conflict operation, the seats of Moldovan authorities on the left bank of the Nistru River.

And in March, 1992, elements of the Russian 14th army crossed over onto the right bank of the Nistru River and established a large beachhead in the city of Bendery and around it. It was a clear case of foreign military intervention. It culminated with the shelling of the right bank of the Nistru River by the 14th army in 1992, resulting in a ceasefire agreement signed by the Russian Federation and the Republic of Moldova.

This was a ceasefire agreement between the Russian Federation and the Republic of Moldova, not between two parts of Moldova. The agreement was signed and ratified by then-President Boris Yeltsin and Mircea Snegur of Moldova. Transnistria was not a party to the conflict. Russian diplomacy subsequently introduced the fiction that Transnistria is a party to the conflict while Russia is a mediator, and this fiction is being accepted to the present day.

It will be very difficult to remove this approach from the five-plus-two negotiations, which are about to restart in Moscow on June 21. This frame of reference is officially accepted by international diplomacy. It will be very difficult to change it, and it is the main reason why the conflict remains unresolved—because it's misinterpreted as a civil conflict, which it is not.

Since 1992, Russian troops are stationed in the Transnistria region of Moldova in the role of peacekeepers. This peacekeeping operation lacks any international legitimacy. It is a purely bilateral arrangement imposed by Russia on a weak and incompetent Moldova back in 1992, which has never changed. This arrangement is part of Russia's wider policy of obtaining international acceptance of Russia's role as a peacekeeper in the so-called former Soviet space.

Moldova, South Ossetia, Abkhazia, at one time Tajikistan, possibly at the present time Kyrgyzstan are examples of Russia's attempts to establish a peacekeeping monopoly on the former Soviet-ruled territories. The international community has never granted acceptance to Russia for this role but it has tolerated it in practice without any official acceptance.

A peacekeeping monopoly is one ingredient to rebuilding a sphere of influence, and this is what is happening, also, in Transnistria. Transnistria, as I mentioned earlier—and this is generally acknowledged—is not an ethnic conflict or an inter-ethnic conflict; however, it does have an unmistakable Russian dimension. Transnistria is a Russian-ruled territory.

Most of its officialdom are people born in Russia, part of the Russian hierarchy or chain of command, who are assigned to jobs or to administrative positions in Transnistria. It is an operation, so to speak, of holding the fort for Russia, pending a more active resur-

gence of Russia in Europe. Most of Transnistria's leaders are born in Russia and seconded to Russia on this mission.

Transnistria state security ministry is a branch of Russia's intelligence services. Its leader, from 1992 to the present day, General Vladimir Antyufeyev, used to be a commander of the Russian special police in Riga, Latvia, and moved from there—he is from Russia—he moved from Riga, Latvia, to Transnistria in 1992 under a covert identity, which he soon thereafter revealed.

Negotiations to resolve the Transnistria conflict began almost as soon after the ceasefire agreement of 1992. The negotiations went through a lot of stages, and there is a lot of negotiating *acquis* and a lot of negotiating of documents that was generated by this negotiating process. And I'm going to skip most of these stages, but I want to explain the background to the current negotiations, which are about to resume in Moscow on June 21, after a five-year breakdown.

Negotiations were strictly a Russia-Moldova bilateral matter from 1992 until 1997. In 1997, Russia lent a semblance of internationalizing the negotiating format by co-opting the OSCE and Ukraine. The OSCE is the only international organization in charge of handling this conflict. The OSCE mission in Moldova, active since 1993, has, as the main part of its mandate since 1993, resolution of the Transnistria conflict.

The OSCE is very poorly equipped for this job because Russia has an internal veto power in the OSCE. Putting the OSCE in charge, either of negotiations or of a possible replacement peacekeeping operation, would be the worst solution. It would provide a semblance of internationalization without the reality of internationalization due to Russia's veto power within the OSCE. The OSCE cannot speak, much less act, without prior consent by Russia in the internal deliberations of this organization.

In 2005, when Russian influence was at a low ebb in Europe and in Eastern Europe and U.S. influence at an all-time high—in 2005—it was possible to internationalize in a genuine way the negotiating format. That was the origin of the five-plus-two format, which was joined in 2005 by the United States and the European Union in the capacity of observers. So the format consists of Russia, Ukraine, OSCE, United States, European Union, Chisinau and Tiraspol. This is the five-plus-two format established in 2005.

This format has had a life of five months, from October, 2005, until March, 2006. At that point, Russia and Tiraspol dropped out of the negotiations in response to a decision by the European Union to establish a border control mission on the eastern border of Moldova, EUBAM—the European Union Border Assistance Mission. In response to that, Russia and Tiraspol dropped out of the negotiations and blocked the negotiations until now—the official negotiations. Informal contacts were continued.

So this is the process that is about to restart in Moscow on June 21. What has led to the initiative to restore the negotiations—the official negotiations? Primarily, a German initiative—the initiative agreed at the top level by Chancellor Angela Merkel and Russian President Dmitry Medvedev in June, 2009, in a document known as the Meseberg Memorandum, signed in the Meseberg Castle near Berlin.

It is an ideological tenet of German foreign policy to include Russia, in one way or another, in the decisionmaking processes of the European Union, and potentially down the road, in the decisionmaking processes of NATO, as well. The German chancellor's office has thought of a possible way of achieving this goal, and that would be for Russia to prove to the European Union that it can be a constructing partner in settling one European

Security issue—Transnistria—because this is regarded, of the reasons already mentioned, as easier to solve, compared to other conflicts.

So Russia is asked, by Berlin, to be constructive in resolving the Transnistria issue, in return for which, under the Meseberg Memorandum, which is published, Russia and the European Union would establish a joint committee on European security affairs for joint decisionmaking on European security issues—a way for Russia to gain access to EU decisionmaking processes. Russia's entrance ticket to this mechanism would be a constructive attitude on settling the Transnistria issue—a low price to pay, in my view, but these are the terms under which negotiations are resuming. There are a number of pitfalls—

Mr. GINGREY. Mr. Socor, if I could ask you to conclude within the next minute, your remarks, thank you.

Mr. SOCOR. OK, thank you. There are a couple of potential pitfalls in the negotiations that are about to resume on June 21 in Moscow. The first would be a starting document that would establish the principles of the new negotiating process that would contain ambiguities regarding the Transnistrian status in a reintegrated Republic of Moldova.

That might open the way for Transnistria to exercise decisionmaking powers in Chisinau's internal governance, not just local autonomy for Transnistria but a role for Transnistria in the decisionmaking processes of the central Moldovan government. This is in the form of some sort of federalization.

This is one pitfall and the other pitfall would be pressure on Moldova to give up its law of 2005 about the basic principles of settlement of the Transnistria conflict. Those principles include democratization in Transnistria as part of the process of conflict settlement, going hand in hand with the process of conflict settlement and the political resolutions that would follow the withdrawal of Russian troops from Transnistria—following the withdrawal of Russian troops—and the internationalization of that peacekeeping operation. Thank you.

Mr. GINGREY. Thank you very much. And our final panelist, and I would ask him, respectfully, to keep it between five and seven minutes with your oral presentation, Lyndon Allin, a corporate attorney and policy expert, has done extensive work on Transnistria. Mr. Allin?

Mr. ALLIN. Thank you very much, Mr. Chairman. Thank you to the Commission for convening this meeting and for inviting me to talk today about economic interactions within and around Transnistria. I'm really happy that we're gathered and convened under such an optimistic idea of looking for a breakthrough in the conflict-resolution process.

I want to emphasize, first, that my remarks are offered in a personal capacity and I'm not going to try to provide a detailed legal or economic analysis of any of the issues that I discuss. What I'm going to try to do is highlight the economic circumstances that are going to have to be addressed if we hope to move towards settling the Transnistrian conflict.

Those issues are, principally, Russian economic assistance and Transnistrian and foreign business interests in the region. I'm also going to talk a little bit about the potential upside if the conflict can be, ultimately, resolved, resulting from reintegration of a number of regional networks, which are currently fractured by the conflict. So I'm not going to talk about other issues. Those have been quite well-handled by my colleagues. I'm not going to use the F-word—federalization. I'm going to just stick to economic issues.

So first, economic assistance from Russia. Russia subsidizes Transnistria's budgetary operations in two ways. First, Russia provides publicly declared subsidies of \$25 million a year, roughly, to assist the Transnistrian Government in supplementing local pension payments. This assistance fosters a sense, among the Transnistrian public, of being part of Russia.

In fact, it undermines Russia's official position on Moldova's territorial integrity, which is that Transnistria is a part of Moldova, and it means that residents of Transnistria are going to be concerned about who might provide them with such aid in the event of a conflict settlement. One of my interlocutors in Transnistria once said to me that the conflict boils down to the question of who pays for us.

So to a certain extent, there are going to be some welfare issues that have to be taken care of down the road. Russia also allows Transnistrian authorities to cover budgetary shortfalls using money that they collect locally for gas payments. Gazprom does not demand payment from Transnistria directly. And I'll deal with that a little bit later, also.

Transnistria's economy, according to some local experts, would be sustainable only for two to three months if these forms of Russian assistance were cut off. So who are Transnistrian economic actors? I will focus on the most important one of those, which is Sheriff, which monopolizes trade in the region, including food, gasoline, wholesale and retail.

They have some production assets. They also run the local television network and the only local Internet and fixed-line and mobile telephone service. So they're a monopoly provider of a number of services to Transnistrian residents. Sheriff's business model depends on relationships with Transnistrian officials and on market distortions created by the conflict.

For example, their supermarkets can get away with selling expired and counterfeit goods because consumers don't have a lot of options. Some of the assets owned by Sheriff and other economic actors in the region were acquired in the Transnistrian privatization program. This was another way that the government filled its economic shortfalls in recent years.

Those privatizations are not valid under Moldovan or international law; nevertheless, in the past, the Moldovan Government in Chisinau has acknowledged the need to reach an agreement on property rights of existing owners in the event of a final settlement. So that's going to be a very important issue down the road.

This is also going to be an issue for the foreign property owners, principally Russian and Ukrainian, in the region. The two most valuable industrial assets in the region are foreign-owned. The first of those is MMZ, a modern and competitive steel mill that's located in Ribnita. It's the largest enterprise anywhere in Moldova and, in the past, has been the country's largest exporter.

Interestingly, the interests of local elites in Transnistria and foreign investors are not always aligned and MMZ's Russian and Ukraine owners have had some disputes with the Transnistrian authorities in the past, and that may come to the fore again in the future. The factory purchases scrap metal from right-bank Moldova, which is an example of how interaction with Transnistria can be profitable to Moldovan elites.

The second large industrial asset that's owned by Russian interests is the power station at Kuchurgan, which was designed to supply Moldova, as well as large parts of Ukraine and the Balkans, with electricity. It's owned by an affiliate of Russian electricity

provider RAO UES. Both of these industrial plants run exclusively on Russian natural gas and their ability to pay discounted rates on this gas is important to their profitability. Nevertheless, they would likely be profitable under market conditions, as well.

The region also has other viable production assets and Transnistrian exporters are able to take advantage of Moldova's trade preferences with the European Union. Overall, it's estimated that 35 percent of Transnistrian exports go to the European Union. So the upside potential from resolution of this conflict would be the ability to knit back together some of these networks that have been broken up by Transnistria. It's a shame we don't have a map.

Transnistria runs along most of Moldova's eastern border and, basically, it breaks up a lot of transit routes that run eastward toward Ukraine and Russia supply and infrastructure networks within and around Moldova were designed to operate in the context of regional integration.

Instead, they're fractured and operate inefficiently as a result of this conflict. Enterprising and corrupt actors have created workarounds to evade or cooperate with the multiple sets of officials and borders in the region and, over time, these workarounds have hardened into self-perpetuating economic ties, which are going to be very hard to dislodge.

Among the systems that are fractured are the telephone system—it's not integrated between the two banks of the Nistru, which results in higher costs for callers on both sides; power generation and distribution, which suffers from non-transparent and politically motivated pricing and corrupt transfer pricing schemes; transit routes and railways, which are periodically blocked off and held hostage to the political situation; natural gas, which is a special case.

Gazprom has a single contract with Moldova, which has enabled the Transnistrian portion of Moldova to run up debts of over \$2 billion over the last 20 years and to argue that the internationally recognized Moldovan authorities must pay them. Also, Transnistria has its own currency system and central bank, which will be a big challenge for reintegration.

So because of all these fractured networks, I would say that the region's full economic potential is also held hostage to this conflict. So what conclusions can we draw? There are going to be a lot of economic challenges to reaching and implementing a stable, durable settlement. First among those is going to be treatment of the gas debt.

Additional ones will be guarantees or some kind of arrangement for current holders of Transnistrian assets, dealing with Transnistrian public concern about the loss of Russian-funded social assistance. Here, we have an unfortunate example of the triumph of fear over hope among the Transnistrian population. They know what they have and they are afraid of change.

We are going to have to deal with corrupt regional elites who want to maintain personally profitable arrangements. There are a lot of potential benefits, I would argue, to people on all side and parties on all side. First, Russia could benefit if it no longer has to serve as Transnistria's economic lifeline. Russia's Gazprom could benefit from greater payment discipline.

Ukraine could benefit from better transit routes westward and less corruption on its western border. And the benefits to the entire population of Moldova, including Transnistria—more efficient markets, better work opportunities, et cetera—I think are

obvious. Because of the setting of this briefing, I'd like to make some recommendations about what U.S. policymakers can do.

First, the U.S. needs to give Moldovan products permanent normal trade relations treatment and terminate the applicability of the Jackson-Vanik Amendment to Moldova. Moldova should also be considered for a visa-waiver program. This would help make right-bank Moldova economically more attractive to Transnistrians.

Second, the U.S. should promote regional cooperation on anticorruption enforcement, to include Moldovan, Ukrainian and Russian authorities, particularly as this issue has been a signature for Russian President Medvedev. This could be perhaps a part of an OSCE-administered resource center on economic development, which is proposed in my colleague, Matt Rojansky's, written remarks, which I encourage you to check out.

Hopefully, these remarks have made clear that the involvement of and difficult decisions from all sides will be required to resolve this conflict. Therefore, my final recommendation to the U.S. is that we should encourage our partners in Europe, Russia, Ukraine and Moldova to devote the necessary political will to pursuing a durable, comprehensive settlement of the Transnistrian conflict. Thank you.

Mr. GINGREY. I want to thank all of our panelists for an excellent briefing on the situation and prospects for unfreezing Moldova's frozen conflict in Transnistria. Let me start off by asking a couple of questions and then I'll refer to the other staff members on the dais, including our staff director, who will follow me. And then we'll open it up for questions from any of you, and the mic here to your left and my right is where you'll come to present your questions.

And this really is for any of the panelists: What measures may be taken to effectively hold the Tiraspol regime accountable for its human rights violations? Were the recent trials by the Transnistrian authorities of Kazak—am I saying that correctly—and Ernest Vardanyan conducted fairly? What do you think motivated the Transnistrian leadership to try these men and sentence them to such long periods of imprisonment? Mr. Ambassador?

Amb. MUNTEANU. Well, at this point, I don't see how the Transnistrian leaders can be motivated, personally, to respond to the claims from the human rights organizations or from the political institutions because they are not responsible to the population inside and they are not responsible to the international law. It is not applied in this region.

I think, however, that through OSCE and through the members of the negotiation format five-plus-two, to conduct a very comprehensive report on the situation of human rights and to have a common view on how to prevent violations of human rights in the region would be seen as an improvement in the situation of so many people which are still detained in Transnistria.

The second: Of course, in order to advance on this complicated issue of protecting human rights, there are some elements of democratization that need to be implemented in the region. And democratization means guarantees for free press, free movement of people, a kind of oversight of the security forces, which impede this process of the democratization and liberalization of the legal space. These kind of steps would generate a positive response from the population of the region, which is, unfortunately, hostage to this current situation.

Mr. GINGREY. Mr. Ambassador, thank you. Anyone else want to comment on that? Yes, go ahead, Mr. Spanu.

Mr. SPANU. Thank you, Mr. Chairman. In those 15 seconds, I couldn't answer because that was exactly what I was going to cover. I was trying to jump from one place to another. But in responding to that question, I think, besides what the ambassador mentioned—the international pressure—it's necessary to hold accountable those people who commit these unlawful arrests of Mr. Vardanyan and Kazak, their detention, and who set the system that is not based on the law.

There are two main people—and the speakers here talked, today, about them: Smirnov, who is the President of Transnistria, put by Russia in since 1991, and Antyufeyev, who runs the intelligence services. Those lawyers and the human rights groups who examine all these cases, including Vardanyan's and Kazak's and many, many others—they see a pattern. They see orders from this Smirnov and Antyufeyev and there are executors down the line who do these concrete actions.

And as I tried to mention, those executors—some of them are Moldovan citizens. So they need to be filed cases against them by the Moldovan law enforcement and prosecutorial offices because these people freely travel to Chisinau—to Moldova—or Ukraine or to other places. They commit these crimes but they are not held accountable. So if they will know that they will stay, one day, in court for their actions, they will think twice about executing orders from Smirnov or Antyufeyev.

Mr. GINGREY. Thank you very much. I want to ask one last question and then we'll quickly go to others for their questions. And I'll direct this question to Mr. Socor, who I went out of turn just a minute ago—but do you think that the current status quo is satisfactory to Moscow? And if so, what needs to change for Russia to be willing to negotiate seriously on Transnistria's status? What are the prospects for it to recognize Transnistria as an independent state?

Mr. SOCOR. Russia has never pursued the goal of effecting Transnistria's final separation from Moldova. To the contrary, Russia wants Transnistria to remain, on paper, a part of Moldova in order to share political power with the central government in Chisinau and to act as an insurmountable obstacle to Moldova's Euro-Atlantic integration. This has been Russia's goal since 1992 and remains Russia's goal.

