

**MOLDOVA:**  
**REGIONAL TENSIONS OVER**  
**TRANSDNIESTRIA**

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## MOLDOVA: REGIONAL TENSIONS OVER TRANSJNIESTRIA

### EXECUTIVE SUMMARY AND RECOMMENDATIONS

Resolving the Transdnestrian secessionist dispute in Moldova is vital to remove a potential source of chaos on the periphery of the expanding European Union, to implement an important part of the post-Cold War settlement, and to make Moldova itself a more viable state. Greater U.S. and EU engagement with the stalled peace process is essential to bring a settlement to this impoverished and unstable part of Europe.

Russia's support for the self-proclaimed and unrecognised Dniestrian Moldovan Republic (DMR) has prevented resolution of the conflict and inhibited Moldova's progress towards broader integration into European political and economic structures. In its recent and largely unilateral attempts to resolve the Transdnestrian conflict, Russia has demonstrated almost a Cold War mindset. Despite comforting rhetoric regarding Russian-European Union (EU) relations and Russian-U.S. cooperation on conflict resolution and peacekeeping within the Newly Independent States of the former Soviet Union (NIS), old habits appear to die hard. Russia remains reluctant to see the EU, U.S. or the Organisation for Security and Cooperation in Europe (OSCE) play an active role in resolving the conflict because Moldova is still viewed by many in Moscow as a sphere of exclusively Russian geopolitical interest.

It has not been difficult for Russia to exploit Moldova's political and economic instability for its own interests. Despite having accepted concrete deadlines for withdrawing its troops, Russia has repeatedly back-pedalled while trying to force through a political settlement that would have ensured, through unbalanced constitutional arrangements, continued Russian influence on Moldovan policymaking and prolongation of its military presence in a peacekeeping guise. It has so

far been unwilling to use its influence on the DMR leadership to promote an approach to conflict resolution that balances the legitimate interests of all parties.

Ukrainian and Moldovan business circles have become adept at using the parallel DMR economy to their own ends, regularly participating in re-export and other illegal practices. Some have used political influence to prevent, delay, and obstruct decisions which could have put pressure on the DMR leadership to compromise. These include abolition of tax and customs regulations favourable to the illegal re-export business, enforcement of effective border and customs control, and collection of customs and taxes at internal "borders".

With backing from Russian, Ukrainian and Moldovan economic elites, the DMR leadership has become more assertive. Recognising that international recognition is unlikely, it has focused on preserving de facto independence through a loose confederation with Moldova. Unfortunately, DMR leaders -- taking advantage of contradictions in the tax and customs systems of Moldova and the DMR -- continue to draw substantial profits from legal and illegal economic activities including re-exports, smuggling and arms production.

The DMR has become a self-aware actor with its own interests and strategies, possessing a limited scope for independent political manoeuvre but an extensive web of economic and other links across Russia, Moldova, and Ukraine. However, it remains heavily dependent on Russian political and economic support and does not like to put itself in a position where it must act counter to Russian policy. Russian and DMR interests often overlap but in some instances DMR leaders have been able to design and implement strategies to avoid Russian

pressure, delay negotiations, obstruct Russian initiatives, and undermine Russian policies by playing up disagreements between the co-mediators and capitalising on alternative sources of external support.

Russia's most recent attempt to enforce a settlement -- the Kozak Memorandum in October and November 2003 -- has shown that its influence, while pervasive, has clear limits. Russia is unable to push through a settlement without the support of Moldova and the international community, especially key players such as the OSCE, EU, and the U.S. A comprehensive political settlement requires an approach that can bridge the differences between Russia and other key international actors while fairly considering the interests of both the Moldovan government and the DMR.

Despite an understanding that Russia should not be antagonised, the gravitational pull of European integration is strong in Moldova. Recently, even its communist leadership has stressed the need to do more to achieve that goal. The country has rarely been on Western radar screens during the last decade, however, and it will need more demonstrable EU and U.S. backing if it is to resist Russian political and material support for the DMR and Transdniestrian obstruction of the negotiation process. International actors must also help Moldova to secure its own borders against the illicit economic activities which keep Transdniestria afloat and affect its European neighbours as well.

The conflict can only be resolved if the international community uses its influence on Russia bilaterally and within the OSCE. Only then, and with a substantially more determined commitment to political, economic and administrative reform on its own part, will Moldova be able to realise its European aspirations. A comprehensive strategy towards Moldova, Ukraine and Russia within the EU's Wider Europe Policy would be a critical first step.

## RECOMMENDATIONS

### To Moldova:

1. Control the internal traffic of goods from Transdniestria by collecting taxes and customs duties at internal mobile and stationary customs posts on all transport

routes until joint Ukrainian-Moldovan posts are set up and invite international observers to help monitor and police the border with Ukraine.

2. Develop effective anti-corruption programs for customs, border guard, and tax services, and police.

### To the authorities of the "Dniestrian Moldovan Republic":

3. Engage in constructive dialogue with the OSCE and the government of Moldova.

### To Russia:

4. Withdraw troops from Moldova in line with international commitments.
5. Agree with Moldova, the OSCE and EU on deployment after the troop withdrawal of a modest international peacekeeping and/or policing operation with participation of forces from the Commonwealth of Independent States (CIS) and from elsewhere, under OSCE supervision.
6. Offer a partial write-off of both Moldovan and Transdniestrian gas debts as an incentive element in the eventual settlement.
7. Exert political and economic influence on the DMR leadership to accept a reasonable political settlement and work with the OSCE, EU and U.S. to implement financial sanctions on the DMR leadership.