Russia has a minimal and a maximal objective in Moldova. The minimal objective has been named by my colleague, Vlad Spanu: consolidating a Kaliningrad-type exclave on the border of the threshold to the Balkan Peninsula and on the southwestern border of Ukraine, forming a strategic chain of Russian military outposts, together with the Crimea. This is the minimal goal.

The maximal goal is to integrate Transnistria's political leadership with that in Chisinau by awarding Transnistria de facto veto or blocking power on the political decisions of the central government in Chisinau. And that was the main goal of the so-called federalization project of 2002–2004, which Russia and Berlin now seem on the verge of reviving.

Mr. GINGREY. Well, thank you very much. And now, we'll turn to the staff director, Mark Milosch, for any questions that he might have.

Mr. MILOSCH. Thank you very much, Congressman Gingrey. Thus far, we've been talking mostly about politics and security issues, which is entirely natural. I'd like to switch gears if we could for a moment and ask a question about human rights.

And I'm wondering specifically, is there any prospect for putting human rights on the agenda at the five-plus-two talks? I can see naturally that Mr. Smirnoff or the Russians

would presumably not be very eager for this. But it seems to me there are ways that this could be done by the OSCE or the EU and the U.S. that might be difficult to resist. I'm thinking particularly of trafficking.

When trafficking is out there on the table, it's something that the governments have a hard time walking away from. The Russian government has many people in it who've actually been quite helpful on the issue and if Russia wants it on the table, I think it will be on the table.

And that could be an issue perhaps in which Transnistria and Chisinau could work well, build bridges. There might be something there. So I'd like your thoughts on that.

Secondly, in the Trafficking in Persons Report on Moldova, we have very little reporting on Transnistria probably because we don't have a lot of diplomatic coverage there. But if any of you have heard anything about the trafficking situation or have any perhaps man or woman in the street report on that, I would really appreciate hearing it.

Thanks. I guess we'll start with Ambassador Munteanu.

Amb. MUNTEANU. To my knowledge, the issue of the human rights situation was never put on the agenda of talks in the five-plus-two format, with the exceptional cases when some people were arrested and the people were citizens of Moldova, of course the Moldovan side attempted to use the negotiation format in order to create a getaway for those who were in jail.

It is not a pressing issue probably for Russians which want to see the negotiation of the special status for Transnistria if they would not get more. And of course we want to relaunch negotiations in this five-plus-two in order to settle some existential problems for the populations of this region—movement checkpoints which prohibit free movement of the population, even the organization of elections in this region.

I just wanted to mention the fact that holding local elections in this region, and we have eight villages on the left bank of the Dniester under Moldovan jurisdiction—effective jurisdiction—and we have—constantly we are blocked, constantly by militia of Transnistria which tried to steal the ballots from the electoral precincts. They tried to threaten the people that participate in elections. They tried to impose blocking posts for those who want to cross the lines.

And generally speaking about the human rights situation, population of the region feel not only—how to say—constant pressures. They feel hard security threats because the demarcation lines which have to be by definition free of military equipment and military forces they are full with Transnistrian armory and munitions and hardware equipment particularly because of the Russian peacekeepers do not fulfill their mandatory role. And this is one important issue.

Speaking about the trafficking situation, we know there are several networks of trafficking which have been recently annihilated by the Moldovan prosecution and specialized forces. They have their roots and origins in the region. But how we can intervene into this situation, how the prosecution can act into this region because it is over-militarized, it is protected by the Russian peacekeepers and our prosecution forces cannot act there.

And on a different note, if there will be in Chisinau in order to investigate some cases, the Transnistrians will say that, look, Moldovans they are staging a new war. So this situation is much more complex and more complicated than it could be seen from outside. Thank you.

Mr. SOCOR. May I contribute an answer to that question? Introducing the issue of democracy and human rights into the negotiations would be a great innovation and as in all diplomatic processes it would take a long time to implement because it would almost revolutionize the existing routine five-plus-two negotiating process. So formally introducing this issue would be very difficult.

However, on the one hand, Moldova's law of 2005 on the principles of settling the Transnistria conflict stipulates that a settlement can only go hand-in-hand with democratization in Transnistria because otherwise a settlement negotiated with the incumbent leadership in Transnistria would consolidate the role of this Russian-installed dictatorship.

So a settlement cannot be concluded with this type of leadership. That's on the one hand. On the other hand, Moscow is aware of objections to the current leadership in Transnistria on democratic grounds.

Therefore, Russia is about to change the regime in Transnistria and so, so to speak, we won't have Smirnov and Antyufeyev to kick around anymore pretty soon because the Kremlin administration chief Sergey Naryshkin and the Russian security council secretary Nikolai Patrushev recently in May summoned Smirnov to Moscow and asked him to depart from office.

One month later, Konstantin Kosachyov, chairman of the Duma's international affairs committee, attended a meeting of the Supreme Soviet in Tiraspol, making clear that Smirnov and Antyufeyev have to go. So we will have a new leadership also installed by Russia in Transnistria but with less of a monstrous face than Smirnov's face.

Russia's candidate to succeed Smirnov—Russia's declared candidate to be the new leader of Transnistria in Tiraspol is a character named Anatoly Kaminski, who is an ethnic Ukrainian, a native of Bashkiria, who was assigned in Soviet times to a job in Moldova in right bank Moldova, not in left bank Moldova.

This is another example of these sort of individuals with no ties whatsoever to Moldova or to Transnistria who are being assigned to hold the fort for Russia in Transnistria. We'll have to be prepared for a regime change in Transnistria orchestrated directly from Moscow and changing the person of the leaders—Smirnov to Kaminski—and changing the name of Transnistria Supreme Soviet into Transnistrian Parliament. And this will pass for some kind of political reform.

Mr. GINGREY. I think Mr. Spanu wanted to comment as well.

Mr. SPANU. Yes, thank you, Mr. Chairman. I think including in the five-plus-two form of human rights is not only good but it's a must for the settlement to be reached. And first of all, Moldovan Government needs to push this forward as well as OSCE, European Union and the United States. Ukraine must be interested because Ukrainian citizens are deprived of their rights. So it is—Russia would not be willing to—and Transnistria of course not—but at the negotiation tables everyone comes with its item on the agenda. So it must be pushed by all the parties.

Regarding trafficking in persons, we forget one simple thing. This person travel outside of the country through the airports and airports are in Chisinau and in Kiev and in Odessa. So you need to have land borders controlled as well as airport border control and to prevent this trafficking and then go and persecute these people.

Till now, most of the human rights cases like arrest of the mayor of Corjova which is under the—within the unification control commission which is set by Russia Ukraine

Moldova jurisdiction, but these people are not efficient in terms of solving a concrete problem, that arrest of mayor of Corjova. Therefore other mechanisms need to be put in place, as I said, internally in Moldova as well, as it was suggested, in the five-plus-two format to raise the importance of the human rights violations. Thank you.

Mr. MILOSCH. Thank you.

Mr. GINGREY. Any other questions from staff? Yes?

Ms. PACKER. My first question is to Mr. Socor. The five-plus-two talks are supposed to resume on June 21st in Moscow, and can you elaborate on what you think the German non-paper recently circulated, how that might impact the outcome of these negotiations?

The second question is to Mr. Allin. While your recommendations for addressing the conflict are commendable, and extending PNTR and retraction of Jackson-Vanik and addressing corruption are all commendable, I think that speaking of allowing Moldova in to the visa waiver program is premature.

As you all acknowledged, a central government does not effectively administer its borders or extend its control over its territory, which are prerequisites for any country entering this program. So what I wanted to ask you is whether you think that extending economic sanctions or travel restrictions might affect the players in the monopolies in Transnistria and the parties outside of Moldova.

Mr. SOCOR. Thank you for the question. The situation with the German non-paper is a very strange one. The European Union is a participant in the five-plus-two talks. It should have a position—a starting position in these talks. It does not. Instead, one member country of the European Union—Germany—has published its own position which does not have the endorsement of the European Union, but neither has the European Union rejected the German paper.

And this very situation reflects the fact that the European Union plays a weak hand in its foreign security policies, and on the other hand the bilateral German-Russian relationship is emerging to undercut any foreign policy that might be commonly agreed by the European Union.

The German non-paper pursues the goal of facilitating a Transnistria settlement, not necessarily on terms consistent with Moldova's sovereignty and territorial integrity but primarily on terms consistent with Russian interests so as to facilitate Russia's entry into the European Union bilateral mechanisms which I mentioned earlier, creating the appearance that Russia is being cooperative on the Transnistria settlement.

So therefore the German non-paper—the starting position in this negotiation— with remember, Germany not being a participant in the negotiation, being only a member of the European Union—the starting position does not mention withdrawal of Russian troops, opens the way for a role by the Transnistrian authorities in the central government of Moldova and is being accompanied by the [inaudible] of responsible German diplomats trying to persuade their Moldovan counterparts to accept, A, some kind of federalization formula and, B, to give up the Moldovan law of 2005 on the principles of a Transnistria settlement.

So we have a convergence of German and Russian views which if allowed to prevail on this issue might constitute the basis for a wider German-Russian partnership on settling European security affairs, circumventing the European Union, circumventing NATO and indirectly sidelining a role for the United States. And here I would like to complete my answer.

I'd like in just one sentence to add a recommendation for U.S. policy. Since 2007–2008, approximately 2007, more or less—the United States has taken a back seat to the European Union in Transnistria-Moldova issues, allowing the EU to define the Western negotiating position with the United States supporting whatever the EU decides. Given the weakness of the EU role, it is time for the United States to advance from the back seat and to regain the front seat it once had in these negotiations.

Mr. GINGREY. Did you have another question?

Mr. ALLIN. Sure. Thanks for the question. I don't think that economic sanctions from the U.S. would have any great impact on any of the players in the conflict. You know, the U.S. has from time to time been cited as a market for some of the Transnistrian exporters.

But I don't think it's significant enough to have a real impact, not to mention the fact that those companies have an ability to reorient their exports eastward if markets in the West are cutoff. I think actually that what such sanctions would do is just kind of feed the siege mentality that allows the current Transnistrian authorities to maintain some legitimacy in the eyes of their population.

And so I actually don't think that—I think they would probably do more harm than good. I would draw your attention to one of the items that I cited in my written remarks, which is the FinCEN alert about a number of Transnistrian banks that was put out earlier this year. I think that's the kind of measure that the U.S. can take that's useful. I would also note that while I don't think it's related, what I mean to say is I don't—FinCEN was piggybacking on Russian complaints.

There were Russian complaints last year about—last summer about a Gazprom bank which strangely is not affiliated with Gazprom, apparently, but which is owned by a member of Smirnov's family and which was alleged by some in Moscow to be performing machinations with some of the humanitarian aid funds that Russia sent.

So again, I would emphasize I think I understand that it seems like a very bland recommendation to collaborate on anticorruption. But I think that if that's done, that can be done with real teeth; it's something the Russian Government has certainly shown a lot of rhetorical interest in within its own country.

Certainly I would think they'd like to protect their taxpayer money, you know, during the time that it is still going to Transnistria, and that's an area in which I think there may be room for some collaboration.

Mr. MILOSCH. Yes, thank you, Lyndon. Now, we'll hear from Ambassador Munteanu.

Amb. MUNTEANU. Thank you very much. I just wanted to add my comment to the second part of your question related to the visa waiver. Well, you know, it is a matter of truth that Moldova cannot at this point control its borders because of what we have discussed so far.

But nevertheless, this is not an impediment for the European Union to work hard with the Moldovan authorities in visa liberalization regime. And we are advancing quite with speed towards the visa liberalization for Moldovan citizens. And this is really heavy incentive for the institutional framework in Moldova and also for the citizens of Moldova.

I think that it should be seen also as an incentive for the security sector reform in Moldova, which encompass minister of interior reform, border monitoring reform, biometrical passports which are introduced since January 1st, 2010.

And I think you have also if the United States wants to be an active promoter of the settlement—conflict settlement—and will be not in the back seat but in the front seat of this car, I think visa waiver should be seen as incentive that citizens of both banks of the Dniester will see a real accomplishment that can be achieved. Thank you.

Mr. MILOSCH. Thank you, Ambassador. Before we move to question from the audience, I'll invite Kyle Parker to ask the witnesses.

Mr. PARKER. Thank you, Mark. And I have a few questions kind of scattered, so pardon me. We're at a briefing and hopefully it's an interesting exchange of ideas. It's interesting to me to ask if the proximity of a few eastern chairmanships of the OSCE is any reason for hope?

You know, we recently had the Kazakh chairmanship and the Lithuanians are quite engaged. We'll skip a year with Ireland and then go back to Ukraine. Does this give us any reason for hope? Sort of developing that, how relevant is any success on this conflict to the other conflicts, the more acute conflicts? They are different situations to be sure.

But I know in terms of trying to get people interested here in Washington, one of the issues is the prospect for success, and also along those lines, what is an appropriate yardstick of success? I think when you're looking towards total solution and resolution it seems, right now at least, that there's not a whole lot of reason to think that's happening any time soon.

At the same time, in these conflicts, you do have the dogs that don't bark. And the notion that it simply—I mean, the status quo remains is—I hate to call that a success but in a sense it's also not a failure given what we've seen in some of the other conflicts.

Another question I'm wondering you know, Moldova has sort of the unfortunate—it has a number of sort of unfortunate distinctions, including the poorest country in Europe, more recently the World Health Organization largest consumption of alcohol in the world, high rates of multiple-drug-resistant TB, and other things.

And as we look towards the human face, the human cost, comprehensive security, how much of these types of indicators can be attributed to sort of a wound in the country, or the conflict, or the sore? Certainly that is obviously going to have an effect of deterring investment and certain things that could perhaps improve standards of living.

And on WTO, I'll just note that Moldova is a very interesting case of being an early WTO member, sort of a poster child for a lot of interesting reforms, including land reform in the early 1990s and still subject to Title IV of the Trade Act—a very interesting paradigm that has some relevance as we move towards looking at the possibility of terminating Title IV to other countries.

And last, if you would pardon two last points, one is just a question. Recently the Holocaust Memorial Museum was able to work something out—and this was thankfully agreed to—Vice President Biden's visit on access to Holocaust-era archives in Moldova. This is a matter that's been of great interest to this Commission over many years.

And we know that some of the worst atrocities of the Holocaust were committed on Moldovan soil, and particularly on the area that is now called Transnistrian soil—but that part of the country. I would imagine a lot of those sites are un-memorialized and unmarked.

And I'm wondering is there perhaps an interesting opportunity for sort of a new type of confidence- and security -building measure in terms of collaboration on both sides on

memorializing this important history? I say that that's something that would certainly have, I think, the interest of some in Washington.

It comes with interesting political, ideological baggage potentially but at the same time it's telling the truth, and I would think that that should be something that all sides can get together on and look into. It would be interesting to know if that idea might have any legs.

And lastly, Lyndon, to your point on corruption and collaboration with Russia, I would just have to say while you do mention sort of rhetorical support, certainly by way of actions and the reality on the ground in Russia, it certainly doesn't match the rhetoric we've heard from some in the senior Russian leadership.

And in terms of being concerned about taxpayer money as it's going to Transnistria, I'm a little skeptical particularly when we have not seen a whole lot of concern, to put it charitably, about Russian taxpayer money to the tune of almost a half a billion dollars that was stolen by Russian tax authorities in the frauds uncovered by Sergey Magnitsky that have lately featured prominently in the news, including on Russian television.

NTV just did a 20-minute spot a weekend back on national TV. So I'm I guess skeptical, to put it mildly, on where we can go with that in terms of moving beyond sort of simple rhetoric on anticorruption and also, Vlad, your idea of putting some teeth into this.

I'm wondering if anyone might comment on the wisdom or the ability of using tools like the Interpol red notice to sting some people. Moldova does have the ability to do that. It is an Interpol member. It's an easy enough thing to do and that is an awful thing to have in terms of cramping your style and ability to travel and vacation around the world. Sorry for the million questions and—

Mr. MILOSCH. Well, as usual, Kyle pitches them high and hard. I guess we'll start off with the ambassador.

Amb. MUNTEANU. Thank you very much for your questions. It is always very good to have a long list of questions because you can pick up what exactly you prefer to respond. I will start with the last question which is very important—the Holocaust Museum. We have a great respect for the efforts put by the Holocaust Museum and restoring the memory.

And we all know that the Jewish population of Moldova before the Second World War was very important, a considerable part of the urban population and the restoration of the leagues with their memories, their personal attributes, it is very important. We have a constructive cooperation with the Holocaust Museum.

Their leaders have to pay a visit by the end of June to Chisinau. We have adopted a delegation to the law which protect the personal data and this will allow the Holocaust Museum and their executive staffers to work in the archives which have been closed so far. And we understand very well that this is not an overnight effort. It will require a lot of institutional steps in order to reach the truth, I would say.

But I think that in what concerns and worries Transnistria in this equation—Transnistria is a space where hate speech is on the agenda of the day, I would say. It is anti-Semitic discourse. It is anti-Moldova discourse. It is anti-Western discourse. So when we try to understand how the Holocaust Museum will accomplish its mission, of course it is open and it can do its work in Chisinau and other cities which are in effective jurisdiction of Moldova, not today in Transnistria. They are not sensitive to the human rights violations. They are not sensitive to the issues that are part of our common

memory. And of course as soon as we will come closer to a final settlement, we will have a solution favorable to the Holocaust Museum.

But of course, if the United States is interested, it should also put the leg in the door and also advance the idea of having an important dimension of the human rights and the five-plus-two format of negotiations and also the Holocaust Museum. You know, Moldova cannot be responsible for the crimes and atrocities committed in the Second World War—the Republic of Moldova. It was too young a state. But we understand very well how important it is to cooperate with the institutions.

The status of the poorest country in Europe—just to put it bluntly, we have been deprived in 1991, 1992 by 40 percent of our economic potential which are located in Transnistria. This explains the level of deprivations of the population.

And the consecutive steps that were made in the last two decades to transform the ownership of the industry to create the basis for the economic growth—it mutated into a strength of the economy. By 1989, for instance, Moldova had reached only 45 percent of its 1989 GDP. And we try to re-accommodate ourselves in these new international realities.

Now, we have 55 percent of our goods being exported to the European market, which is a significant change in the structure of the economy. We are benefiting from the automatic state preferences provided by the European Union. And I've mentioned before that a large number of Transnistrian enterprises, they can export without paying border excises to the European markets—their goods.

They do not pay taxes to the state budget, which is not totally positive, not totally good. But this is an important incentive for the business community to develop own agenda in advancing and performing. I think that if Moldova will receive the normal trade regime with United States, this will also influence positively the way how the business community plans their life and their business.

This will create incentive for change in the minds of the Transnistrian population as well. And I think that coming closer to the association agreement with the European Union—and we are doing everything necessary in order to advance in this way—we will see different results and a different Moldova for those who want to be part of European—a larger Europe—for those who want to remain loyal citizens of Moldovan state and for those who believe that our place in the Western community of democracies. Thank you.

Mr. MILOSCH. Thank you. I guess we'll move next to Mr. Socor.

Mr. SOCOR. I'd like to take up the question about the role of the OSCE chairmanships. Although the OSCE as an organization has been a complete failure in Moldova and in South Ossetia due to Russia's veto power within the organization, nevertheless the chairmanships are immune from Russian veto power. They have a far greater leeway for action.

What can we expect from the current Lithuanian chairmanship or from the Ukrainian chairmanship in 2013? Lithuania has changed its approach to policies towards Eastern Europe in the last two years due to the unfavorable trends geopolitically and economically in Europe.

Lithuania has renounced its former role of a vanguard player in terms of extending NATO and EU influence eastwards. For the last two years, Lithuania has played a far more cautious role than it used to be. And this is reflected in the way in which Lithuania

is exercising its chairmanship of the OSCE. The official approach of Lithuania is that even a millimeter of change would be a great positive success.

This is the Lithuanian approach. This official statement, constantly repeated, of Lithuania's officials, even a millimeter's worth of progress will be a great achievement, therefore nothing really to expect much. In 2013, Ukraine will be the OSCE chairman. Ukraine has never been able to clarify its policy towards a Transnistrian conflict, neither under the Kuchma nor under Yushchenko nor under the Yanukovych presidency.

Ukraine does not want to add another contentious issue in its bilateral relationship with Russia. At the same time, Ukraine does not want to be encircled from the southwest. Ukraine was never able to resolve this dilemma. In the interest of the eastern Ukraine oligarchs in the bilateral relationship with Russia, usually trump the strategic interest of the country itself.

Let us, however, not underestimate the 2012 Irish chairmanship of the OSCE. And I know this firsthand from conversation with people from Dublin. Ireland is eager to share its own experience of conflict resolution in Northern Ireland. There is a proliferation of outfits in Ireland trying to share this experience on the international level and even trying to make a consultancy type of business out of this.

And so therefore for the Irish minister of foreign affairs approaching proactively the frozen conflicts in former Soviet territories will be a mark of the Irish chairmanship. This chairmanship will operate much less free from a Russian veto compared to the Kazakhstani chairmanship of one year ago or compared to the Ukrainian chairmanship of 2013.

So I think it will be possible to work with the Irish chairmanship of the OSCE constructively and proactively. Again, however, what the chairmanship can achieve is not to resolve anything but to put the issue on the table and keep it on the table, at least so that the issue is not relegated to oblivion. And to answer very briefly one of your other questions, what can be a measurable progress in the year ahead or in the months ahead or in this calendar year, what could be measurable progress.

Measurable progress would be to pressure Russia to comply with its commitments under conventional treaty forces in Europe to withdraw the troops from Moldova. The review conference of the CFE treaty is due to take place shortly.

The United States and NATO collectively would be remiss if they would not publicly raise the issue of Russia's unfulfilled commitments under the CFE treaty, including the withdrawal of troops from Moldova, from the occupied territories of Georgia, and also in the CFE treaty, much neglected, the withdrawal of Armenian troops from the occupied territories of Azerbaijan. So these three issues need to be raised, not in the hope of affecting an immediate resolution this year, but to keep these in the public—this debate in the public eye.

Mr. MILOSCH. Thank you, Mr. Socor. I'm going to have to ask the next two witnesses to—in order that we will have time for audience questions—to be very concise. Thank you.

Mr. SPANU. Thank you, Mr. Chairman. I just would add a few words in addition to what Vlad said about OSCE chairmanship and I will focus on Ukraine. I think Ukraine's role in its chairmanship role in 2013 has a great potential but has a small probability that it will play a great role, because among all these players who deal with the Transnistrian conflict, Ukraine has a good set of keys to solve the conflict because it's on its border, because it's control many, many elements of the conflict.

And if Ukraine fully cooperates and is fully committed for this resolution of the conflict, I think we have a chance to move forward. But looking back, what happened during the last two or three years comparative to what happened in 2004–2005, I think the probability is not so large.

Regarding all your other good ideas, it underlines that all these ideas should be put in a strategy or a roadmap, and this strategy and roadmap should be initiated first of all by the Moldovans, by the Moldovan Government. For the time being, Moldovan Government for 19, 20 years didn't have any strategy how to deal with the Transnistrian conflict.

And to incorporate into all these ideas from the West, from the Moldovan experts in 2004 among the speakers, three of us participated in co-authoring the treaty strategy that was mentioned. During the Communist Party leadership in Moldova, we were able to convince the opposition to the Communists in the West to be engaged in a new strategy.

Today there is none. Why? These are big questions for the current Moldovan government. And the second, why in the budget of Moldova of this year, of next year, of last year, there is no—put enough money to implement programs on confidence building measures, maybe because it's not a strategy. Maybe it's their things involved. These two things that Moldovans need to do if they are serious about resolution of the Transnistrian conflict. Thank you.

Mr. MILOSCH. Thank you. Lyndon?

Mr. ALLIN. Thanks. The question about corruption, of course I understand your skepticism. I just—the point that I would make is that there are bilateral gov-gov contacts on these issues. Regulators do talk to regulators.

There's no reason for it not to be raised. Perhaps it's another suitable topic for the five-plus-two, you know, as another format where it might be raised. I would also mention that there has been Russian public outcry, at least in the press and on the Internet, about the much larger sums of aid money but really funds probably pre-designated for embezzlement that were sent to South Ossetia in the past couple of years.

So there is the potential. I'm just proposing that there's a potential to get Russian civil society and, you know, you get somebody like [inaudible] to take up this issue and all of a sudden people will say, hey yeah why are we sending all this money to that place. And then it becomes something that's a little bit harder for the Russian government to sweep under the rug. So that's my only point about that.

Regarding your question about Moldova's unfortunate status as the poorest country and apparently hardest drinking country in Europe, I think a large part of my written testimony was intended to address specifically that question.

I do believe that the conflict has had a large impact on the economic well-being of the country and of its citizens. I would note however that it's a poor country where one sees a lot of very nice automobiles in the capital city. I saw a Bentley the last time I was in Chisinau.

So the elites, both in Chisinau and Tiraspol, seem to be doing OK, which of course is part of the problem with getting some progress on conflict resolution.

Regarding the WHO alcohol consumption study, I confess that my first thought when I saw it was to wonder whether the methodology somehow involved imports or something that could have—where the anomaly could have resulted from somebody gaming customs

stickers simply because that behavior is so common really on both sides of the Dniester. Thanks.

Mr. MILOSCH. Thank you, Lyndon. Kyle mentioned in his question dogs that don't bark. I think he was referring to the famous Sherlock Holmes line about the strange thing the dog did in the night. Watson, the dog did nothing in the nighttime. That was the strange thing.

We have a lot of un-barked dogs here I think. In about 12 minutes—I don't think we've really mentioned Romania very much, which is a striking thing. So I throw that out to you to take up, or maybe you have some other dogs that you'd like to pursue here. We have a microphone on the right and anybody in the audience who'd like to ask a question is welcome to come to the microphone. I guess turn it on right now. I see the light. Introduce yourself and ask a question of our panelists. Please?

QUESTIONER. Hi. I'm Richard Sola from Radio Free Europe. My question is directed to Ambassador Munteanu primarily. We've spoken about Russia quite extensively during this hearing. But I wanted to hear from you if you feel that—or you get the sense that the United States is raising the issue of Transnistria at a high enough level in the so-called reset that the Obama administration has made such a high goal of its foreign policy.

And even just kind of some basic information, how much contact do you have between kind of the architects of the reset and your own office on this issue—you know, how much is it being discussed with you and with the Russians as far as you know, and how do you feel about the level?

Amb. MUNTEANU. Thank you very much for your excellent question. Of course, we feel the arm of support from the United States in many areas, in particular to the negotiation format.

Just not to leave a wrong impression that Moldovan Government is doing nothing, I would point out the fact that we have presented by the end of April a non-paper on the principles of the conflict settlement, and this concept has been circulated towards all the interested parties—of course to the United States as well, which commended the value and clarity of scope and principles which were proposed by the Moldovan Government.

In addition to that, of course we have made great efforts to combine forces and to have a chain of friends behind us in setting up the target for this conflict settlement. And I think that this is quite an important advantage if we compare with five years ago, when we were still under the consequences of the failed Kazakh memorandum.

Today, our friends in Europe do not question the legitimacy and the main principles which we see as major for the conflict settlement—indivisibility of the country, sovereignty and unitary state. We feel that this hand of support may do more work and the policy of reset create special gateways and windows for discussing strategic issues with the Russian Federation.

We mentioned several times the Russian Federation because it did not fulfill its commitments from 1999 and from Istanbul Summit declaration, and it also failed to commit itself with the reduction of arms. And I think that there are many doors to be opened in this strategic dialogue with Russians.

But I truly share the concerns that the human rights violations create frustration among the population of the region, which feels itself alienated from the political process

in Moldova and from the benefits that our proximity with the European Union extends to the whole society of the Republic of Moldova.

I remain positive and my colleagues in the Moldovan Government remain positive that more things have to be achieved this year in 2011 irrespective of the name of the chairman of the OSCE and irrespective to the bumps in the road which we know there are many. Thank you.

Mr. MILOSCH. Thank you, Ambassador. Do we have any more questions? Mr. Spenu?

Mr. SPENU. Yes, I want to add on the reset issue—I hope that the reset setting is a good frame for the opportunity to solve the Transnistrian conflict at the level of the Russia-U.S. relationship and it's not an impediment, not a distraction from this. Thank you.

Mr. MILOSCH. Thank you. Any more questions? OK, well I think it will be extremely difficult for me to summarize what was said today.

I did see two themes that the optimism that we've heard recently about the push on the part of the EU and the U.S. Government for settlement in Transnistria has been challenged today, and yet we've heard a lot of comments about the necessity of pushing forward with this.

I would like to thank Winsome Packer for organizing this briefing, Josh Shapiro for administratively organizing it. And thanks to all of you for coming today. With that, we're adjourned.

[Whereupon, at 11:47 a.m., the briefing was adjourned.]

APPENDICES

PREPARED STATEMENT OF HON. CHRISTOPHER H. SMITH, CHAIRMAN, COMMISSION ON SECURITY AND COOPERATION IN EUROPE

Let me first welcome everyone to this morning's briefing to examine the human cost of the unresolved conflict in Transnistria, and the prospects for a lasting resolution of the longstanding conflict. Exactly ten years ago I chaired a Commission hearing—the first of its kind specifically focused on Moldova—“Moldova: Are the Russian Troops Really Leaving?” A decade later, a residual contingent of Russian troops continues to be deployed in this divided country notwithstanding specific commitments Moscow made in 1999 at the Istanbul OSCE Summit.

For almost twenty years, a corrupt and despotic regime has governed Transnistria, with the aid and support of the Russian Government. Russia has maintained troops and armaments in Transnistria since 1992, against the wishes of the Moldovan Government, and in violation of its Helsinki Final Act and other international commitments, regarding the stationing of foreign forces on the territory of another state without the consent of the host government, and respect for the sovereignty and territorial integrity of other states. As a consequence, Moldova's central government is unable to extend its administration to Transnistria, and there is an absence of democracy, human rights, and the rule of law in the region.

The governing regime in Tiraspol, Transnistria's self-proclaimed capital, has overseen a sustained campaign to stifle civil society, free media, and any political opposition. Governance in Transnistria is characterized by the arbitrary arrest of citizens who differ with the ruling regime, and journalists, including Ernest Vardanean, who was sentenced to fifteen years in prison-but recently released, under pressure from the international community. Tax officer, Ilie Cazac, who was arrested with Mr. Vardanean on charges of espionage, remains imprisoned. The State Department's 2010 Country Reports on Human Rights Practices cites numerous instances of such arbitrary arrests, pressure on judges, and corruption in the judicial system, where bribes often determine the sentences during trials. The courts which issue these judgments have no legal standing and are politically-motivated.

Farmers living on the other side of the Nistru River face difficulties in farming their lands on the eastern (Transnistrian) side. Transnistrian authorities have expropriated the properties of thousands of citizens, without compensation. Moldovans who travel to Transnistria face harassment from the authorities. Elections are routinely rigged. Romanian language schools in Transnistria are regularly harassed by Transnistrian “authorities” and Moldovan citizens of face serious obstacles in receiving education in their national language.

Outside the authority of the government in Chisinau, an illegal smuggling industry thrives in Transnistria, benefitting the ruling cadre, their Russian partners, and some Ukrainians. While improved since the European Union instituted customs monitors at a section of the Ukrainian and Transnistria boundary, customs fraud remains a problem.

The absence of effective control by the central government over the territory of Transnistria contributes to illegal arms smuggling with Russia and other illicit transport. While notable progress has been made, trafficking in persons remains a significant challenge for the government of Moldova against this backdrop.

The OSCE, the European Union, and the U.S. have worked to effect a peaceful resolution of the Transnistria conflict. Moscow, while going through the motions when it comes to talks, appears content with the status quo effectively contributing prolonged instability and insecurity in the affected areas. But renewed interest by the U.S., as evidenced by Vice President Biden's March visit this year, and intensified efforts by the European Union, have raised the prospect of an ultimate resolution of the Transnistria conflict.

We are fortunate to have an impressive panel of experts, who have been engaged with Moldova and the Transnistria frozen conflict for decades. We look forward to hearing their views on these critical concerns and any recommendations they may offer regarding the resolution of the conflict. The panelists' bios are available outside the hearing room, so I will not read them. We will hear first, from Ambassador Igor Munteanu, Moldova's Representative to the United States. Ambassador Munteanu will be followed by Mr. Vladimir Socor, a senior fellow at the Jamestown Foundation, Mr. Vlad Spanu, President of the Moldova Foundation, and Mr. Lyndon Allin, a corporate attorney and policy expert who has done extensive work focusing on Transnistria. We also have a written statement from Mr. Matthew Rojansky, Deputy Director of the Russia and Eurasia Program at the Carnegie Endowment for International Peace, which will be included in the briefing record.

PREPARED STATEMENT OF HON. PHIL GINGREY

Mr. Speaker, almost twenty years after they started from secessionist movements, the protracted conflicts in Moldova, as well as those in the South Ossetia and Abkhazia regions of Georgia continue to be a source of instability and insecurity in the OSCE region. They have been of longstanding concern to the Helsinki Commission, where we have addressed developments and the prospects for resolutions of these conflicts through Commission initiatives as well as at meetings of the Parliamentary Assembly of the Organization for Security and Cooperation in Europe.

Within a week, the formal five plus two talks among the parties to the negotiations on resolving the frozen conflict in Transnistria, Moldova—the OSCE, U.S., EU, Russia, Ukraine, plus Moldova and Transnistria—will resume in Moscow. The fact that the formal negotiations are resuming, five years after they were halted by the withdrawal from the talks of the Russian and Transnistrian sides, have given rise to optimism in some quarters on both sides of the Atlantic.

Mr. Speaker, any ultimate resolution to the Transnistria conflict must ensure that Moldova's sovereignty and territorial integrity are fully upheld. A final resolution cannot be merely another "paper" agreement, where Russia commits on paper to certain obligations, only to promptly disregard them, in view of its geo-strategic interests. This issue is of grave concern because Russia has repeatedly broken signed agreements regarding the stationing of its troops and weapons on the territories of Moldova and Georgia, without the consent of those Governments. Russia should not be permitted to continue to violate the sovereignty and territorial integrity of its neighbors out of some artificial perception of its entitled "sphere of influence."

In this respect, Mr. Speaker, intensified efforts and political will on the parts of the Moldovan Government and the international community will be necessary to ensure that Russia finally fulfills its commitment to withdraw its remaining troops and weapons from Transnistria. Only then will Moldova's re-unification, democratization and potential for economic prosperity be fully realized.

PREPARED STATEMENT OF AMBASSADOR IGOR MUNTEANU

Dear Chairman, Honorable Members of the Commission, Colleagues,

It is a privilege for me to be here and speak in front of such a distinguished audience.

1. Allow me to state from the outset that the origins of the Transnistrian conflict were not ethnic, nor racial or religious. With its mixed population the region is not a state or a nation, being an artificially separated territory following the military conflict in 1992. The trigger for secession was opposition of the Soviets to the independent statehood pursued in Moldova by the largest majority of the population. Military hostilities started in March 1992 and lasted till July 21, when a cease-fire agreement was signed by Presidents of Russia/Moldova, introducing Peace-keepers with the aim to stop military operations and disengage hostile sides.
2. An OSCE Mission has been established in Moldova after 1993, but it has been obstructed to perform its main tasks, under constant objections including from the separatist regime, as regards the requested military inspections, alleged arms production, or accumulation of military illegal forces in the so-called 'demilitarized zones'.
3. Unconstrained by international law, the separatist regime turned into a 'safe heaven' for criminal activities, smuggling and constant violations of the human rights, which performed systematically imposed a totalitarian control over population, business and mass media.
4. Movement of people is hindered by multiple checkpoints. People are put in jails and tortured physically or morally, if they show a dissent towards the official propaganda endorsed by the so-called 'Tiraspol authorities'. Of special target are people which oppose the regime, like the settlement of the left bank which remained under Moldova's jurisdiction, and Moldovan schools, whose teachers are harassed, whose parents are intimidated, and whose licensing is suspended by the regime. Just to mention that in spite of the OSCE Mission actions, situation of the Moldovan schools remain unclear, and that was the main reason why the EU introduced a visa ban for the leaders of the separatist regime in 2004, after their shutdown.
5. Of special concerns is the situation of political prisoners, arrested by the local KGB. In 2004, EHCR found Russia 'guilty of actions or inactions that led to the arrest of Ilascu Group', and imposed fines to be paid, calling Tiraspol to release people that were jailed for 12 years.
6. In 2010, Ernest Vardanyan, a journalist from Moldova was arrested under accusation of espionage for Moldova, he was jailed for more than one year. Other cases of illegal arrests, used by the authorities to claim afterwards payments for their liberation have been reported, almost weekly. In the same year, another Moldovan citizen, Ilia Cazac, was arrested by region's KGB and sentenced for 15 years of prison under accusation of spying for Moldova. In April 2011, Vardanyan was released, but several other people remain still in jail for alleged accusations which in some cases seem to be an ordinary attempt to extort money from their families, as this is documented by Amnesty International, Helsinki Group, other watchdogs.