### To Ukraine:

8. Crack down on smuggling to, from and through Transdniestria by agreeing to establish joint customs posts with Moldova -- on Moldovan territory in areas controlled by Moldova and on Ukrainian territory between the Ukraine and the DMR.
9. Develop effective anti-corruption programs for the customs, border guard and tax services, as well as police.

**To the OSCE, EU and the U.S.:**

10. Press Ukraine, as part of its accession process to the World Trade Organisation, to agree with Moldova on joint customs posts as outlined above.
11. Urge Moldova and Ukraine:
  - a) to invite international observers to the Transnistrian-Moldovan controlled sections of the Ukrainian-Moldovan border to ensure transparency about the flow of goods across this border; and
  - b) to task these observers not only with monitoring application of relevant customs procedures and collection of duties and taxes, but also with assisting in patrolling the unmarked border and combating smuggling and re-exports.
12. Work with Russia, bilaterally and within the framework of the OSCE, to coordinate its mediator role within the existing five-sided negotiation format.

**To the U.S. and EU:**

13. Continue to make the ratification of the adapted Conventional Armed Forces in Europe (CFE) Treaty conditional on the complete withdrawal of Russian troops from Moldova.
14. Support Ukraine and Moldova, through the relevant EU Action Plans and within the framework of the OSCE, to develop effective anti-corruption programs, particularly within the customs, border guard and tax services and police.

**Chisinau/Brussels, 17 June 2004**

## MOLDOVA: REGIONAL TENSIONS OVER TRANSJNIESTRA

### I. INTRODUCTION

Many observers trace the intractability of the Transdnestrian conflict directly to the vested interests of political and economic circles in Russia and Ukraine but also Moldova itself. The unrecognised Dniestrian Moldovan Republic (DMR) relies heavily on external political and material support.<sup>1</sup> However, its position within Russian and Ukrainian foreign policy is often oversimplified, as is its own attitude towards these regional powers. Moldova's political opposition commonly portrays the DMR leadership as only interested in doing Moscow's bidding.<sup>2</sup>

To understand the more complex reality requires analysis of the economic and political forces that drive the DMR leadership's policies. From its beginning, the secessionist movement has sought to mobilise external support, with Russia and Ukraine, the main powers in the region, its key targets.

Moscow and Kiev have legitimate interests in Moldova. Russia has been particularly keen to avoid political and military isolation in Europe as a result of the enlargements of the North Atlantic

Treaty Organisation (NATO) and European Union (EU). There are also still elements within particularly the Kremlin's power ministries -- intelligence, defence and foreign affairs -- that take a classical Great Power approach to the world rather than one of multilateral and bilateral cooperation with equal partners. Moldova has not been the only former Soviet republic to be caught between its aspirations for European integration and Russian strategic interests.

A wide array of actors play both sides against the middle by maintaining ties with both the Moldovan government and the DMR in an effort to preserve lucrative -- and often illegal -- trading arrangements made possible by the DMR's parallel economy and customs policies. Their web of economic and political interests at times produces what appear to be contradictory approaches toward resolving Moldova's division.

Though Russian political and economic circles have been key in supporting the Transdnestrian secessionist movement and nurturing the development of quasi-independent government structures, the DMR has evolved. It no longer relies solely on Russian largesse and has some scope for manoeuvre well beyond the axis with its patron. The DMR leadership has consistently tried to diversify its external support and, in recent years, this has paid dividends in the form of greater backing from Ukraine. Shadowy business figures in Ukraine, Moldova and Russia alike, who have become rich by exploiting the economic loopholes created by the DMR's status, constitute a well-financed lobby that wishes to uphold the status quo.

Over time, the DMR leadership has developed political and economic aspirations that differ in a number of respects from Russia's. The DMR is useful for Moscow only so long as it remains a part of Moldova and thus provides leverage that can be applied against the government in Chisinau.

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<sup>1</sup> The DMR is neither territorially fully congruous with the Transdnestrian region, nor does it fully encompass or legitimately represent the region's population. The term DMR is used in this report for all references to the unrecognised Dniestrian Moldovan Republic entity, its quasi-state structures and leadership. The term "Transdnestria" is used when reference is made to the geographical region, its population and socio-economic structures. For a concise history of the conflict, see ICG Europe Report N°147, *Moldova: No Quick Fix*, 12 August 2003.

<sup>2</sup> See, for example, Oazu Nantoi, "Diplomatic polemics in the absence of a real interest", *Moldova Azi*, 19 August 2003, at <http://www.azi.md/comment?ID=25390>; Vladimir Socor, "Double-Cross on the Road to Maastricht", *Wall Street Journal*, 21 November 2003.

Independence has never been Russia's preferred option. Instead, it has sought a special legal status for Transdnistria within the country while engaging in negotiations with Moldova on a range of strategic issues.<sup>3</sup> The DMR leadership, by way of contrast, has shown absolutely no desire to reintegrate with Moldova.

In general, Moldova has been eager to strike a balance between east and west, engaging in economic and political cooperation with both the Commonwealth of Independent States (CIS) and Western states and organisations. It joined the CIS in February 1994 and the NATO Partnership for Peace program a month later, and signed a Partnership and Co-operation Agreement with the EU in November 1994. In October 1997 it joined with Georgia, Ukraine and Azerbaijan to form the GUAM group, which expanded to include Uzbekistan in 1999, and with U.S. and NATO support, aims to balance Russian dominance within the CIS area.<sup>4</sup>

This report analyses the motivations governing Russian and Ukrainian policy towards Moldova and the DMR and outlines the attempts by DMR officials to enhance their influence in those two countries. Particular attention is devoted to Russia's unilateral effort to push through a settlement in 2003 (the "Kozak Memorandum" affair). Lastly, the report repeats the practical policy proposals for breaking the stalemate previously advanced by ICG,<sup>5</sup> with a strong emphasis on tackling the illegal business activity that sustains the DMR.