We want this situation to be changed by creating all necessary conditions to reintegrate the region into the Moldovan state within its internationally recognized borders as of January 1, 1990.

7. We call for settlement of the Transnistrian conflict exclusively by peaceful means, through a transparent negotiation process, in the framework of the existing 5+2 format. Today we have a favorable international situation, defined by an increased attention to a viable settlement from Moldova's major partners: EU, US, Russia and Ukraine. As well, we notice a gradual intensification of the political consultations. In 2010 there were 5 unofficial meetings in the 5+2 format. In 2011 there have been two meetings, first in February and second in April, testing the ground for official re-launch of talks, although visions are still far too distant.
8. We hope that the meeting scheduled for June 21 in Moscow will mark the resumption of the 5+2 official format, with all 5 actors aiming to restore trust and respect international law. Once the official negotiations are re-launched, we will be able to see a clearer perspective in the settlement process and move towards identification of the status of the Transnistrian region.
9. Moldova's position is well-known: Transnistria shall be an integral part of Moldova within its sovereign constitutional space; it is supposed to enjoy a large degree of administrative, financial and political autonomy. Respect of democratic norms, values and practices shall prevail, while national legislation shall be applied in full throughout the territory.
10. Resumption of negotiations shall not be done for the sake of resumption, but on clear ideas related to the full and comprehensive settlement of this conflict, appropriate to consolidate a viable, democratic, independent and sovereign state of Moldova. We see this as a matter of exclusive internal power-sharing mechanisms, and emergence of a territorial autonomy in Transnistria, similar to the Gagauz Autonomy, as it is defined by 1994 Special Law.
11. It is by default, that a special statute will provide fundamental civil and political rights to the population without any discrimination, on the basis of international and European conventions. In fact, National Parliament of Moldova has adopted already in 2005 a Law on the principles of the conflict settlement, in line with international and European rules, protecting the rights of the local and regional governments and, we want this sovereign law to be respected in full and acknowledged by the mediating parts.
12. It is my pleasure to commend in the same regard the findings and conclusions of the Senate Committee on Foreign Relations' report distributed in February 8, 2011, under the name "Will Russia End Eastern Europe's Last Frozen Conflict."
13. Wrapping up my references to the basic principles of the Transnistrian conflict settlement, I would like to quote VP Biden, who put them in a very eloquent way during his March visit to Chisinau—he said "the only solution that can be accepted is the solution which would ensure the respect of the sovereignty and territorial integrity of RM within its borders recognized by the international community. The future of Transnistria is within the RM."

Dear colleagues:

14. Today, Moldova is a democratic state, which is proudly advancing towards an AA with EU. It has ratified and is effectively implementing European Convention on

Human Rights; it is signatory of the most important international and European HR conventions.

15. As a Member of the Council of Europe, it is regularly monitored by specialized committees, which constantly assess the progresses towards the rule of law. Following installation of the EUBAM in 2006, over 620 Transnistrian firms were registered by Moldovan law, which allow them to use the access to the European common market, with no taxes paid for their exports.
16. Population of the region receives all social benefits from the national social budget. Hundreds of fellowships are provided free of charge to the region's youth annually. Over 350.000 of its half a million population holds Moldovan citizenship, and many of them are actively using their rights and freedoms, protected by the Moldovan Constitution, and support the reintegration process of the region, against the obstructions made by the separatist regime.
17. Nevertheless, conservation of the Russian troops and ammunitions on the territory of RM is a flagrant violation of the Constitution, a violation of international obligations and a challenge of to the legitimated authorities of the national government.
18. The political solution to the conflict should be consistent with the strategic vector of EU integration. A responsible though more active participation of the US and EU in the conflict settlement is crucial as it brings the impetus and resources necessary in reaching the positive result of the process. Why should the Western community be interested in solving this problem and how this conflict can affect the West? The region is only 60 miles away from the border of NATO and EU, therefore this conflict is directly affecting the EU security areas.
19. And we are talking here about 60 miles, something comparable to the distance from here where we are now to Fredericksburg, VA—1 hour drive. So, the danger generated by the existence of a region of instability at the immediate proximity of the Euro-Atlantic community is obvious and it is also obvious that the price of solving the conflict is far lower than the price of instability and risks of escalation.
20. A civilian mission under international mandate would be of great value to the viable conflict settlement by taking stock of the ammunition and troops concentrated in the Security Zone between two banks of Nistru river. Today, there is not enough information about the heavy deployments of military equipment and arsenals. At the same time, efforts to change the existing so-called peace-keeping forces with an international mission under the mandate of an international organization should be intensified.
21. Constant violations of the human rights must be stopped and innocent people are to be released from jails of the regime. Moldovan authorities call international organizations to intensify their watching and monitoring activities on the region's situation, and intensify collective efforts to stop the existing abuses, ensuring basic rights to be protected.
22. We call towards all states and actors that are involved in the 5+2 format of negotiations to abstain from any sort of actions that directly or indirectly obstruct restoration of the Moldovan sovereignty over the region, focus attention to the 3D

commandments that are indispensable for a fair settlement: democratization, demilitarization and decriminalization of the region.

I think I will stop here to pass the floor to the next speakers and to leave more room for discussions during the Q&A session.

IGOR MUNTEANU, MOLDOVA'S AMBASSADOR TO THE US

Igor Munteanu was born on August 10, 1965, in Costuleni, Ungheni. He holds a Bachelor of Arts degree in Communications and Journalism (1989, Moldova State University), a Masters degree in political analysis and administration (1992, Romania's National School of Political and Administrative Studies) and a Doctoral degree in Law (2002, Free International University of Moldova.)

He has expertise in the field of local public administration and public sector reform, having as an educational background political sciences and administrative law. Since 1993, Igor Munteanu has established together with a group of young intellectuals of Moldova one of the first think tanks, known as "Viitorul Foundation." The foundation has emerged into a specialized public research institute, IDIS Viitorul. Since 1996, Igor Munteanu has acted as Executive Director of IDIS Viitorul.

Igor Munteanu has written and edited several publications published abroad, as well as in the Republic of Moldova, being actively engaged as freelance author in the international and national press as political commentator to the Radio Free Europe (1997–2005). Often, he is involved in national political debates. He is a member of the Institutional Committee of the Congress of Local and Regional Authorities of the Council of Europe.

In August 2010, Igor Munteanu was appointed ambassador to the United States.

PREPARED STATEMENT OF VLAD SPANU

I would like to express gratitude to the U.S. Helsinki Commission's members and staff for including this important topic—the conflict in the Republic of Moldova's eastern region—in its agenda. Special thanks to Winsome Packer and Kyle Parker who made this briefing today and other briefings and hearings on Moldova in the past possible. I express this gratitude on behalf of those who suffer the most because of this externally imposed conflict—that is, the residents of towns and villages on the Eastern Bank of the Nistru. Although they constitute the majority, those people are not represented at the negotiation table, including in the “5+2” format. Their voice is not heard not only in Moscow, Brussels, Vienna or Washington but even in their own capital, in Chisinau. They are not on the front pages, they are not interviewed by public or private TV stations in the Republic of Moldova to say their painful story of living in ghetto-type setting where residents have no rights.

What is happening today in the Eastern region of Moldova, controlled by the puppet separatist regime installed in Tiraspol in 1990–1991, is nothing else than a continuation of the Soviet Union's geopolitical policies, now, after 1991, embraced by the Russian Federation. To understand better this conflict, one should look back into history. There are several events that have to be remembered when tackling the Transnistrian conflict.

First, the 1792 Treaty of Iași, signed between the Ottoman Empire and the Russian Empire, after which Russia, for the first time, reaching the Nistru border and became the neighbor of the Principality of Moldova. Second, the 1812 Treaty of Bucharest, resulted in the partition of the Principality of Moldova, the Eastern half of which was incorporated into Russia as Bessarabia until the 1917 Bolshevik Revolution.

Third, the 1924 creation, within the Soviet Ukraine, of the Moldavian Autonomous Soviet Republic on the Eastern Bank of Nistru where the majority constituted ethnic Romanian population, as bridge-head to once again successfully occupy Bessarabia in 1940 by the Red Army, as an outcome of the Stalin-Hitler pact of 1939.

Finally, in 1990–1991, the same territory East of Nistru, with its main city in Tiraspol, was once again used by the Kremlin master-minds as an outpost to keep the Soviet Moldova from getting away from USSR's, then, Russia's control.

Today, Russia's minimum objective in Moldova is to create a second Kaliningrad in the South to keep the Republic of Moldova and Ukraine in check. Her maximum objective is to get full control of the Republic of Moldova, through federalization schemes imposed on Moldova, where Transnistria and possible Gagauzia (another enclave inhabited by Christian Turks in the South), are to play the main role of holding veto power on the future of Moldova, its internal and external policies. As a bonus, by reaching these objectives, Russia will be able to encircle Ukraine, closing its only large window to the West, thus, keeping Ukraine into its orbit.

Focusing entirely on fruitless official negotiations to solve this conflict between Russia and Moldova is a big mistake. During 19 years of bilateral (Russian-Moldovan) and multilateral (in current “5+2” format and previous formats) negotiations, no resolution was achieved in ending the conflict. Russian troops are still stationed in Moldova, and Russia's support for separatism movement continue, while local residents of this region suffer.

These residents, who are nothing less than geopolitical hostages, are not allowed to have access to basic freedoms, including freedom of expression, of education in their native language, and of assembly, among others.

Education in the Romanian language is viewed by those in charge of this separatist regime as their main threat. This is why, as soon as the legislative body in Chisinau, still within the Soviet Union, adopted the language law in 1989 that established the return of the Roman script to the republic's official language, the Soviet authorities in Moscow triggered the separatist movement in the trans-Nistru district. The alphabet issue became central to the secessionist movement and it developed into a "school war" against educational institutions that opted for Latin characters. As result of discrimination policies in the field of education, the majority of the population in Transnistria—Romanian ethnics—has only 88 schools. They are authorized to teach in the native language, but only eight are permitted to use the Latin alphabet.

The several Romanian language schools made headlines in international media when, in July 2004, the Tiraspol militia seized the orphanage school in Tighina/Bender and schools in Tiraspol, Rybnitsa and Corjova were closed. The closing down of these schools was prevented only thanks to international pressure. These days, the situation in the eight schools is worsening. This is due to the Tiraspol regime's persecution and discrimination against pupils, their parents and teachers, but also because of the indifference and ill-thought policies of the Moldovan authorities.

Last week, on June 9, 2011, in an open letter to the Moldovan Parliament and to Prime Minister Vlad Filat, Eleonora Cercavschi, chairwomen of the Lumina Association that represents teachers from Transnistria, asked for help. Cercavschi is also principal of the Stefan cel Mare high school in Grigoriopol, but it was forced to evacuate to another school in Dorotcaia some 20 km away, thus, every day, students and teachers have to travel this distance by bus. She accuses Moldovan authorities of designing discriminatory policies against Romanian language schools that use the Latin alphabet. Cercavschi argues that these students are put in tougher competition when applying to Moldovan universities than those from schools controlled by the Tiraspol regime. These, along with persecution by separatists are the major cause why five high schools and three middle schools lose students. If in 1989 the total number of students in five high schools was 5878, in 2011 this number was only 1837, 3.2 times less.

The other 80 Romanian language schools in the breakaway region continue to use the Russian-Slavonic alphabet in teaching of the language, dubbed "Moldovan," as it was imposed by the Soviet regime on all schools in Bessarabia in 1940. More than that, today, these schools continue to use an out-dated curriculum and use textbooks from the Soviet period. If the Russification of the Republic of Moldova was largely stopped when the country gain independence in 1991, it still flourishes in its Transnistrian region. Suffer mostly the Romanian speaking population, but Russification policies also affect other minorities such as Ukrainians, Bulgarians, Jews or Gagauz.

This 21st century soft-genocide, called by the OSCE linguistic cleansing , mainly against the Romanian ethnic population, resulted in sharp reduction of Romanians/ Moldovans from 40 percent in 1989 to 31.9 percent in 2004, while Russian ethnics increased their presence in Transnistria from 24 percent in 1989 to 30.4 percent in 2004 (the number of Ukrainian ethnics, the second largest after Moldovans, remains constant), based on census results.

Schools are not the only target of the regime in Tiraspol. Free media can not penetrate on the Eastern Bank of Nistru because of radio and TV jamming and prohibition of printed media; local journalist are arrested and intimidated. The arrest in 2010 of Ernest Vardanian, an Armenia-born journalist, citizen of Moldova and a resident of Tiraspol, is the most notorious example of the KGB-style intimidation of free press. He was accused by intelligence services of Transnistria—which are, in fact, local office of the Russian FSB—of spying for Moldova, that is, he was accused of spying for his country in his own country.

In March 2010, the Transnistrian intelligence services kidnapped Ilie Cazac, an employee of the Moldovan Fiscal Inspectorate in Tighina (Bender), in Varnita, a town controlled by the Chisinau central authorities. Cazac was also accused of espionage. His parents have been on hunger strikes numerous times for weeks, protesting outside the Russian Embassy in Chisinau, hoping through their actions to secure the release of their son, but in vain. Last Sunday, June 12, Cazac's mother approached U.S. Senator John McCain who was visiting Moldova and pleaded for help. What else a mother can do for her son?

The private property is another target of the separatist regime. From time to time, local farmers are prevented to cultivate their land or bring home crops from their own fields. Let me cite U.S. diplomat David Kostelancik, who told the OSCE council on April 21, 2005 the following about an incident involving farmers: "The United States is troubled by the ongoing, systematic harassment of Moldovan farmers from the village of Dorotscaia by Transnistrian authorities. These villagers farm land that is located in an area under the de-facto control of the Transnistrian authorities, who last year installed a "customs" post in the zone. The effect of this move has been to deny the villagers access to their farmland, and thus their livelihood. Last year the entire harvest for this village was lost due to Transnistrian restrictions on the farmers harvesting the fields. This year, the harassment has continued, with reports that Transnistrian authorities have impounded tractors and detained farmers who are trying to plow and sow their fields."

Why are these violations of basic human rights allowed to continue to happen in the 21st century? Who is responsible for it? The right and obvious answer is the master minds behind the separatist movement strategy in Moldova's Eastern territory. Somehow identical elements of this strategy can also be seen in other ex-Soviet republic, Georgia, with two separatist regions—Abkhazia and South Ossetia—that launched a war against central government in Tbilisi in 1991–1992. In all these cases, Russia played the major factor in triggering the conflict and, then, supported the separatist puppet governments. In 2004, in the legal case "Ilascu and others versus Russia and Moldova" examined by the European Court of Human Rights in Strasbourg, the judges concluded that the "Russian 14th Army and other elements of the Russian government had contributed to the creation and continued existence of the Moldavian Transnistrian Republic (MTR)." In 2006, lawyers of the New York City Bar Association in their study of the Transnistrian conflict demonstrated that Russia's activities in Moldova violate international law by supporting the Transnistrian regime and having military presence on the Moldovan soil without the agreement of the Moldovan government.

As in Georgia's Abkhazia and South Ossetia, in Moldova's Transnistria leaders of the separatist regime are Russian citizens and, reportedly, on payroll of the Russian intelligence services and military.

Blaming only Russia for the existence of Transnistria is just part of the story. There are other actors who benefit from the status-quo, mainly in Kiev and in Chisinau. Smug-

gling of arms and goods, human trafficking are often associated with Transnistria, dubbed the “black hole of Europe.” But the main responsibility has to be put on the shoulders of the political leadership in Chisinau. After all, most residents of Transnistria are Moldovan citizens, although Moscow and Kiev rush in giving passports in expedite mode to everyone who asks, in order to later claim the need for protection of their citizens and, eventually, claiming this territory, east of the Nistru River.

Russia’s actions in Moldova are as many and as reckless, as allowed by both the Moldovan government and by international community. Recently, I have asked a ranking member of the Moldovan parliament in charge with budgeting how much was allocated in the state budget for programs aimed at reunification of the Transnistrian region, like education, healthcare, infrastructure. The answer was “none.” Residents of Transnistria are fed up by empty promises of politicians during elections or statements at international forums and they are looking for concrete deeds.