## II. RUSSIA'S ROLE

An emerging Transdnistrian autonomy movement began to lobby Soviet central authorities in 1989. Its leadership was largely made up of directors of regional state enterprises and Moldovan Soviet Socialist Republic Supreme Soviet deputies and other party and local council functionaries. Many had only been dispatched to Moldova during the last decades of Soviet rule.<sup>6</sup> Most were closely connected to the conservative central Soviet institutions that were opposed to Mikhail Gorbachev's reform agenda and to the demands of Soviet Republics for sovereignty.

The stridency of Moldovan calls for independence or reunification with Romania enabled the Transdnistrian autonomy movement to mobilise support from Soviet central authorities. Its aims and theirs converged in so far as both wanted to keep Moldova within the Soviet Union and to preserve the privileged position of its Russian speakers. On 2 September 1990, only two months after Moldova had declared itself sovereign (though still within the USSR), Soviet Interior Ministry troops mobilised to protect the Second Congress of People's Deputies of all Levels of the Transdnistrian Region as they proclaimed the Dniestrian Moldovan Soviet Socialist Republic, soon known as the DMR.<sup>7</sup> During this period, the leaders of the Transdnistrian movement and members of the Supreme Soviet, the KGB and the Soviet defence and interior ministries discussed a number of strategies including direct military and security service interventions.<sup>8</sup> Moscow attempted to prevent Moldova from leaving the USSR by threatening it with territorial losses.

On 25 November 1990, Soviet Interior Ministry troops protected elections for a Supreme Soviet of

<sup>3</sup> ICG interview, Moscow, 28 October 2003.

<sup>4</sup> Taras Kuzio, "Geopolitical Pluralism in the CIS: The Emergence of GUUAM", *European Security*, Vol. 9 (2000), No. 2, pp. 85-93.

<sup>5</sup> In ICG Report, *Moldova: No Quick Fix*.

<sup>6</sup> Two early leaders of the movement had only arrived during the Gorbachev era. Igor Smirnov, the DMR's current "president", came to Moldova in November 1987 as director of the Elektromash factory in Tiraspol, and Anatoli Belitchenko, director of the Moldovan Metallurgical Factory in Rybnitsa, arrived in 1985. These two factories and their leaders spearheaded protests against downgrading the status of the Russian language and later helped lead the autonomy and secessionist movements.

<sup>7</sup> The DMSSR was renamed DMR on 5 November 1991. For ease of use, DMR is used throughout the text.

<sup>8</sup> ICG interview, Moscow, 28 October 2003.

the breakaway DMR. In April 1991, the Chairman of the USSR Supreme Soviet, the director of the KGB, and the Soviet ministers of interior and defence discussed a DMR request to dissolve Moldovan law enforcement bodies in the region.<sup>9</sup> In May 1991, separate Transdnistrian police (*militia*), prosecutors and Supreme Court were established, and all law enforcement organs were put under Transdnistrian jurisdiction. Officers of the 14<sup>th</sup> Soviet Guard Army distributed weapons to workers' militias in Tiraspol, Rybnitsa and Dubasari.<sup>10</sup>

The legislative basis for the Transdnistrian banking, financial and tax systems was established in April 1991. The Soviet *Agroprombank* established the first separate Transdnistrian bank, which operated as the region's central bank until early 1992. Transdnistrian enterprises opened accounts in commercial banks in the nearby Ukrainian city of Odessa, thus laying the foundations for a separate Transdnistrian "state" budget.<sup>11</sup> Despite the failure of the August 1991 coup by Russian communist hardliners, conservative circles within the Supreme Soviet of the Russian Federation, the security services, the economic ministries and the military continued to support the DMR and dominate Russian foreign policy.

## A. THE YELTSIN ERA

Russia's new leadership was understandably wary of a DMR that relied heavily on hard-line communist factions and initially took an anti-Transdnistrian stance in the Moldovan conflict. Between Chisinau's declaration of independence in August 1991 and the spring of 1992, it did not interfere with Moldova's ambitions to move towards the West, perhaps not least because it feared that a heavy-handed approach might alienate

its new partners in the U.S. and Europe.<sup>12</sup> However, escalation of the Transdnistrian conflict in the spring of 1992, the perceived vulnerability of the 25 million Russians who were living outside Russia's borders, increasing tensions between the newly independent former Soviet states (NIS) and escalation of conflicts in the Caucasus, all led to a re-evaluation. Moscow's political intervention to halt the Transdnistria conflict in July 1992 was driven at least as much by domestic considerations, and by Boris Yeltsin's desire to stabilise the situation inside Russia, as by any goals of geostrategic dominance.

A new pragmatic nationalist foreign policy consensus had emerged in Russia by spring 1993, which involved a much more interventionist approach to what was called the Near Abroad.<sup>13</sup> This was driven by a desire to prevent Moldova from uniting with Romania and to keep it within the Russian sphere of influence by integrating it into the CIS. Russia also sought to minimise the influence of Romania and the West in Moldova and the CIS as whole, while preserving its own military presence there. There was also considerable nationalist pressure to protect Moldova's significant Russian minority by whatever means necessary. Russia's Moldova policy has remained centred on these concerns, though its tactics have occasionally been tweaked so as not to alienate the West unduly.<sup>14</sup>

Suspicious of Russia's efforts to re-establish hegemony, Moldova has taken a rather jaundiced view of the CIS, fearing that integration into it would hamper efforts to join Western European political and economic structures. Moldova limited its participation in the CIS to the economic cooperation that dependence on Russian and CIS markets required, resisted CIS military and security

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<sup>9</sup> *TransNistria*, No. 20, June 1992, p. 3, citing documents confiscated by the Soviet General Prosecutor from the August putsch leaders.