Another simple question to the current Moldovan government is why is there no strategy or an action plan on the reintegration of the East Bank of Nistru. Even the Communist-led Moldovan government, which was in the reaction mode to Russian proposals that ultimately led to the infamous Kozak memorandum designed by the Kremlin to federalize Moldova, made a few steps towards working with a plan. In 2004, civil society experts from Moldova and abroad put together such a strategy called 3-D (Demilitarization, Democratization and Democratization of the Transnistrian region). Three experts who co-authored or contributed to the 3-D strategy promotion in Moldova, in Washington, Brussels and Kiev are among witnesses at this briefing. As it turned out, the principles laid down in the 3-D strategy were used by the Moldovan parliament in three resolutions related to the trans-Nistrian conflict adopted in June 2005 and also in the Moldovan Law on the basic provisions of the special legal status of the localities from the left bank of Nistru River, passed in July 2005. Another element of that strategy was the international involvement in searching for settlement solutions. In December 2005, the EU Border Assistance Mission for the Ukraine-Moldova border was launched, aiming at suppressing the traffic in arms, drugs, and human beings, as well as the regular commercial contraband of which MTR is consider to be both a source and a transit route. Starting October 2005, the European Union and the United States joined Moldova, MTR, Russia, Ukraine, and OSCE in the new “5+2 format” of the trans-Nistrian settlement process . But, as previously stated, these negotiations did not bring any results in terms of resolution, therefore, today, a new approach is needed that should be incorporated into a new strategy or plan. The focus should be put on confidence building measures, meeting the needs of residents on the east bank. The Moldovan government has no excuse why such a strategy has not been designed yet, if it claims to be serious in regard to Transnistria. Thus, the Moldovan government should not wait for the international community to come and solve its problems. Instead, the Moldovan politicians should take the lead and do whatever they can for their citizens residing in Transnistria, who feel abandoned and betrayed by their own government.

Moldova’s Western partners—U.S. and EU—as well as other mediators like OSCE should put more pressure on Molodva when it comes to providing basic services for residents in Transnistria. When a Moldovan citizen from Transnistria comes to Moldovan law-enforcement and prosecuting officers for help because their rights were violated, he usually hears that his government is impotent in protecting his rights or, worse, Transnistria is not part of their jurisdiction. The Moldovan government bodies have not

only the legal authority, but they have obligation to start investigation, file cases against those who committed human rights violations, especially when those violators are citizens of Moldova, but on the payroll of Tiraspol. Unlawful arrests, torture, illegal detention, kidnapping and killing, are ordered, but not committed by Igor Smirnov, self-proclaimed president of Transnistria since 1991, or by Vladimir Antyufeyev, head of security apparatus (indicted for crimes against both Latvian and Moldovan states). These Russian citizens are assisted by concrete militia officers, prosecutors, judges who blindly follow these orders, for which they should be investigated by the Moldovan law-enforcement bodies. These people will think twice before they take orders from people like Antyufeyev, if they knew that for their unlawful deeds they have to answer in a court of justice. Many of these middle and low level executors are citizens of Moldova; they travel freely to Chisinau or foreign countries, conducting their private business. This practice must simply stop.

For Moldovan officials it is easier to blame everything on geopolitics, on international community that has no stomach to deal with Russia and solve this conflict, than to get their sleeves rolled and address real problems of very concrete individuals who come to Chisinau for help that today are met often with indifference.

**The Economics of Transdniestrian Conflict Resolution:
Challenges and Opportunities**

Lyndon Allin

Written Testimony for Helsinki Commission Public Briefing on
“Prospects for Unfreezing Moldova’s Frozen Conflict in Transnistria”
June 14, 2011

I was invited to talk today about economic interactions within Transnistria and between the region and several of the countries involved in conflict settlement talks. My goal is to outline several areas of economic activity – assistance from Russia, Transnistrian and foreign business interests in the region, supply and infrastructure networks – and draw some conclusions about their significance to the conflict resolution process. These remarks are offered in a personal capacity and seek not to provide granular detail on specific actors involved or to provide a detailed legal analysis of the situation but rather to highlight the economic circumstances which must be addressed if we hope to move towards settling the Transnistrian conflict.

First, I want to express my happiness that this briefing has been organized to discuss the possibility of a breakthrough in resolving the conflict. I do believe that there is reason for optimism based on, among other things, the geopolitical context and the internal political situations in right-bank Moldova and in Transnistria.

While economic interactions surrounding Transnistria constitute a complex web, the untangling of which will be a challenging component of any final settlement of the conflict, economic factors should also provide a powerful impetus to many of the parties involved to focus their efforts on arriving at a mutually acceptable resolution. Although there are many other dimensions of the conflict, the factors of economic assistance and business interests will be important ones in arriving at a durable resolution to the conflict.

Among the factors which led to Transnistria’s attempt to break away from Moldova, a desire on the part of Transnistrian elites to preserve the economic privileges they enjoyed during the Soviet era played a large part. The region was the most heavily industrialized area of the Moldovan Soviet Socialist Republic and accounted for roughly 40% of the republic’s GDP and 90% of the electricity produced in the republic, although it was home to only 17% of the population.

In spite of the expectations of some Transnistrians that their rich industrial inheritance from the USSR would allow them to prosper separately from the rest of Moldova during the post-Soviet era, the region has generally shown similar levels of per capita GDP to those in right-bank Moldova and has relied in recent years on direct financial aid from the Russian state budget to meet certain expenses.

Economic assistance from Russia

Russia refers to the assistance it provides publicly to Transnistria as humanitarian aid, and one of the principal public rationales for this assistance is that roughly 20% the region’s residents hold Russian passports. In some cases assistance has been provided in response to one-time disasters such as floods or droughts, or budget crunches like the one precipitated in 2006 by

Ukraine's newfound cooperation with Chisinau in implementing a customs regime covering the region.¹ At that time, Russia reportedly provided \$50 million in direct assistance and \$150 million in loans.²

In recent years, more public attention is given to the supplement which the Russian government pays to the monthly pensions of all elderly Transdniestrian residents, whether they are Russian passport-holders or not. At \$15 per month multiplied by approximately 140,000 pensioners, this adds up to roughly \$25 million annually. In the past, some sources have claimed that Russia at one time provided as much as \$10 million per month in direct financial assistance.

One constant has been Russia's use of its aid to motivate political figures in Transdnistria. In 2007, funding was cut off, reportedly to encourage Transdnistrian President Igor Smirnov to return to the negotiating table with Chisinau and to punish alleged misappropriation of aid.³ Later that year, public deliveries of aid were resumed, but were no longer controlled by Smirnov's administration. The Transdnistrian Supreme Soviet, the region's parliament, was given the responsibility for administering the payments in 2008, which reportedly amounted to \$27 million.⁴

Last summer an aid cutoff was again threatened amid Russian allegations that the aid was not reaching its intended recipients and was being diverted through a bank controlled by Igor Smirnov's son.⁵ In recent years, the Supreme Soviet has taken care to provide at least an appearance of transparency by publishing on its website spreadsheets showing how the aid was spent.⁶ This suggests that there has been some insistence from Russia that the Transdnistrian authorities demonstrate that the funds are in fact being used for social welfare purposes.

In addition to this publicly declared humanitarian aid, Transdnistria has also been able to make up past budgetary shortfalls thanks to another form of assistance from Russia: natural gas delivered on favorable terms. Other issues related to gas delivery and pricing are discussed below, but it is important to note that as Transdnistria has accrued a substantial debt to Gazprom, it has reportedly used funds collected from local gas consumers and earmarked for Gazprom "for other budgetary purposes."⁷

Indeed, any discussion of Transdnistria's economy must highlight the fact that it would be sustainable under current conditions for "2 or 3 months at most" independent of Russian financial assistance and gas deliveries.⁸ Transdnistrian politician Evgeny Shevchuk has pointed out that if the region paid salaries and pensions based only on its own tax collections it would have to cut the average pension by 40% and the average government employee salary by half; and that if the population's utility costs were based on the real (as opposed to the subsidized) cost of natural gas, they would have to be doubled.⁹

Because the advantages of Russian pension supplements and discounted gas and electricity for private citizens have been heavily publicized within Transdnistria,¹⁰ should a conflict settlement draw near there is likely to be genuine public concern within the region about who will replace Russia in providing these subsidies.

Transdnistrian authorities and business elites acknowledge the need for more foreign investment, although they continue to focus on attracting investment from their Eastern neighbors.¹¹ Under

current uncertain conditions it is difficult to imagine many Western investors taking on the political risk that comes with doing business in a disputed territory.

Transdnistrian business interests

Although the region's economy is dependent on Russia and its two largest industrial enterprises are owned by Russian investors, many important assets are controlled by local Transdnistrian interests. The most important of these is Sheriff, which has an "unchallenged monopoly on the region's economy" that includes wholesale and retail networks selling gasoline, food and consumer goods; the region's only new-car dealership; textile and other factories; broadcast and cable television; publishing and advertising; construction; production of liquor, bread, milk, meat and poultry; a soccer team and world-class soccer stadium; the region's only fixed and mobile telephone networks; and its own customs broker and logistics company.¹²

Sheriff's retail operations have become more advanced in recent years and provide a simulacrum of the Western supermarket shopping experience, allowing Transdnistrian residents to feel as though their region is not falling behind their modernizing neighbors. Sheriff performs a social function, for which it receives tax breaks, by discounting certain core goods for pensioners which also assists it in maintaining a competitive advantage. This also means that Sheriff effectively benefits from the Russian pension subsidy program. Sheriff uses its status as a large employer to encourage its employees to use affiliated banks for payroll. Its supermarkets are able to consistently beat the competition on price because Sheriff is often the wholesale supplier to its competition and charges wholesale prices for some goods greater than the retail prices at its own stores.¹³

Sheriff's business model depends on its relationships with Transdnistrian officials and on the market distortions present in the region because of the conflict. Thus, it is alleged that Sheriff is able to take advantage of its employees because they have so few alternatives, and that its retail operations can get away with selling expired and counterfeit goods because consumers have few other options.¹⁴

Some of Sheriff's businesses were built more or less from scratch. The most interesting of these is Interdnestercom ("IDC") which is the region's only provider of fixed and mobile phone and internet services. IDC has even made an effort to expand its business into Ukraine.¹⁵ In mobile telephony and other areas, Transdnistria differs from other disputed territories which receive Russian support in that local interests remain in control of some key assets. In Abkhazia and South Ossetia, for example, the mobile telephone networks are owned by a major Russian company.

Other major Sheriff assets, including Kvint, the region's premier distillery, were acquired through the Transdnistrian government's privatization program. This program, another way for the region's authorities to cover budgetary shortfalls, was recently declared concluded after the privatization of 155 enterprises generating total revenue assessed at \$219 million.¹⁶

The validity of sales under the privatization program has been called into question from the point of view of Moldovan and international law, as well as on the grounds that "[m]any of the deals were 'sweetheart deals' for those close to President Smirnov and his entourage."¹⁷ For example,

Tirotex, a large textile plant which employs thousands and exports its production worldwide, was acquired for about \$23 million (plus a promise to invest \$44 million in the plant),¹⁸ whereas the factory's appraised value was \$95 million¹⁹ and it has generated over \$100 million in revenues annually in recent years.²⁰ Tirotex has been one of the most successful Transdniestrian companies in taking advantage of Moldova's trade preferences with the European Union, an option available to all Transdniestrian exporters willing to register their businesses in Chisinau. In all, it is estimated that 35% of Transdniestrian exports go to the EU.²¹

While Moldovan President Voronin initially took a very hard line on Transdniestrian privatization, conflict resolution proposals put forward by the Voronin Administration in 2007-08 acknowledged the need to reach an agreement regarding property rights of existing owners of assets in Transnistria, and Voronin himself acknowledged that the property rights issue was "a very serious question. One of the most important on the [agenda] of conflict resolution."²²

Foreign business interests

The major foreign participants in the Transdniestrian economy also acquired their holdings through privatization, albeit indirectly. I will focus on the Moldova Steel Works plant in Rybnitsa ("MMZ") and on the power station at Kuchurgan, both Soviet-era enterprises that are massive when compared to the rest of Moldova's economy. Both of these enterprises were resold to their current high-profile Russian owners after initially being privatized to less well known Russian-affiliated companies.

MMZ

MMZ is by far the largest enterprise anywhere in Moldova. It was built during the late Soviet period with equipment imported from the West and is therefore internationally competitive. Before the economic crisis, the factory was Transnistria's largest exporter – when operating at its full capacity, it used to be Moldova's largest exporter²³ – and contributed a substantial amount to Transnistria's budget. MMZ's managing shareholder is the Russian company Metalloinvest, and there are also substantial Ukrainian minority shareholders.²⁴ MMZ's production is currently being distributed by the Ukrainian company Metinvest, which plans to continue the past practice of selling to Western markets as well as to Russia and Ukraine. The neighboring Rybnitsa Cement Plant, also owned by Metalloinvest, was for a time supplying cement to Russia for construction projects related to the Sochi Olympics.

MMZ recently restarted production after a 10-month standstill which apparently resulted from a series of disputes about customs clearance for scrap metal imported from Moldova – first with the Moldovan authorities and then with the Transdniestrian authorities – and about repayment of loans made to MMZ by the Transdniestrian authorities during the downturn of 2009.²⁵ Transnistria's President has announced that audits and investigations of the factory's finances by Transdniestrian authorities would continue even as the plant restarts production.²⁶ In the past, there have also been public misunderstandings between the Smirnov administration and the factory management. This highlights an important point, which is that the interests of local elites and foreign investors from Russia and Ukraine are not always aligned.

While there is no public information about right-bank Moldovan equity interests in MMZ, the factory has long been a purchaser of scrap metal from throughout Moldova. The monopoly on scrap-metal sales held by the Moldovan government-controlled company Metalferos has been the subject of some recent controversy in Chisinau.²⁷

MGRES

The other regionally significant enterprise located in Transnistria is the Moldovan State Regional Electric Station (“MGRES”) located at Kuchurgan. The plant was designed to supply electricity to all of Moldova and large parts of Ukraine as well as to parts of Romania and Bulgaria. MGRES is owned by Inter RAO UES, a power generation company owned by several Russian state-owned companies.²⁸ MGRES currently operates below its maximum operating capacity but is nevertheless able to supply electricity throughout the region, including until recently²⁹ to Romania with agreement from the Chisinau authorities. MGRES also has direct power supply agreements with large customers, for example the Lafarge cement plant in right-bank Moldova.³⁰ The region’s electricity market in general suffers from inefficiencies as a result of the Transnistrian conflict. Negotiations over price and supply are “regularly mixed with political and legal questions.”³¹

Both MMZ and MGRES run exclusively on Russian natural gas and according to some accounts have gas supply agreements with Gazprom that are separate from the agreement under which other gas consumers in Transnistria are supplied. Other reports suggest that these enterprises pay the Transnistrian authorities for their gas at discounted rates.

Ukrainian interests

Ukrainian business interests are also represented in Transnistria. As mentioned above, MMZ has some Ukrainian shareholders, but there are also business ties based on cross-border trade networks. MMZ and MGRES compete with Ukrainian steel producers and power generation companies, respectively. Overall Ukrainian business involvement in Transnistria, including such activities as trading and transportation companies distributing alcoholic beverages and other items produced in Transnistria, was estimated by one expert analysis at \$1bn per year in 2008.³²

Supply and infrastructure networks

Supply and infrastructure networks within and around Moldova were designed to operate in a context of regional integration. Instead, they operate with considerable inefficiencies as a result of the Transnistrian conflict. This divided infrastructure “reduces both opportunities of efficient use and attractiveness for investment” in Moldova.³³ It also prevents proper maintenance of essential networked infrastructure and results in a lower quality of life for all citizens of Moldova, “keeping everyone’s economy down”³⁴ and holding the region’s economic potential hostage to the unresolved conflict.

Conflict-driven uncertainties surrounding what should be routine business interactions create “opportunities for ‘grey’ business activity and corruptive links”³⁵ for elites on all sides.³⁶ Moreover, enterprising actors have created workarounds to evade (or cooperate with) the multiple sets of officials and borders, and over time these workarounds have hardened into self-

perpetuating economic ties which take on their own logic and may be difficult to dislodge.³⁷ For Transdniestrian elites, the “parallel economy” has become the “most important bargaining tool”³⁸ in discussions with Chisinau, Moscow and Kyiv.

The networks affected by these dynamics include power generation and transmission, discussed above; telephony, where in spite of years of efforts³⁹ right-bank and left-bank systems are not integrated, which results in excess costs to users⁴⁰; passenger railroad transit, which was partially reopened last fall only after considerable mediation efforts; and perhaps most importantly the natural gas supply network.

The complex relationship between Moldova and Gazprom is beyond the scope of these remarks, but it is important to note the impact of the Transdniestria factor on that relationship. Moldova is a relatively small market for Gazprom (although Gazprom is essential for Moldova as it supplies 100% of the country’s gas needs⁴¹), but a significant portion of the gas sold to customers in Europe (10-20%) must pass through pipelines which cross Transdniestria.

“Gazprom’s dilemma is illustrated by the following example: it reportedly threatened to cut off supplies to Transdniestria on 1 July 2004 and not restart them until the region proposed a payment schedule. In September 2004 Gazprom reduced supplies, to which Transdniestria responded with unauthorised off-take from the transit pipeline. No complete cut-off followed, and the region’s debt continued to grow.”⁴²

Efforts to disentangle Transdniestria’s debt to Gazprom, which is now greater than \$2 billion, from the substantially smaller arrears of right-bank Moldova, have been ongoing for years, and a separation of gas system assets along with debts was proposed earlier this year by the Moldovan government.⁴³ This proposal has not yet been agreed with Tiraspol, however, and has met with some criticism from the expert community in Chisinau.⁴⁴ Meanwhile, it is projected that deliveries to Transdniestria, which has less than one-fifth the population of right-bank Moldova, will account for 2.0 billion cubic meters (bcm) of the 3.3 bcm of natural gas to be delivered to Moldova in 2011.⁴⁵

The Transdniestrian authorities have declared their intentions to conclude a separate gas supply agreement with Gazprom for future deliveries,⁴⁶ but because gas deliveries have hitherto been made under an agreement that is guaranteed by Moldova’s internationally recognized authorities, Tiraspol’s attitude in the past has been to suggest that Chisinau would be responsible for paying debts incurred for gas used on both sides of the Dniester.⁴⁷ Thus, gas supply issues, problematic at best for any former Soviet republic dependent on Russian gas, are made doubly problematic for Moldova by the unresolved conflict.⁴⁸

Two other areas where the conflict creates inefficiencies bear mentioning. The first is labor migration flows, which are distorted because of the various citizenship and passport opportunities available to Moldovans on both sides of the Dniester.⁴⁹ The second, which would be a major challenge to any attempt at a structural reintegration of Transdniestria’s economy with Moldova’s, is the fact that Transdniestria has its own currency and central bank, which is accustomed to operating independently of Chisinau.