<sup>10</sup> Vasile Nedelciuc, *Respublika Moldova* (Chisinau, 1992), p. 73-75.

<sup>11</sup> V.Ya. Grosul / N.V. Babilunga / B.G. Bomeshko et al, *Istoriya Pridnestrovskoj Moldavskoj Respubliki*, vol. 2, II (Tiraspol, 2001), pp. 310-314.

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<sup>12</sup> Allen C. Lynch, "The Evolution of Russian Foreign Policy in the 1990s", *The Journal of Communist Studies and Transition Politics*, Vol. 18 (2002), No. 1, p.164.

<sup>13</sup> Andranik Migranyan, "Rossiya i blizhnee zarubezh'e", *Nezavisimaya gazeta*, 12 January 1994. For a detailed account of the reformulation process see Johan Matz, *Constructing a Post-Soviet International Political Reality. Russian Foreign Policy toward the Newly Independent States 1990-95* (Uppsala, 2001).

<sup>14</sup> Allen Lynch, "The Realism of Russia's Foreign Policy", *Europe-Asia Studies*, vol. 53 (2001), No. 1, p. 8; Lynch, "The Evolution of Russian Foreign Policy", op. cit., p. 162.



cooperation and demanded an end to Russian military presence on its soil.

In response, Russia adopted a policy that has been termed "armed suasion", including military pressure, and both positive and negative political and economic inducements designed to protect its strategic interests.<sup>15</sup> From its beginning, the DMR has played an important role in this approach. The threat of an independent DMR is useful whenever Moldova strays too far. Conversely, the promise of resolving the conflict is held up as the prize for Moldovan cooperation.

Russia's military intervention in June 1992 on the Transdnistrian side, as well as the July 1992 Russian-Moldovan Moscow Agreement on peaceful settlement of the conflict, helped to end the fighting.<sup>16</sup> However, this settlement came at a price for Moldova. The deployment of a Russian-led peacekeeping operation effectively froze the status quo of de facto DMR independence. It also afforded the DMR protection to develop its quasi-state structures. Russia was less than impartial as peacekeeper, not intervening when the DMR established border and customs posts and deployed an armed battalion in Bendery. It insisted on consensus between itself, Moldova and the DMR on most operational decisions. This meant an effective DMR veto on issues such as whether peacekeepers should intervene over the border posts. The Moscow Agreement effectively enshrined Russia as mediator and excluded Romania and Ukraine from the settlement process.<sup>17</sup>

During 1992-1993, Russia exerted considerable pressure on Moldova to join the CIS, while providing further support to the DMR. In February 1992, a Transdnistrian cash settlement centre was established within the Central Bank of Russia, which enabled Transdnistrian enterprises to bypass the National Bank of Moldova for international financial transactions. Extensive Russian grants and credits were provided to the

DMR, as well as material support ranging from food to raw materials. At the same time, Russia signalled that it might accept the Moldovan position in peace talks if the government complied with its demands. In April 1993, Boris Yeltsin issued a decree breaking off official contacts with the DMR.<sup>18</sup> However, when the Moldovan parliament failed to ratify the Almaty Protocol,<sup>19</sup> Russia and other CIS countries responded by imposing high taxes on Moldovan imports in August 1993. This had a serious effect on the economy. The taxes were only lifted after President Mircea Snegur signed economic and political CIS agreements in autumn 1993. In February 1994, a new Moldovan parliament ratified the Almaty Protocol.

Yeltsin's decree and his disenchantment with the DMR leadership after its armed support for his opponents during the October 1993 crisis (the siege of the "White House" in Moscow) did have some practical effects. The Russian Central Bank froze Transdnistrian assets and stopped supplying roubles. Defence Minister Grachev ordered the 14<sup>th</sup> Army commander, General Aleksandr Lebed, to sever relations with the "criminal DMR government", accusing its leadership of corruption and involvement in the illegal arms trade.<sup>20</sup> Despite this, Yeltsin and the foreign ministry were quick to differentiate between leadership "bandits" and the Transdnistrians, who were portrayed as compatriots in need.<sup>21</sup> A number of Russian officials maintained close relations with DMR authorities, and many economic links were unchanged.

## 1. The troops issue

The louder the Moldovan calls for withdrawal of Russian troops, the more Russia began to view those troops as important assets. Unsurprisingly, both Russian and DMR officials increasingly insisted that withdrawal coincide with a political resolution of the conflict. This armed Russia and the DMR with a strong weapon during

<sup>15</sup> Dov Lynch, *Russian Peacekeeping Strategies in the CIS, The Cases of Moldova, Georgia and Tajikistan* (Houndmills et al., 2000), pp. 4-5.

<sup>16</sup> ICG Report, *Moldova: No Quick Fix*, op. cit. Essentially it is clear that the 14<sup>th</sup> Army, under Lebed's command, was not entirely under Moscow's control

<sup>17</sup> Both nations had participated in an abortive quadrilateral mediation mechanism from March 1992 onward.

<sup>18</sup> *Trudavoy Tiraspol*, No. 15/1993, 14-21 April 1993.

<sup>19</sup> The Almaty Protocol established the Commonwealth of Independent States. Moldova signed it on 21 December 1991 but did not ratify until February 1994.

<sup>20</sup> Lynch, *Russian Peacekeeping Strategies in the CIS*, op. cit., p. 120.

<sup>21</sup> Matz, *Constructing a Post-Soviet International Political Reality*, op. cit., pp. 226-227.

negotiations. Russia continued to support the DMR and refrained from influencing the DMR leadership toward compromise. Instead, it played the part of powerless mediator, unable to overcome DMR obstruction and forced to keep its troops in Moldova because of the purported risk of renewed conflict.

In October 1994 the principle of synchronisation -- withdrawal of troops concurrent with a political settlement -- was included in a Russian-Moldovan agreement that guaranteed the 14<sup>th</sup> Army would leave within three years. However, before the end of the year and against the background of NATO enlargement, Russia began a campaign to keep its military base in Moldova. The Duma never ratified the agreement, and the Russian government insisted that it had never come into force. Instead, Russia continued to call for synchronisation.<sup>22</sup> Between 1992 and 1994 Russia pressed Moldova to grant the 14<sup>th</sup> Army a peacekeeping mandate. Russia hoped to avoid its obligation under the CFE Treaty to withdraw or destroy various categories of arms and equipment in Moldova by converting its troops into peacekeepers.<sup>23</sup>

Between 1992 and 1999, Russia and the DMR leadership shared an interest in the continued Russian military presence in Transdnistria. It served Russia's perception of its own strategic interests while protecting the Transdnistrians and the fledgling DMR. DMR authorities claimed ownership of all assets -- arms, ammunition and equipment -- of the former Soviet army on its

territory and demanded compensation if they were withdrawn or destroyed.<sup>24</sup>

In February 1995, DMR leader Smirnov issued a decree forbidding the withdrawal of Russian army property from Transdnistria. In a referendum the next month, 93.3 per cent of voters backed the presence of Russian armed forces.<sup>25</sup> By deploying DMR armed forces and checkpoints around Russian military facilities, the DMR showed it was prepared to obstruct any withdrawal. This was tacitly accepted by Russia, since it suited the interests of those Russian political forces who wanted a permanent military base in the region.

In the same year, the 14<sup>th</sup> Army was reorganised into the Operational Group of Russian Forces (OGRF) and considerably reduced, a decision driven both by budgetary concerns and a sense that Transdnistria was of declining strategic value.<sup>26</sup> Russia also hoped this would make it easier for Moldova to accept a permanent military base.<sup>27</sup> Between 1992 and 1999, the troops decreased from 9,250 to 2,600 and a significant amount of munitions were destroyed,<sup>28</sup> while Russia repeatedly emphasised its peacekeeper role.

With the appointment of Yevgeny Primakov as foreign minister in January 1996, Russia began to use more diplomacy to advance national security.<sup>29</sup> It became less willing to bear the primary costs of CIS reintegration and pushed for this to occur at different speeds within a core of willing states, including via the Customs Union (Russia, Belarus, Kazakhstan, Kyrgyzstan and later Tajikistan) and the Russia-Belarus Union.<sup>30</sup> Russia also placed

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<sup>22</sup> The CSCE/OSCE has never accepted the principle of synchronisation, but in December 1994 stated in its Budapest summit decision on Moldova that the two processes were parallel and should not impede each other. See <http://www.osce.org/docs/english/summite.htm>.

<sup>23</sup> The Treaty on Conventional Armed Forces in Europe (generally referred to as the CFE Treaty), signed in Paris on 19 November 1990, by the 22 members of NATO and the former Warsaw Pact, is an arms control treaty which established parity in major conventional forces/armaments between the former Cold War opponents. The 30 CFE States Parties are: Armenia, Azerbaijan, Belarus, Belgium, Bulgaria, Canada, the Czech Republic, Denmark, France, Georgia, Germany, Greece, Hungary, Iceland, Italy, Kazakhstan, Luxembourg, Moldova, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Turkey, Ukraine, the United Kingdom, and the United States.

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<sup>24</sup> William Hill, "Making Istanbul a reality: Moldova, Russia, and the withdrawal from Transdnistria", *Helsinki Monitor*, vol. 13 (2002), No. 2, p. 136.

<sup>25</sup> Mihai Gribincea, *The Russian Policy on Military Bases: Georgia and Moldova* (Oradea, 2001), p. 189-190.

<sup>26</sup> As confirmed by OGRF Commander Evnevich in June 1999, *Flux*, 29 June 1999.

<sup>27</sup> Lynch, *Russian Peacekeeping Strategies in the CIS*, op. cit., p. 122.

<sup>28</sup> A substantial number of demobilised officers and soldiers joined the DMR armed forces or stayed in the region as military pensioners.

<sup>29</sup> Jakub M. Godzimirski, "Russian National Security Concepts 1997 and 2000: A Comparative Analysis", *European Security*, Vol. 9 (2000), No. 4, pp. 80, 82.

<sup>30</sup> Olga Alexandrova, "Schwierige Restauration alter Abhängigkeiten. Russlands Politik gegenüber der GUS", *Osteruropa*, vol. 51 (2001), No. 4-5, p. 461.

greater emphasis on its economic interests and financial cooperation. This approach did not exclude, however, pressure through Russian financial institutions or energy enterprises, especially Gazprom.<sup>31</sup>

In Moldova, Primakov initiated negotiations on a memorandum entitled "Bases for Normalisation of Relations between the Republic of Moldova and Transdnistria" in 1996. This was signed in Moscow in May 1997<sup>32</sup> after Russia put decisive pressure on DMR leaders for the first time. It stipulated that Moldova and Transdnistria would build a "common state". While the DMR has often been able to influence the margins of Russian policy, it has been largely unable and unwilling to run directly counter to it.<sup>33</sup> As international pressure grew, President Yeltsin agreed at the November 1999 summit of the Organisation for Security and Cooperation in Europe (OSCE) in Istanbul that all CFE limited arms and equipment were to be withdrawn or destroyed by the end of 2001 and all Russian troops withdrawn by the end of 2002.