Conclusions

At the moment, “Moldova and Transnistria find themselves in a state of permanent economic conflict with periodical escalations that generate economic losses for both parties.”⁵⁰ In the event a settlement can be negotiated, many challenges will have to be overcome in the economic realm. Among these would be the need to overcome Transnistrian public concern about the loss of Russian-funded social assistance funds; the treatment of enterprises privatized on the left bank; the uncertain viability of Transnistrian economic actors whose business model depends on relationships with local authorities; desires on the part of corrupt regional elites to maintain arrangements which profit them personally; and the treatment of the gas debt.

There are obstacles to settlement within the economic realm, and concessions and adjustments to existing business arrangements will be required on all sides. Nevertheless, the potential economic benefits to all parties and to the entire population of Moldova from a sustainable settlement of the conflict would be substantial and should not be overlooked. Russia in particular could benefit if a settlement means that it no longer has to serve as Transnistria’s economic lifeline.

The setting of this briefing makes it appropriate to offer some recommendations about what U.S. policymakers can do to make sure that the positive momentum in Transnistrian conflict resolution is not lost. My first recommendation would be to do whatever we can to make right-bank Moldova attractive economically to Transnistrians. An obvious step which Congress can take in this direction would be to give Moldovan products permanent normal trade relations treatment and terminate the applicability of the Jackson-Vanik Amendment to Moldova.

Second, I would suggest enhancing existing capacity-building programs in the area of anti-corruption legislation and enforcement and perhaps encouraging regional cooperation in this area so that Moldovan, Ukrainian and Russian authorities can work together on this problem, particularly as it has been a signature issue for Russian President Medvedev.

The above analysis of economic factors underscores that involvement from all sides will be required to resolve this conflict. Therefore, my final recommendation to the U.S. is that we should continue to encourage our partners in Europe, Russia, Ukraine and Moldova to devote the necessary political will to pursuing a durable, comprehensive settlement of the Transnistrian conflict.

¹ International Crisis Group, “Moldova’s Uncertain Future,” Aug. 17, 2006, available online at <http://www.crisisgroup.org/en/regions/europe/moldova/175-moldovas-uncertain-future.aspx>

² Daria Isachenko, “On the Political Economy of Unrecognised State-building Projects,” *The International Spectator*, 2009, Vol. 44, No. 4, pp. 61-75, p. 66. See also Infotag, “Russia continues its support to Moldova’s breakaway Transnistria,” June 29, 2009, available at <http://politicom.moldova.org/news/russia-continues-its-support-to-moldovas-breakaway-transnistria-202013-eng.html>, stating that Russia’s aid to Transnistria in 2006 totalled \$77 million and that \$30 million was provided in 2007-08 to assist the region after a drought.

³ Vladimir Soloviov, “Moscow’s Hand is Tired of Giving: Transnistrian Leader Abuses Russian Generosity,” *Kommersant*, April 6, 2007, available at http://www.kommersant.com/p756473/r_1/Transnistria_Moldova_Russia/

⁴ EastWeek, "Russia to Restore Financial Aid to Transnistria," Jan. 9, 2008, available at <http://www.osw.waw.pl/en/publikacje/eastweek/2008-01-09/russia-to-restore-financial-aid-to-transnistria>

⁵ Tom Balmforth, "Aiding and Abetting Conflict Resolution," *Russia Profile*, July 26, 2010, available at http://russiaprofile.org/international/a1280176833/print_edition/; Vladimir Soloviov & Dmitrii Butrin, "Пыка Москвы давать устала: Россия заморозила финансовую помощь Приднестровью" ["Moscow's Hand is Tired of Giving: Russia has Frozen Financial Assistance to Transnistria"], *Kommersant*, July 23, 2010, available at <http://kommersant.ru/doc/1473776>.

During last summer's dispute, Moscow alleged that Transdniestrian Gazprombank (which is according to some accounts not affiliated with Gazprom) was engaged in illicit financial operations and threatened to close the bank's correspondent accounts with Russian state banks. Moldovan authorities have also raised the issue of "unauthorized banking activities" of Transdniestrian banks, resulting in international warnings about these financial actors. "Guidance to Financial Institutions on Transactions Involving Banking Activities by Entities Originating in the Transnistria Region of Moldova," FinCEN Advisory FIN-2011-A008, April 15, 2011, available at http://www.fincen.gov/statutes_regs/guidance/html/FIN-2011-A008.html

⁶ E.g., "Информация о расходовании средств российской гуманитарной помощи," ["Information on the Expenditure of Russian Humanitarian Assistance"], March 29, 2011, available at <http://vspmr.org/News/?ID=4870>

⁷ Helge Blakkisrud & Pål Kolsto, "From Secessionist Conflict Toward a Functioning State: Processes of State- and Nation-Building in Transnistria," *Post-Soviet Affairs*, 2011, Vol. 27, No. 2, pp. 178–210, p. 190

⁸ Center for Strategic Studies and Reforms (CISR), "Moldova's and Transnistria's Economies: From Conflict to Prospects of Peaceful Development. Foreign Trade: The Source of Growth and Contradictions," 2007, p. 7, available at [http://www.cisr-md.org/pdf/2007 Transnis Report rus 2en.pdf](http://www.cisr-md.org/pdf/2007%20Transnis%20Report%20rus%202en.pdf).

⁹ Evgeny Shevchuk, "Приднестровский бюджет - это во многом показатель противоречий между нашими возможностями и амбициями" ["The Transdniestrian budget is in large part an indicator of the contradictions between our possibilities and our ambitions"], *Pridnestrov'e*, Dec. 22, 2009, available at <http://pridnestroviye-daily.net/gazeta/articles/view.aspx?ArticleID=15862>

¹⁰ Survey data indicate that 21.5% of Transdniestrians believe the unresolved conflict has been to the advantage of Transnistria and to the detriment of right-bank Moldova (56.1% of Transdniestrians believe the conflict has been detrimental to both banks of the Dniester, as opposed to 78.1% of right-bank Moldovans). One of the possible explanations for the responses of those 21.5% is the social safety net provided by Russian aid, which some Transdniestrians believe to be superior to the welfare programs provided by Chisinau on the right bank. This result is notwithstanding the fact that on both banks the "overwhelming majority (almost 90%) characterize the economic situation...as 'difficult' and 'unbearable.'" Elena Bobcova, "Development Patterns for Moldova and Transnistria in the Post-Conflict Period," Institute for Public Policy / Black Sea Peacebuilding Network, 2009, pp. 1-2, available at <http://www.ipp.md/public/files/Proiecte/blacksee/eng/BobcovaENG.pdf>

¹¹ Infotag, "MAE al Transnistriei va promova peste hotare interesele mediului de afaceri din regiune" ["Transdniestrian MFA to Promote Regional Business Interests Abroad"], June 8, 2011, available at <http://www.azi.md/ro/story/18893>

¹² Michael Bobick, "Profits of Disorder: Images of the Transnistrian Moldovan Republic," *Global Crime* 12(4) (forthcoming Fall 2011); Sheriff website, "Structure," <http://www.sheriff.md/Structure/>

¹³ Michael Bobick, "In Transnistria, One Company Is a Law unto Itself," *Transitions Online*, Sept. 30, 2010, available at <http://naturaporia.blogspot.com/2010/10/in-transnistria-one-company-is-law.html>

¹⁴ Bobick, "Profits of Disorder."

¹⁵ Roman Khimich, "Последний из Могикан" ["The Last of the Mohicans"] (referring to the dwindling number of CDMA operators, including IDC affiliate Intertelekom), *Vlast' Deneg*, Feb. 2008, available at <http://www.vd.net.ua/rubrics-3/2501/>

¹⁶ Novyi Region, "За годы большой приватизации Приднестровье продало 155 госпредприятий" ["During the Years of Big Privatization Transnistria Sold 155 State Enterprises"], June 8, 2011, available at <http://www.nr2.ru/pmr/334798.html>

¹⁷ The Association of the Bar of the City of New York, *Thawing a Frozen Conflict: Legal Aspects of the Separatist Crisis in Moldova*, 2006 (on privatization, see pages 66-72, available at <http://www.abcnyc.org/pdf/report/NYCity%20BarTransnistriaReport.pdf>)

¹⁸ Reporter.md, “Tirotex Enterprise Was Sold,” June 21, 2005, available at <http://economie.moldova.org/news/tirotex-enterprise-was-sold-3481-eng.html>

¹⁹ Andrei Kapustin, “Переучет” [“Stock-taking”], *Novye Izvestiia*, Oct. 18, 2004, available at <http://tribuna.com.ua/news/130755.htm>.

²⁰ Tirotex website, http://www.tirotex.com/index_en.htm

²¹ Witold Rodkiewicz, “Economic crisis in Transnistria as a chance for the EU diplomacy,” CES Commentary, Jan. 30, 2009, p. 4, available at <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?id=96499&lng=en>

²² *Komsomol'skaia Pravda*, “Vladimir Voronin: We guarantee the property rights for people from Transnistria!” interview with Vladimir Voronin, Oct. 24, 2007, English translation, available at <http://www.experts.in.ua/baza/doc/download/DigestSpecial.pdf>

²³ BASA-Press, “Ribnita Metallurgic Plant is exporter no.1 of Moldova, according to the top of biggest exporters published by a specialized magazine,” May 12, 2008 (estimating the plant’s 2007 exports at \$400 million), available at <http://economie.moldova.org/news/ribnita-metallurgic-plant-is-exporter-no1-of-moldova-according-to-the-top-of-biggest-exporters-published-by-a-specialized-magazine-118439-eng.html>

²⁴ Rebecca Chamberlain-Creanga & Lyndon K. Allin, “Acquiring Assets, Debts and Citizens: Russia and the Micro-Foundations of Transnistria’s Stalemate Conflict,” *Demokratizatsiya*, Fall 2010, pp. 334-35.

²⁵ Oleg Dorozhkovets, “Молдоваломка” [“The Moldovan Puzzle”], Minprom Information Agency, June 7, 2011, available at <http://minprom.ua/page2/news69313.html>; Varvara Nikitina, “Приднестровский металлургический гигант возобновил работу” [“Transnistrian Metallurgical Giant Resumed Work”], *Novyi Region*, May 25, 2011, available at <http://www.nr2.ru/pmr/332972.html>

²⁶ Infotag, “ММЗ назвал виновным в конфликте с таможней молдавский ‘Металферос’” [“MMZ Blames Moldovan Company Metalferos for Customs Dispute”], May 16, 2011, available at <http://www.infotag.md/news/589016/>

²⁷ Aleksandr Vinogradov, “Экспорт металлолома вызвал разногласия внутри правящего альянса” [“Export of Scrap Metal Raises Disagreements Within Ruling Alliance”], *Komsomol'skaia Pravda*, available at <http://www.kp.md/online/news/900827/>

²⁸ “Capital Structure,” Inter RAO UES website, <http://www.interrao.ru/en/company/capital/>

²⁹ Infotag, “Romania stopped buying electricity from Moldavskaya GRES,” May 6, 2011, available at <http://www.azi.md/en/story/18200>

³⁰ Georg Zachmann & Alex Oprunenco, “Electricity Sector in Moldova: Evaluation of strategic options,” German Economic Team in Moldova Policy Paper Series, September 2010, p. 8, available at http://www.get-moldova.de/download/policypapers/2010/GET%20Moldova_PP%2001%202010_en.pdf

³¹ *Id.*, p. 4.

³² Vitalii Kulik & Valentin Yakushik, “План Ющенко по урегулированию приднестровского конфликта и проблемы его реализации” [“The Yushchenko Plan for Settling the Transnistrian Conflict and Problems of its Implementation”], in *Приднестровье в макрорегиональном контексте черноморского побережья* [Transnistria in the Macro-regional Context of the Black Sea Coast], Kimitaka Matsuzato, ed. (Slavic Research Center, 2008), p. 187, available at http://src-h.slav.hokudai.ac.jp/coe21/publish/no18_ses/contents.html. According to this analysis, Ukrainian business interests in the region prefer targeted behind-the-scenes lobbying while Russian investors are more openly involved in their government’s policy decisions and directly sponsor humanitarian assistance projects in the region.

³³ CISR, “Moldova’s and Transnistria’s Economies,” p. 11.

³⁴ Louis O’Neill, “Moldova: Recession hits a frozen conflict,” OpenDemocracy, May 12, 2009, available at <http://www.opendemocracy.net/article/email/moldova-recession-hits-a-frozen-conflict>

³⁵ Rodkiewicz, “Economic crisis in Transnistria,” p. 2; see also CISR, “Moldova’s and Transnistria’s Economies,” p. 35.

- ³⁶ See also Claus Neukirch, "Managing the Crises – Restarting the Process: The OSCE Mission to Moldova in 2004/2005," in *OSCE Yearbook 2005*, p. 153, available at <http://www.core-hamburg.de/documents/yearbook/english/05/Neukirch-en.pdf> (Stating that "Leading political and particularly economic circles in the region appear to have grown accustomed to the status quo of a divided Moldova, with an unrecognized and unregulated region on the left bank. These circles have found ways to make money out of the current situation, and appear to fear that change...might threaten their continued economic well being.")
- ³⁷ For an early account of this phenomenon across disputed territories in the post-Soviet space, see Charles King, "The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States," *World Politics*, Vol. 53, No. 4, July 2001, pp. 524-552.
- ³⁸ Angela Munteanu & Igor Munteanu, "Transnistria: A Paradise for Vested Interests," *South-East Europe Review*, 4/2007, pp. 51-66, p. 65.
- ³⁹ CISR, "Moldova's and Transnistria's Economies," pp. 28-30.
- ⁴⁰ Info-Prim Neo, "Plans for phone connection with Transnistria put off," March 11, 2011, available at <http://www.azi.md/en/story/17073>
- ⁴¹ Moldova is making efforts to diversify its gas supply by constructing a link with Romania's pipeline system. Claudia Pirvoiu, "Vicepremierul moldovean: Proiectul gazoductului Ungheni-Iasi este sustinut atat de UE cat si de Rusia" ["Moldovan Vice-premier: Ungheni-Iasi Gas Pipeline Project Supported by Both EU and Russia"], Hotnews, June 2, 2011, available at <http://economie.hotnews.ro/stiri-energie-8758814-vicepremierul-moldovean-proiectul-gazoductului-ungheni-iasi-este-sustinut-atat-cat-rusia.htm?cfat=>
- ⁴² Chloë Bruce & Katja Yafimava, "Moldova's Gas Sector," in *Russian and CIS Gas Markets and Their Impact on Europe*, Simon Pirani, ed. (Oxford University Press, 2009), pp. 174-75.
- ⁴³ Evgenii Markin, "Молдавия и Приднестровье разделят газовые активы и газовые долги" [Moldova and Transnistria to Divide Gas Assets and Gas Debts], Novyi Region, March 22, 2011, available at <http://nr2.ru/kishinev/325233.html>
- ⁴⁴ Ion Muntean, "Separarea Datoriilor si Activelor SA Moldovagaz – o Noua Abordare Superficiala a Unor Probleme Istorice" ["Separation of the Debts and Assets of SA Moldovagaz: Another Superficial Approach to Historical Problems"], IDIS Viitorul Policy Brief, 2011, available at <http://www.viitorul.org/public/3367/ro/separare%20active%20si%20datorii.pdf>
- ⁴⁵ Vladimir Socor, "Gazprom's Price Hike to Moldova has Political Ramifications," *Eurasia Daily Monitor*, Feb, 7, 2011, available at [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=37468&tx_ttnews\[backPid\]=512](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=37468&tx_ttnews[backPid]=512)
- ⁴⁶ Radu Benea, "Reformă constituțională la Tiraspol: Fără reforme" ["Constitutional Reform in Tiraspol: Without Reforms"], interview with Transdnistrian journalist Natalia Scurtul, Radio Europa Liberă, May 30, 2011, available at <http://www.europalibera.org/content/article/24209720.html>
- ⁴⁷ Vitalii Kulik, "Приднестровье Продано?" ["Has Transdnistria Been Sold?"], Eurasian Home, April 5, 2007, available at <http://www.eurasianhome.org/xml/t/expert.xml?lang=ru&nic=expert&pid=1034>, quoting Igor Smirnov as saying "Transdnistria has no legal debt and has never signed an agreement with Gazprom."
- ⁴⁸ For more background, see Ion Preasca, "The Impact of the Nistru Conflict on the Energy Security of the Republic of Moldova," Institute for Public Policy / Black Sea Peacekeeping Network, 2009, available at http://www.ipp.md/public/files/Proiecte/blacksee/eng/Preasca_engl.pdf; see also Galina Shelari, "The Economy of Transnistria: view from the outside," Institute for Public Policy / Black Sea Peacekeeping Network, 2010, pp. 9-12, available at http://www.ipp.md/public/files/publication/Selari_EN.pdf
- ⁴⁹ Chamberlain-Creanga & Allin, pp. 339-42.
- ⁵⁰ Elena Gorelova, "Political Economy of Reintegration," in Denis Matveev et al., eds., *Moldova-Transdnistria: Working Together for a Prosperous Future: Economic Aspects* (Chisinau, 2009), p. 85, available at <http://www.cisr-md.org/pdf/Economie%20EN%20v2.pdf>

MATERIAL FOR THE RECORD

BRIEFING PAPER SUBMITTED FOR HELSINKI COMMISSION HEARING, JUNE 14, 2011, BY MATTHEW ROJANSKY, DEPUTY DIRECTOR, RUSSIA AND EURASIA PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE ¹

“PROSPECTS FOR UNFREEZING MOLDOVA’S FROZEN CONFLICT IN TRANSNISTRIA”

Moldova is a small country, with fewer than 4 million citizens, but in recent years it has gained symbolic significance on the world stage far out of proportion to its size. As US-Russia relations have been “reset” and cooperation has likewise grown between Brussels and Moscow on a range of issues, Moldova has been one of the main beneficiaries of the improved atmosphere.

European Union officials now routinely refer to Moldova’s “encouraging progress” on reform projects, often as a favorable comparison to other post-Soviet states.² In March 2011, Vice President Joe Biden, the highest ranking US government official ever to have visited Moldova, spoke to a cheering crowd of tens of thousands in Chisinau’s main square. He described the country’s “journey toward democracy” as sending a message to millions beyond Moldova’s borders, and described Moldovans’ achievements in glowing terms.³

But, as Biden acknowledged, it is too early to declare a successful conclusion to Moldova’s delicate and still evolving post-Soviet drama, of which several essential chapters are still unwritten. Alongside the ongoing evolution of Moldova’s domestic institutions and system of government, the most significant clear challenge ahead is resolution of the protracted conflict with Transnistria. The purpose of this paper is to evaluate the causes, context, and consequences of this conflict and to propose some productive next steps for each of the stakeholders to the current conflict resolution process, and for the international community as a whole.

What is the Transnistria conflict about?

Much of the Western discourse on Moldova in the past two years has praised the country’s largely non-violent political transition in 2009, when the Alliance for European Integration (AEI), a coalition of four parties, displaced the Communists who had held power since 2001. The new leadership refers to the 2009 transition as Moldova’s “European choice,” which has been underscored by growing percentages in favor of the AEI and

¹ The author would like to express his sincere appreciation to Victor Dragutan for help editing and fact-checking this paper. This paper is based in part on remarks delivered on June 1, 2011 at the Finnish Institute of International Affairs.

² “A new response to a changing Neighbourhood,” Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, European Commission, High Representative of the European Union For Foreign Affairs and Security Policy, Brussels, May 25, 2011. http://ec.europa.eu/world/enp/pdf/com_11_303_en.pdf, accessed on June 10, 2011.

³ Remarks by Vice President Joe Biden in Chisinau, Moldova, March 11, 2011, <http://www.whitehouse.gov/the-press-office/2011/03/11/remarks-vice-president-joe-biden-chisinau-moldova>, accessed on June 10, 2011.

its explicitly pro-Europe agenda in two subsequent national elections.⁴ Officials are particularly proud of their relatively rapid progress in negotiations aimed at reaching an association agreement with the EU, billed in Moldova as a key step toward eventual EU membership.

But amidst the enthusiasm surrounding Moldova's deepening ties with Europe, it is impossible to ignore the most significant potential obstacle to the country's future prosperity and successful European integration: the conflict over Transnistria, a 400 km long, narrow strip of land on the "left bank" of the River Dniester/Nistru between Moldova and Ukraine. Though internationally recognized as part of Moldova, Transnistria declared its independence from Chisinau during the breakup of the Soviet Union. Popular sentiment for independence was driven by fears on the part of the region's residents that Russian-speakers would lose positions of economic privilege and perhaps even basic language rights within an independent Moldova, or that the country might be united with Romania. The brief war that ensued in 1992 ended with a ceasefire mediated by Russia and enforced by Russian military forces. Russian troops remain in Transnistria as part of a trilateral peace-keeping operation under the terms of the July 21, 1992 Moscow Agreement, and to guard the remnants of a massive Soviet-era arsenal at Kobasna.⁵

Since 1997, the OSCE has managed a conflict resolution process which now engages 7 parties in the "5+2" format: Moldova and Transnistria, with Russia, Ukraine, and the OSCE as intermediaries, and the US and the EU as observers. The OSCE-brokered talks have helped to defuse occasional crises and to keep the sides in dialogue, but no framework agreement has yet been accepted by all sides. The closest they came was in 2003, when the Russian-brokered "Kozak plan" was rejected at the last minute by Chisinau. The parties have met both officially and unofficially at various times, with the talks currently in an unofficial phase which may change to official following a June 21 meeting of the parties in Moscow.

In the intervening time, OSCE inspectors have had some access to the former Soviet weapons stockpiles at Kobasna, however Transnistria authorities have not permitted the type of unfettered access or verified removal necessary to ensure that none of the stored weapons or materials are leaving the territory and ending up in criminal hands. Indeed, due to poorly regulated borders, it is widely believed that Transnistria is a major node in European and global arms, drugs, and human trafficking networks. And, although the conflict has been "cold" since 1992, there is still a real risk of resumption of hostilities between two heavily-armed military forces if negative changes in the political environment were to occur. This would undoubtedly draw intervention from Russia and perhaps Romania, Ukraine and other states in the region.

History and Culture

To some degree, the reasons for the outbreak of armed conflict in 1992 still underlie tensions between right-bank Moldova and the de facto Transnistrian Moldovan Republic on the left bank. Although Transnistria is ethnically diverse, with a roughly even mix of ethnic Moldovans, Russians, and Ukrainians, the dominant official language and the language of everyday life on the left bank is Russian. However, on both sides of the river, there are schools in which both Russian and Moldovan are used, and each language group

⁴ "Pro-Europe Alliance Leads Moldova Vote," RFE/RL, November 29, 2011 http://www.rferl.org/content/moldova_elections/2232737.html, accessed on June 10, 2011.

⁵ <http://www.globalsecurity.org/military/world/war/transdniester.htm>, accessed on June 10, 2011.

fears discrimination by authorities in Chisinau and Tiraspol—these fears have been justified by occasional provocative school closures and curriculum changes, for example in Transnistria in 2004.⁶

Anecdotal evidence indicates that Russian speakers in Transnistria still generally think of Romania as the villain and Russia as the hero in a historical narrative dating back to World War II, when Bucharest was allied with Nazi Germany. Russian speakers therefore associate modern Romanian nationalism with revanchist fascism, a narrative heavily informed by the persistence of a World War II memory shaped by Soviet ideologists throughout the Slavic core of the post-Soviet space, and in overt conflict with a neo-nationalist historical narrative among many of the post-Soviet and post-Communist states in Eastern Europe, including Romania. Deep fears about possible Moldovan-Romanian union in the early 1990's drove Transnistria's secession movement, and they continue to cause hostility on the left bank and in Moscow toward Moldova's warm relations with Romania.⁷

Finally, there is a generational crisis brewing, since Moldovan and Transnistrian youth who have grown up since 1992 have no memory of living together with their neighbors in a single state. The persistence of low level conflict and provocation, even though there has been no overt fighting, have become a "normal" state of being for young people on both sides, who can no longer easily imagine a future in which the two live together. Some Western-funded programs like the youth-oriented "Transnistrian Dialogues"⁸ have helped bridge this psychological divide, but the longer the sides live in physical separation the less urgency each feels to change the situation.⁹

Geopolitics

Consistent with an approach to conflict resolution that has included far flung parties such as Russia and the United States, broad geopolitical factors are often perceived as the main obstacles in the conflict. While these factors are important, they should be understood as one of several layers of obstacles, the removal of which is necessary but not sufficient for conflict resolution. A case in point is the ongoing dispute over "host nation consent" to basing of military forces in the area. Russia has expressed an interest in maintaining its current force of some 1,500 troops (around 400 of which serve as peacekeepers)¹⁰ in the region, but questions whether it could do so in a reunited Moldova. Moscow's interest in keeping a military presence in Transnistria has a number of possible explanations, but is most likely largely symbolic. The contingent on the left bank gives Russia a "foothold" in this part of Europe, an image of strategic depth against possible threats from the West, and perhaps also some psychological leverage in relations with Ukraine, which is partially encircled by Russian military outposts.

Moldova, on the other hand, has gravitated increasingly toward the West and away from Moscow since the 2009 transition—not only through promising negotiations aimed

⁶ "Moldova Schools Resist Threats," BBC, September 7, 2004, <http://news.bbc.co.uk/2/hi/europe/3631436.stm>, accessed on June 10, 2011.

⁷ "Romania and Moldova 'to merge' with Transdnierster clinging to Russia," Russia Today, December 1, 2010, <http://rt.com/politics/russia-moldova-romania-eu/>, accessed on June 10, 2011.

⁸ Transcript of British Ambassador to Moldova Keith Shannon's interview for Radio Moldova, June 17, 2009, <http://ukinmoldova.fco.gov.uk/en/news/?view=News&id=20644522>, accessed on June 10, 2011.

⁹ Alyona Getmanchuk et al., "Scenarios for the Development of the Transnistria Conflict: Challenges to European Security," Institute of World Politics: Kyiv, 2011. P. 77.

¹⁰ <http://www.globalsecurity.org/military/world/russia/ogrv-moldova.htm>

at an association agreement with the European Union, but on security and political questions as well. Although neutrality is enshrined in the Moldovan constitution, influential figures on both sides have hinted that military cooperation with NATO and even outright NATO membership is on the AEI's agenda.¹¹ That prospect is of deep concern to the Moldovan Communists, who still have nearly half the votes in Parliament, and it would undoubtedly be perceived as a provocation by Russia, which would be more reluctant to support Moldova's reunification.

Powerful Private Interests

When analyzing the causes of protracted conflict, it is often revealing to ask, "who benefits?" In the case of Transnistria, the biggest beneficiaries are arguably not states but powerful private interests, many of whom exert influence over state policies. There is much to covet in the region as it was, during Soviet times, a privileged economic zone within the Moldovan SSR, containing at least 40% of Moldova's industrial capacity, and the only large power plant in the region.¹²

The major Soviet-era industrial assets in Transnistria are the MMZ steel plant and Rybnitsa Cement plant in the north, and the Cuciurgan power plant in the south. All of these are at least partially controlled by Russian and Ukrainian oligarchs, who profited from Tiraspol's privatization of these assets during the last decade. These powerful individuals gained not only from the sale of assets legally belonging to all Moldovans, but continue to benefit from an arrangement whereby Russia's Gazprom "sells" gas to enterprises in Transnistria, which pay reduced fees for the gas to Tiraspol, which in turn simply allocates that money to the "state" budget. The resulting Gazprom debt, now worth over \$2 billion, is sent to Chisinau, consistent with Russia's official position that Transnistria is part of Moldova. Simply put, the unresolved status of Transnistria allows oligarchs to profit from industrial assets that belong to average Moldovans and gas that belongs to the Russian people.¹³

In addition, powerful Transnistrian businessmen, all closely linked to the ruling circle of President Igor Smirnov, profit from the favored status of the "Sheriff" holding company, which dominates all aspects of the local economy, from food and liquor retailing to book publishing. Sheriff receives protection from the Transnistrian customs authorities, who also facilitate smuggling and counterfeiting for the benefit of Russian and Ukrainian businesses moving goods in and out of the region through the Black Sea. For instance, goods marked for Transnistria can enter Ukraine free of customs duties, but, with cooperation from the Transnistrian authorities, they often end up in Ukrainian markets. Although the de facto authorities control a handful of local banks, international transactions with the region are enabled primarily by Russian banks, which use their own access to western financial markets to help conceal the ownership of companies concerned.

¹¹ "Moldovan Defense Minister: NATO Membership Key For Joining EU," RFE/RL, February 24, 2011, http://www.rferl.org/content/moldovan_defense_minister_nato_membership_key_for_joining_eu/2320020.html, accessed on June 10, 2011.

¹² The Association of the Bar of the City of New York, "Thawing a Frozen Conflict: Legal Aspects of the Separatist Crisis in Moldova," 2006. P. 14.

¹³ Ibid, p. 87-88; Rebecca Chamberlain-Creanga and Lyndon Allin, "Acquiring Assets, Debts and Citizens: Russia and the Micro-Foundations of Transnistria's Stalemated Conflict," *Demokratizatsiya*, Spring 2009. P. 334-335.

The De Facto Authorities

One simple explanation for the persistence of tension and low level conflict between Moldova and Transnistria is that the de facto authorities in Tiraspol are not interested in giving up their hold on power. If they negotiate a reintegration agreement, they might keep some influence in a unified Moldova, but would not have absolute power as they do now. The Transnistrian Moldovan Republic is basically a Soviet style government, with a Presidency, a nominal Supreme Soviet, and courts that are all loyal to the handful of allies of President Smirnov. These Soviet style nomenklatura travel in luxury cars distinguished by special 1 or 2 digit license plate numbers with a large Transnistrian coat of arms. The authorities keep tight control over any political dissent, and find it easiest to simply deport any troublesome figures to Moldova, as they did with Moldovan nationalist Ilie Ilascu and his supporters following a long prison term.¹⁴

The Soviet style system of government, the inherited Soviet industrial base, and subsidies (in effect) from Russia enable the de facto authorities to maintain a high level of economic stability, and a standard of living that while low, is slightly higher than in neighboring Moldova.¹⁵ In practice, these benefits come at the cost of complete dependence on Moscow, especially since Transnistria's independence is not even nominally recognized by Russia. However, as one walk past Suvorov Square and the Presidential Administration will reveal, the local authorities have converted this dependence into a source of pride with larger than life posters of Smirnov, Putin and Medvedev, and the slogan: "Our strength is our unity with Russia!"

Individuals' Pragmatic Interests

Thanks to subsidies from Russia and the "offshore" gray market opportunities of the Transnistrian economy described above, the region manages to eke out a standard of living slightly better than that of neighboring Moldova. However, individual citizens still seek the kind of greater economic opportunity that neither Moldovan nor Transnistrian citizenship offers, and so some 100–140 thousand have accepted Russian citizenship, a process facilitated by consular offices located in the breakaway territory, and consular officials who make a special effort to support local Russian affinity groups.¹⁶ It is believed that there are up to 100 thousand Ukrainian and 250 thousand Moldovan passport holders in the region as well, however many people have more than one document, since this enables them to travel to both East and West.

Russia's extension of citizenship to residents of Transnistria on such a large scale carries an ominous connotation in light of Moscow's past declarations that it has the right and duty to protect the interests of its citizens abroad, by force if necessary.¹⁷ Moreover, Russian citizens may receive supplemental pension benefits, and enjoy the possibility of studying, working or ultimately settling in Russia itself. By contrast, Moldovan citizenship is viewed as far less useful, since the country is economically depressed, and up to a third of the adult population of Moldova is working abroad, primarily in Russia and Western

¹⁴ See, e.g. Ilascu and others v. Moldova and Russia, European Court of Human Rights, Application no. 48787/99. (2004)

¹⁵ Chamberlin-Creanga and Allin, 337.

¹⁶ Chamberlin-Creanga and Allin, 332.

¹⁷ "The Military Doctrine of the Russian Federation" approved by Russian Federation presidential edict on 5 February 2010, www.carnegieendowment.org/files/2010russia_military_doctrine.pdf, accessed on June 10, 2011.

Europe. The unique benefits of Russian citizenship would likely be lost to residents of Transnistria if it rejoined Moldova.

International Context

Nearly twenty years after the end of fighting, and almost ten years since the parties' last concerted effort at resolution of the conflict, Transnistria has come into renewed focus thanks to factors outside the immediate region. First, the Arab Spring has captured popular imaginations worldwide, and on both sides of the Dniester this air of change has provoked tough questions about the status quo. If political systems that once seemed deeply entrenched can be toppled in the Middle East and North Africa, many wonder, why not in the heart of Europe as well? Following so soon after Moldova's own popular transition, the revolutions in Egypt and Tunisia could underscore challenges to the legitimacy of the Smirnov regime, which has held power in Transnistria since 1992.

From the perspective of Transnistrian separatists, recent history offers a different set of precedents, namely the recognition by Moscow of Georgia's breakaway provinces of South Ossetia and Abkhazia and by the West of newly independent Kosovo and South Sudan. These precedents provoke the obvious comparisons, and the question, why not us? Those Transnistrians who would prefer union with Russia or formal recognition as a Russian protectorate draw inspiration from the apparent restoration of Russian influence in the post-Soviet space, including the victory over Georgia in 2008, the extension of Russia's military presence in Crimea through 2042, and the entry into force of the Russia-Kazakhstan-Belarus customs union.

The fast-moving events in North Africa and the Middle East have also been a distraction for the key outside participants in the 5+2 process, particularly as European policymakers and publics have shifted attention and resources from the EU's "eastern neighborhood" to its "southern neighborhood." Meanwhile there is far less attention for seemingly faraway problems like the Transnistria conflict, since Europe is still struggling to save its own debt-ridden member states from default and thus preserve confidence in the Euro, while the United States faces a budget crisis of its own against the backdrop of an impending Presidential election. Finally, perhaps in response to these financial woes, varied strains of populist nationalism have been on the rise throughout the West. In Moldova's immediate neighborhood, chauvinistic statements by political leaders, particularly in Romania, have worsened the climate for compromise necessary to finally resolve the separatist conflict.

Why pursue conflict resolution now?

Despite the deep-rooted historical, geopolitical, economic and other drivers of conflict in Transnistria, there is some evidence that a window of opportunity is now opening for conflict resolution. While it is no guarantee that the conflict will remain cold, the fact that fighting has not resumed and no one has been killed on either side of the Dniester since 1992 is encouraging. At a time when violence in Nagorno-Karabakh claims dozens of lives a year, and with memories of the 2008 war over South Ossetia and Abkhazia still fresh, the relative calm around Transnistria appears to offer the best environment for productive engagement among conflicting parties in the post-Soviet space.

Although the relative calm, stability and quiet for nearly two decades are reasons why the Transnistrian conflict could be solvable, these very factors reflect a growing risk which itself calls for urgent action. With each passing year, the demographic scales tip more toward the new generation of Moldovans and Transnistrians who have grown up

entirely after the end of the Soviet Union and the de facto separation of Moldova. That is not to say that they are immune to the trauma of the original conflict. Indeed, some of these young people have childhood memories of the violence in 1992, and nearly all know friends and relatives who suffered personally. Yet none of them has any personal experience living as part of a united society with their neighbors on the other side of the river, and therefore little intuition for how such a future might look. The danger is simply that with passing years, most people in the region will no longer feel a strong motivation—or possess the vision needed—to change the status quo.