## B. THE PUTIN POLICY

Under President Vladimir Putin, policy towards the CIS became even more pragmatic as Russia looked to regain lost influence and limit interference in its Near Abroad. While abandoning full CIS reintegration, Moscow has instead focused on securing bilateral agreements to ensure its influence.<sup>34</sup> It has also sought to secure Russian as the second state language throughout the CIS while protecting the access of Russian minorities to the media and Russian language education.<sup>35</sup>

Russia has worked hard to achieve a political settlement before withdrawal and to position itself as the main guarantor of such a settlement in order

to retain decisive influence over Moldova. The suspicion exists in Chisinau that this influence would be used to slow Moldova's European integration through specific constitutional arrangements as well as to prolong a military presence in the form of a sizeable Russian-dominated peacekeeping operation.

President Putin has made a conscious effort to bring all government agencies into line on Moldova policy. In June 2000, he formed a special commission under the chairmanship of Primakov to coordinate an approach to the negotiations. In August 2000, Primakov presented Moldova and the DMR with an official proposal that advanced, in relatively vague terms, a loose federation, resembling a confederation in important respects. Most important powers were defined as shared competencies to be regulated by agreements between the government and the DMR. This would have given the DMR extensive influence over Moldovan government policy and so at the same time have guaranteed an important role for Russia.<sup>36</sup> Primakov proposed to increase Russian peacekeepers to 2,600 (then the size of the OGRF), while including Ukrainian troops and OSCE observers but not non-CIS troops in the mission. However, the proposal stalled largely due to dilatory Moldovan and DMR tactics and Moldova's internal political crisis at the end of 2000.<sup>37</sup> The DMR leadership managed to resist Russian pressure by playing on disagreements between the co-mediators (Russia, Ukraine and the OSCE) and using the political crisis in Chisinau to stall negotiations.

That attempts to bring the DMR leadership along by threatening to back internal DMR opposition failed highlighted that Transdnistria does not simply do Moscow's bidding. Primakov opened a branch office of the Russian pro-Putin Unity party in Bendery, joining together a significant number of influential directors of Transdnistrian state enterprises. In October 2000 this group (Transdnistrian Unity) tried to register for the Supreme Soviet elections and published an open letter to Putin supporting OGRF withdrawal and

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<sup>31</sup> Johannes Baur, "Zurück zur Großmacht? Ziele und Handlungsoptionen der Außenpolitik", in: Hans-Hermann Höhmann / Hans-Henning Schröder (Ed.), *Russland unter neuer Führung* (Münster, 2001), pp. 102-103.

<sup>32</sup> ICG Report, *Moldova: No Quick Fix*, op. cit., pp.7-8.

<sup>33</sup> ICG interview, Chisinau, 2 October 2001. Later, however, the DMR leadership re-interpreted the memorandum against its word and spirit.

<sup>34</sup> Alexandrova, "*Schwierige Restauration*", op. cit, pp. 462-463.

<sup>35</sup> *Osnovnye napravleniya razvitiya otnoshenij Rossii s gosudarstvami-uchastnikami Sodruzhestva Nezavisimyh Gosudarstv na sovremennom etape*, p.11.

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<sup>36</sup> ICG interview, Chisinau, 6 October 2003.

<sup>37</sup> The then Moldovan president Petru Lucinschi was locked in constitutional gridlock with the parliament from July 2000 until the Communist victory in the February 2001 early parliamentary elections.

more Russian peacekeepers. Leading representatives visited Moscow and reportedly met with Primakov. The group then concluded a cooperation agreement with the Russian Embassy in Chisinau to assist residents of Bendery seeking Russian citizenship, while Moscow also started to work with the DMR's leftist opposition.

Threatened with significant opposition in the Supreme Soviet elections, the DMR leadership responded quickly. As the political crisis in Moldova heightened and President Putin and his government were forced to await the outcome of the parliamentary elections, DMR leaders felt emboldened to crack down on their own opposition. Transdnistrian Unity was denied registration, its candidates were prevented from running, and its leaders were reportedly "invited" to meet individually with Smirnov and his security minister, Antyufeev.<sup>38</sup> In the aftermath of these meetings, most state enterprise directors distanced themselves from the group. In early 2001 the three main leftist opposition organisations were taken to court. They were banned in December 2001 and February 2002.<sup>39</sup>

Although the victory of the Party of Communists of the Republic of Moldova (PCRM) in the parliamentary elections of spring 2001, and the election of its first secretary, Vladimir Voronin, as president seemed to offer Russia the chance to pursue its proposal, the Primakov commission was instead dissolved.

Russian pressure was, however, crucial in persuading the DMR leadership to accept the withdrawal and destruction of CFE-limited equipment by the end of 2001. Russia had a fundamental interest in fulfilling those obligations since that treaty is a cornerstone of its European security policy. The fact that Western states provided funding to help meet the commitments through an OSCE Voluntary Fund gave added impetus.<sup>40</sup> Russia faced fierce resistance from DMR authorities, who physically blocked the withdrawal up to the deadline, while Smirnov insisted on personally approving every train departing with military equipment. However, faced with a united Russian and Western position, the DMR had little

choice but to capitulate. Abandoning their original demand for billions of dollars in compensation, it settled for a U.S.\$100 million gas debt write-off by Russia, some non-offensive military equipment and some of the profit generated by industrial processing of ammunition disposed of in the region. While DMR authorities organised demonstrations, they did not further obstruct the equipment withdrawal, which was completed on schedule.<sup>41</sup>

During the election campaign in early 2001, President Voronin stressed the need for close relations with Russia and the CIS and signalled willingness to make Russian a second state language. He took a rather ambiguous stance on a Russian military base, while insisting that the solution of the conflict was the national priority. During 2001 the Communist-dominated parliament passed laws broadening use of Russian in public affairs and guaranteeing Russian language education.<sup>42</sup> In November 2001, the Russian-Moldovan Treaty on Friendship and Cooperation was signed, recognising Moscow's role as co-mediator and guarantor in any political settlement and stipulating a regular security dialogue, cooperation within the CIS, and coordination of tax, financial, monetary, trade, customs and other policies. Voronin increasingly used populist rhetoric, denouncing NATO, the EU and international financial organisations. In October 2002, the parliament ratified the Russian-Moldovan agreement on military cooperation.<sup>43</sup>

However, Moldovan-Transdnistrian relations soon took a turn for the worse. When the DMR leadership refused to make concessions in negotiations despite an increasingly conciliatory approach by Chisinau in the first half of 2001, Voronin broke off talks and stepped up economic and political pressure. In September new Moldovan customs stamps and seals conforming to WTO standards were issued and not shared with the DMR. This was a blatant attempt to force Transdnistrian enterprises to register and pay taxes in Chisinau, effectively bringing Transdnistrian exports under Moldovan control. Voronin also

<sup>38</sup> ICG interview, Tiraspol, December 2003.

<sup>39</sup> ICG interview, Tiraspol, March 2003.

<sup>40</sup> Hill, "Making Istanbul a reality", op. cit., p. 141.

<sup>41</sup> Ibid., p. 142.

<sup>42</sup> Some provisions of these laws were later ruled unconstitutional by the Constitutional Court and excluded.

<sup>43</sup> *Infotag*, 3 October 2002.

called for concrete Russian support to resolve the conflict.

The Putin administration refused to recognise the old custom stamps and seals held by the DMR, thus hampering exports to Russia from enterprises not registered in Moldova. In early 2002, Russia also refused to recognise Transdnistrian certificates of origin.<sup>44</sup> While useful, this was far from the decisive action for which Voronin had hoped. Russia was not prepared to lower the price for gas deliveries nor provide other substantial economic support for Moldova. Meanwhile, Transdnistria continued to receive subsidised Russian gas.

Having met the deadline for removing its CFE-limited arms and equipment, Russia hoped to negotiate a favourable deal with Voronin on its remaining troops and failed to meet the end of 2002 deadline for withdrawing them. A December 2002 OSCE Ministerial extended the deadline to the end of 2003 but relations with Chisinau began to sour. Voronin pulled back from concessions on the Russian language and scrapped plans to join the Russia-Belarus union. Most importantly, he insisted on a complete troop withdrawal.

In issues on which Russia has neither a strategic nor domestic political interest (such as human rights in Transdnistria) the DMR leadership has been able to pursue its policy preferences largely unchecked. Russia is usually content to allow the OSCE co-mediator to lead on these matters,<sup>45</sup> and neither the OSCE, Ukraine, the EU, the U.S. nor Moldova proper has decisive influence. Thus, after General Lebed, who had tried to intervene in these matters, was recalled, Russian authorities did not prevent DMR leaders from harassing either the internal opposition or Moldovan schools using the Latin alphabet and Moldovan curriculum.

### C. RUSSIAN SUPPORT FOR TRANSDNIESTRIA

One of the most important forms of Russian backing for the DMR has been the material support mobilised through the defence ministry. Russian material, logistical, administrative and training support helped establish the DMR armed forces

during 1991-1992, and support from the 14<sup>th</sup> Army and later OGRF has continued in various forms. Russian security officials have made no effort to regain weapons stolen by, or given to, the DMR during the conflict, instead merely writing them off the inventory. Moreover, many demobilised Russian officers and soldiers joined the DMR armed forces or stayed on as pensioners.

Until late 2001, Russian officers trained DMR armed forces, such as the Transdnistrian tank battalion in Hlinoiaia.<sup>46</sup> On several occasions, Russian troops have handed over technical items and other supplies.<sup>47</sup> During the withdrawal after 2000, DMR authorities secured much non-offensive military equipment from the OGRF. The defence ministry's economic interests and the general Russian military-industrial interest in Transdnistrian arms production have tainted prospects for resolving the conflict.<sup>48</sup> Various Russian economic ministries and state committees have maintained close relations with the DMR. Although these have waned over time, they remain robust in parts of the military-industrial sector, where Transdnistrian factories produce arms or arms' accessories for Russian enterprises or the Russian State Committee for Arms Export.<sup>49</sup>

Russian energy subsidies remain crucial to the Transdnistrian economy, delivered primarily through the energy giant Gazprom. Under the influence of its biggest share holder, the Russian state, Gazprom has allowed the DMR to amass more than U.S.\$960 million in debts for natural gas deliveries (including penalties). This is more than three times Transdnistria's annual GDP.<sup>50</sup> Cheap natural gas, mainly from Gazprom, is sold at prices far below the nominal purchase price, thus allowing Transdnistrian manufacturers to produce goods much cheaper than their Moldovan competitors.<sup>51</sup> The DMR's energy debts may ultimately serve

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<sup>44</sup> ICG interview, Moscow, 29 October 2003.

<sup>45</sup> ICG interview, Chisinau, 20 November 2003.

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<sup>46</sup> ICG interview, Chisinau, 4 September 2001.

<sup>47</sup> Gribincea, *The Russian Policy on Military Bases*, op. cit., pp. 233-235.

<sup>48</sup> ICG interview, Chisinau, 25 January 2004.