At this moment, however, the populations on both sides of the Dniester and all stakeholders to the conflict resolution process still have the capability of resolving the conflict if they choose to do so. Thus, the key question is one of political will. Fortunately, there are a number of recent positive signals from all sides.

Russia has long been the de facto guarantor of Transnistria's autonomy, through the presence of Russian troops, direct humanitarian aid, and economic engagement. However, Russia has consistently expressed a desire to resolve the conflict without a formal declaration of independence by Transnistria, which is a red line for Moldova. After the failure of Russia's 2003 peace initiative (the Kozak plan) the Russian leadership pursued these two seemingly contradictory policies in parallel.

Last summer, following a Russian-German summit at Meseberg Castle in Germany and a subsequent meeting in Yekaterinburg, Russian President Dmitry Medvedev and German Chancellor Angela Merkel issued statements suggesting Russia would be prepared to support resolution of the longstanding Transnistria conflict in the context of a high-level Russia-Europe security dialogue. The joint declaration following the October 2010 Deauville summit of France, Germany, and Russia also singled out Transnistria as a main focus of potential EU-Russia-US security cooperation. Some commentators even described resolving the conflict as a “test case” for a new Euro-Atlantic security partnership.¹⁸ Most recently, Russia has offered to host a meeting of the 5+2 parties in Moscow on June 21, 2011, and conducted separate discussions with Ukraine and Transnistria officials, the aim of which seems to be to find ways to resume the “official” negotiations in the 5+2 format, stalled since 2006.

Ukrainian President Viktor Yanukovich issued a statement following his own meeting with Medvedev in Kyiv in May 2010 identifying Transnistria conflict resolution as a top shared priority for the region's two large eastern neighbors.¹⁹ In a February 2011 speech at the Carnegie Endowment in Washington, Foreign Minister Kostyantyn Gryshchenko underlined this point, warning that this frozen conflict could heat up once more without urgent action from all sides.²⁰ Thus far, Ukraine's commitment has amounted mostly to rhetoric. However, as the largest state in the region, a major trading partner of Moldova, and sharing a 400 kilometer border with Transnistria, Ukraine is in a position to apply meaningful pressure to both sides to move toward a resolution to the conflict.

¹⁸ Dumitru Minzarari, “Moldova: the Ties that Don't Bind,” *Transitions Online*, July 28, 2010, <http://www.tol.org/client/article/21666-moldova-the-ties-that-dont-bind.htm>, accessed on June 10, 2011; Stefan Wolff, “The conflict in Transnistria: where things are, why, and where they might be going,” <http://www.stefanwolff.com/media/the-conflict-in-transnistria>, accessed on June 10, 2011

¹⁹ <http://www.ng.ru/cis/2010-05-13/1—pridnestr.html>

²⁰ <http://www.carnegie.ru/events/?fa=3167>

Romania's role in the conflict is complex and sometimes inconsistent. Despite the country's ethnic, cultural and historic links to Moldova, it does not participate directly in the 5+2 process, but is instead represented through the EU observer delegation (which, understandably, has never included Romanians in top positions). However, Romanian influence on the conflict is inescapable, and is often cited by stakeholders and analysts as a decisive factor.

On the positive side, Bucharest has formally elevated Transnistrian conflict resolution to a top national security priority, and describes itself as a staunch supporter of European diplomacy and of Moldova's European integration prospects.²¹ Less helpfully, Romania's historic close ties with Moldova are often treated as fodder for the political campaigns of pan-Romanian nationalists, especially when courting votes from the tens of thousands of Moldovans who carry Romanian passports. Yet suggestions that Romania and Moldova are more than close neighbors, or interpreting Moldova's EU integration as a pathway to reunification with Romania, simply stoke the darkest suspicions of Transnistrians and their Russian allies that Transnistrian conflict resolution is a mere fig leaf for Romanian nationalism.²²

On the Moldovan side, the major political development of the past two years is, of course, the rise of the Alliance for European Integration (AEI). Following improved results in two national elections in 2009 and 2010, the AEI now leads a coalition government with an absolute majority in the parliament of 59 seats, to the Communists' 42 seats, a sufficient margin of control to pass legislation but not to elect a president (that would require a supermajority of 61 votes).²³ Under AEI leadership, Moldova has made European integration its top priority, and emphasizes its commitment to implement the reforms necessary to conclude an association agreement, including enhanced trade and visa-free travel. The AEI links its position on European integration to Transnistria conflict resolution by arguing that a clear European perspective will help make right-bank Moldova more attractive to the separatists.

The new Moldovan government has not abandoned any of Moldova's past insistence on preservation of sovereignty and territorial integrity, but it is clearly prepared to make possible some of the conditions that would be necessary for conflict resolution, including a special autonomous status for the Transnistria region, preservation of left-bank residents' property rights and social welfare benefits, and other political and constitutional guarantees. On the other hand, there is a risk that if more than two years of openness to reconciliation by Chisinau does not soon result in the commencement of formal 5+2 negotiations and agreement on a reunification process, the goal of conflict resolution will fall by the wayside. In this respect, the EU has a critical role to play, both in pushing forward the conflict resolution process, and ensuring that right-bank Moldova's progress in association talks does not leave the left bank behind.

In Transnistria itself, conditions have evolved only glacially since 1992. However, there have been some positive signs, and significant political change could occur in the

²¹ Statement by H.E. Mr. Traian Basescu, President of Romania, OSCE Summit, Astana, 1-2 December, 2010, www.osce.org/mc/74998, accessed on June 10, 2011; <http://www.bucharestherald.ro/politics/34-politics/16841-basescu-welcomes-medvedevs-stance-on-transnistria-issue>, accessed on June 10, 2011.

²² See, e.g. "Moldova may reunite with Romania in next 25 years - Basescu," RIANovosti, November 30, 2010, <http://en.rian.ru/world/20101130/161565516.html>, accessed on June 10, 2011.

²³ "General Information on the 2010 Early Parliamentary Elections," e-Democracy.md, <http://www.e-democracy.md/en/elections/parliamentary/2010/info/>; See also OSCE-ODIHR report at <http://www.osce.org/odihr/elections/73833>.

near future. In May, Tiraspol released Moldovan journalist Ernest Vardanean, who had been imprisoned for espionage, a conviction challenged by Westerners as false and politically motivated.²⁴ The leadership has also indicated a willingness to resume formal negotiations following meetings with OSCE and Russian officials, although subsequent statements from Tiraspol often backtrack and suggest negotiations would depend on obviously unacceptable preconditions such as recognition of Transnistrian independence. The current leader, Igor Smirnov, is approaching 70, and despite Russian urging has not successfully anointed a successor who could take his place in the presidential election scheduled for December 2011.

While no new leader is likely to fully abandon Transnistria's ambitions of independence, pressure from Russia and Ukraine could create an opening for an agreement in the context of a security dialogue with Europe and the United States that served all sides' broader interests. In this respect, Russia holds most of the crucial cards, as illustrated by Transnistrian furor in late 2010 over the threatened suspension of Russian aid payments, which, together with Russian gas, are the lifeline for the Tiraspol authorities' budget. As long as Russia remains prepared to accept relations with Transnistria that run through Chisinau rather than Tiraspol, it should be possible to adjust the composition of, and incentives for, the Transnistrian leadership to facilitate productive talks. After all, greater prosperity for the region through enhanced ties with Europe will undoubtedly benefit people and businesses on both sides of the river.

What can be done by the international community?

Well-intended official statements on the Transnistrian conflict usually involve repetition of the mantra that the OSCE 5+2 process is the essential format for conflict resolution, and that it should be supported and strengthened by all parties. This statement is of course true: the 5+2 process engages each of the critical stakeholders to the conflict and without it there is little hope of conflict resolution. However, by itself this reasoning offers little in the way of content that can shape negotiations and move the parties toward eventual resolution of the conflict. To that end, let us consider what the international community and each of the relevant stakeholders could contribute to improving the atmosphere while building a foundation for conflict resolution.

As has been discussed previously, the Transnistrian conflict cannot be understood independently from the broader context of relations among states in the Euro-Atlantic region, since it is a consequence of past and present tensions in these relations. Thus, an essential first step in the conflict resolution process is to recognize the existence of a Euro-Atlantic security space, in which states and other actors are subject to one another's decisions and actions—in other words, to recognize that security is unavoidably a mutual good in the greater world region of which Transnistria is a part. With that understanding, it is possible to acknowledge the legitimate security concerns of each of the states in the region, including the parties to the Transnistria conflict. By recognizing, for instance, Russia's legitimate security interests in the former Soviet space, and in the region around Moldova in particular, we can help to create an atmosphere of trust and transparency in which Russia is likely to be more prepared to engage seriously in the conflict resolution process.

²⁴ "Transdnistriean Leader Pardons Moldovan Journalist," RFE/RL, May 5, 2011 http://www.rferl.org/content/transdnistriean_leader_pardons_moldovan_journalist/24092543.html

It would undoubtedly further improve the atmosphere for conflict resolution to go one step beyond recognizing the existence of a Euro-Atlantic security space, by seeking states' acknowledgement and active support of an inclusive security community in this region. Far short of calling for a new organization or alliance, recognition of a security community is simply the effort to manage issues of shared security concern within the Euro-Atlantic space that do not easily fit into the exclusive ambit of individual states or supranational groups.

The agenda for such a security community would entail, first, defining the traditional and novel threats to the security of states in the community, whether internally or externally generated. Second, states would identify compatible—though not necessarily shared—values on which to base cooperation in responding to those threats. Finally, states should cooperate through appropriate channels to manage tension and conflict, such as by establishing an effective community-wide energy security dialogue, or by defining acceptable standards for states pursuing association with supra-national groupings like the EU, the CSTO, or NATO, that do not fundamentally threaten other states' security interests.

One obvious platform to enable community-wide approaches to conflict management and resolution is the OSCE, in which all 56 states in the Euro-Atlantic region participate, from Vancouver to Vladivostok. Under the framework of the OSCE's "second dimension," participating states have identified economic development as a common security interest, yet this dimension has been only minimally exploited by participating states in the context of addressing protracted conflicts like Transnistria. In light of the importance of asset ownership and revenue flows to stakeholders in the Transnistria conflict, it could be helpful to engage the OSCE's second dimension authority to create a neutral, international resource center on economic development and conflict resolution. Such a center could conduct audits of asset ownership and monitor trade and financial flows related to conflict regions, and make the resulting data publicly available on the internet, helping at least to clarify what and whose interests are at stake in a given conflict and thus enabling solutions which take those interests into account.

A second novel contribution by the OSCE could be to help address the linked issues of protracted conflicts and historic reconciliation, which fit comfortably within the purview of the OSCE's "first dimension," on politico-military security. As described above, new generations of Moldovans and Transnistrians may lack personal memories of the 1992 conflict, but their perceptions of one another and of the states and societies around them derive from deeply rooted cultural and historical narratives. Even if the modern geopolitical and economic dimensions of the Transnistrian conflict could be solved, there would still be the potential for conflict between people on opposite sides of the Dniester, as long as they perceive one another as heirs to a tradition of conflict between rival empires going back a century or more, and punctuated by wars, ethnic cleansing and occupation.

Rather than seeking merely to move on and forget about these traumas, it will be far more conducive to enduring conflict resolution for the parties to engage in bilateral or multilateral reconciliation, perhaps on the model of the recent Russian-Polish Group for Difficult Matters. The OSCE could facilitate such efforts by establishing an electronic archive of documents on historic conflicts and related issues, open to contributions from all parties, and with a standing group of international experts available at the request of states to advise on reconciliation methodologies. In order for parties like those in

Transnistria to overcome the deep historical dimensions of their conflict, they must achieve not only truth, but satisfying mutual understanding, and some measure of real justice where it is not too late to be done. On that basis, the parties can agree to move forward on a new agenda that will define their shared future.

What can be done by the 5+2 parties?

At this point, Russia holds a great many of the critical cards in Transnistria. Moscow has significant influence on the authorities in Tiraspol, through aid payments, energy supplies, and the presence of Russian troops. The Russian government maintains an official policy in favor of Moldovan reunification with respect for Transnistrian rights, and has been prepared to sponsor conflict resolution in the 5+2 framework. Now it is time for Russia to overcome its internal obstacles to conflict resolution by reconciling the interests of the state, which are largely productive, with those of powerful individuals who benefit financially from the continuation of the status quo. For Russia, this is fundamentally a choice between a model of development based on growing the pie and ensuring free and fair competition versus a future defined exclusively by those who hold power today. It is therefore not unlike the choice Russians face about their own future development, and may depend greatly on the outcome of Russia's 2012 presidential transition.

In the meantime, Russia and Ukraine can play a helpful role by continuing to press Transnistria to participate in dialogue in the 5+2 format, so that the parties can maintain channels for resolving minor technical issues and developing confidence building measures. It is also important for both Moscow and Kyiv to maintain accurate records on residents of Transnistria who have acquired Russian or Ukrainian citizenship, and to refrain from further undermining Moldovan sovereignty in the region by granting passports to new applicants who intend to remain in Transnistria. Lastly, both states should use their considerable trade and economic relations with both Moldova and Transnistria as leverage to oppose provocations and promote dialogue, and to support economic development that will benefit the region as a whole.

The EU, although formally an observer to the 5+2 process, is potentially the party most able to transform the situation by dramatically enhancing the appeal of Moldovan citizenship for residents on both sides of the Dniester. Association with the EU, including free trade and travel, would be an enormous carrot for Moldovans, but must be leveraged to promote both the appropriate domestic reforms and to require engagement of Transnistrians in the process, so that the left bank is not left behind. The worst case scenario might actually be if Moldova achieves its European integration goals without making real progress in the conflict resolution process, as this would sap Chisinau of important incentives to make necessary but difficult compromises.

The EU must also carefully balance between its collective position on the conflict and its relations with Russia. Romania, which has a more direct interest in the conflict than any other EU state, must be encouraged to police its own rhetoric to ensure that it does not undermine the credibility of the EU as a whole. At the same time, it is appropriate and understandable for Brussels to resist Russian efforts to exploit differences of opinion and approach among EU member states. The EU can neither ignore Russia's interests in the region nor strike a deal with Moscow that neglects the interests of Chisinau or Bucharest.

Above all, the EU has unique comparative advantages which enable it to foster institutional reform, capacity building and civil society engagement on both sides of the

Dniester. To Moldova, the EU should offer a clear path to European association under the rubric of its “more for more” policy, including clear and neutral metrics for success, together with tough love, demanding real action and hard evidence of reform, not just promises. For both Moldova and Transnistria, the EU should expand its current investment in civil society programs, including both those intended to strengthen civil society groups and those promoting relationship- and trust-building dialogue among the parties. Finally, the EU can contribute personnel with skills and expertise to help and train local officials, as it has done already for the EUBAM border-monitoring program, but which might be expanded to include justice sector capacity building and efforts to combat corruption in state contracting.

The United States is also an observer to the 5+2 process with the potential to make a more significant contribution to conflict resolution. First and foremost, the US should take steps to help improve the appeal of Moldovan citizenship, by finally repealing Jackson-Vanik for Moldova, signing a bilateral trade and investment agreement with Chisinau, and making Moldova a candidate for the visa waiver program. Together with even modest investments in educational and cultural exchanges with Moldova, these steps would build on the positive image the US already has there while making a concrete contribution to Moldova’s growth and integration with the global economy.

US engagement should not leave Transnistria behind, either. Even though Washington does not and should not recognize the authorities in Tiraspol, US investments in the region’s small and medium sized enterprises could help support growth, enhance ordinary Transnistrians’ ties with the West, and foster more transparent business practices in the region. Like the EU, the US should be prepared to lend experienced personnel to assist with border management and law enforcement, especially in the acute struggle against human trafficking from and through this region. In its democracy promotion activities throughout the post-Soviet space, the US should not neglect Transnistria, where enhanced citizen participation in local government would actually facilitate reintegration with Moldova, which has markedly improved its own democratic practices in recent years.

Last but hardly least, Moldovans and Transnistrians themselves must be prepared not only to demand help from outside powers, but to commit to policies and rhetoric that improve the atmosphere for conflict resolution rather than undermining it. Above all, this means that both sides must stop delivering contradictory messages to outsiders and to their own populations. It is incumbent upon Moldova’s leadership to prepare Moldovan citizens for a future in which Transnistria enjoys unique rights and privileges within a mutually agreed power-sharing arrangement. Moldovans cannot unilaterally write laws dictating the terms of Transnistria’s reintegration and demand that these constitute the framework for negotiations within the 5+2 process.

The reality is that Transnistria has a special status, and Moldova is in no position to impose terms on the left bank. But at the same time, the Transnistria authorities cannot expect any serious concessions from Moldova if they insist on recognition of their formal independence and equal status with Moldova as a precondition for negotiations. Both parties’ international partners should remind them that the cost of pursuing unrealistic, maximalist positions and failing to lay the foundation for compromise in their domestic political discourse is likely to be reduced potential for populations on both sides to achieve their long term goals.

Conclusion

Although the causes of the Transnistria conflict are complex, and linked to broader international issues that cannot easily be resolved in the short term, there is good reason to believe that we now face a new window of opportunity to bring conflict resolution back into focus for each of the relevant parties and the international community as a whole. Russia and Ukraine have expressed a renewed serious interest in solving the conflict, while Europe and the United States have the ability to help Moldova grow and develop in ways that will make it a more appealing partner for Transnistrians. Recent but sustained political change in Moldova and the possibility of an imminent change of leadership in Transnistria could also combine to enable a renewed drive to resolve the conflict within the OSCE 5+2 framework.

Moldova is certainly a positive example in a region with more than its share of hard cases. The new government has made a concerted effort to deepen ties with Europe, while maintaining historically close and cordial relations with Moscow. Moreover, Moldovans are still among the most moderate and flexible people in the region in their attitudes toward the complex interplay among language, religion, and nationality. Moldovans living on both banks of the Dniester river deserve a chance to put these values into practice in a reunited society and state which will open new opportunities, end painful separation, and deliver far greater prosperity for the region as a whole.



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