<sup>49</sup> ICG interview, Chisinau, 23 November 2003.

<sup>50</sup> In comparison, Moldova's debts for natural gas amount to about U.S.\$400 million (including penalties).

<sup>51</sup> DMR authorities also steal a substantial part of the natural gas from transit pipelines to the Balkans on their territory. Centre for Strategic Studies and Reforms (CISR), *Research Paper on Transdnistria*, Chisinau/Tiraspol, November 2003, p. 8.

Gazprom well, since the conglomerate wants to purchase the two largest energy plants in Transdnistria and fourteen other recently privatised enterprises.<sup>52</sup> A debt-for-shares swap may be on the cards that would mean greater Russian co-ownership of Moldova's energy system and its strategically important industry.<sup>53</sup>

Since much DMR legislation, policy and administrative standards are modelled on Russia's, Moscow has also provided material support and expertise in these fields. The education ministry has given textbooks and teaching materials for all levels of the education system. Some of this has been approved by Moldova, whose Russian schools have also benefited. Additional support has been given directly to Transdnistria through agreements between the education ministries and cooperation with Russian universities and institutes.<sup>54</sup> Russia has also helped in other fields such as public health and cultural affairs. The culture ministry and its Transdnistrian counterpart are negotiating a memorandum of cooperation.<sup>55</sup> Various government agencies have also provided humanitarian aid.

Although some Transdnistrian contact with Russian government agencies, as well as Russian humanitarian support, is acceptable to the Moldovan government, these same government agencies (including the Russian General Prosecutor) often write their DMR counterparts with all the formalities and titles normally accorded to recognised states.<sup>56</sup> This hardly signals to Moldova that Moscow is ready to resolve the conflict.

Politically and materially the Smirnov government remains dependent on Russia and, as the negotiation process has demonstrated, only Moscow has any real sway over the DMR. While the DMR has its own agenda, it will almost always take the Russian policy as its first point of reference.

### III. UKRAINE'S ROLE

Ukraine has resisted Russian attempts to re-establish its sphere of influence in the CIS. It has largely limited cooperation within the CIS to economics, while distancing itself from political, military and security agreements. It is keen to integrate into Western European and Euro-Atlantic structures over time.

However, Ukraine's Western pretensions have been somewhat tempered by economic dependence on Russia and the need to maintain stable relations with Moscow. Foreign policy has sought to maintain a careful balance between cooperation with the U.S. and Russia, while stressing neutrality and non-alignment.<sup>57</sup> Ukraine has been a member of NATO's Partnership for Peace since 1994, and in June 1998 it set EU membership as its first priority.<sup>58</sup> In May 2002 full NATO membership was also declared a long term aim. Relations with Russia are strained over disagreements concerning CIS cooperation, economic issues (particularly Ukrainian debts for natural gas), the division and status of the old Soviet Black Sea Fleet, Crimean separatism, demarcation of borders, and the linguistic rights of Russian speakers.

#### A. UKRAINE'S REGIONAL POSITION

Under President Kravchuk between 1991 and 1994, Ukraine sought Western economic support and security guarantees, and there was decided reluctance to settle major disagreements with Russia.<sup>59</sup> However, due to slow progress on economic reforms, Western economic support remained limited. Between 1994 and 2000, President Kuchma attempted to mobilise support from both East and West, while pursuing a more

<sup>52</sup> CISR, "Transnistrian Economy: Initiatives and Risks", Chisinau/Tiraspol, June 2003, p. 8, at <http://www.cisr-md.org/reports.html>.

<sup>53</sup> However, in late December 2003 the DMR sold the Cuchurgan power station (the biggest in Moldova) to a Belgian-Russian company, rather than accept the Gazprom offer of writing off debts in exchange for shares. TV PMR, 26 December 2003.

<sup>54</sup> ICG Interview, Tiraspol, 9 October 2003.

<sup>55</sup> *Nika-Press*, 28 January 2004.

<sup>56</sup> ICG interview, Tiraspol, 10 October 2003.

<sup>57</sup> Ernst Lüdemann, "Abschied von der 'Multivektoralität'. Die Außenpolitik der Ukraine in unruhigen Zeiten", *Osteuropa*, vol. 52 (2002), No. 8, pp. 1041-1042.

<sup>58</sup> Kurt R. Spillmann/ Andreas Wenger/ Derek Müller, "Introduction: In-between Russia and the West?", in Kurt R. Spillmann/Andreas Wenger/ Derek Müller (ed.), *Between Russia and the West: Foreign and Security Policy of Independent Ukraine* (Bern et. al., 1999), pp. 20-22.

<sup>59</sup> Arkady Toritsyn/Eric A. Miller: "From East to West, and Back Again: Economic Reform and Ukrainian Foreign Policy", *European Security*, Vol. 11 (2002), No. 1, pp. 104, 108-111.

moderate policy towards Russia. Economic cooperation with the CIS was strengthened, as was military cooperation with an agreement on the Black Sea Fleet and a Russian-Ukrainian Treaty on Friendship, Cooperation and Partnership. At the same time, however, Ukraine helped form the GUAM group within the CIS to counterbalance Russian dominance.

As Western economic support has again waned after the reform process stalled in 2000, Ukraine has drifted closer to Russia. This rapprochement has been facilitated by the influx of Russian capital, a rescheduling of gas debts, improved military cooperation and Moscow's support for Kuchma during the 2001-2002 political crisis.<sup>60</sup> While there was some improvement in relations with international financial organisations in 2001 and progress with the EU and NATO in 2002, Ukraine surprised many in September 2003 by joining Russia, Kazakhstan and Belarus in founding the Common Economic Area. Moreover, President Kuchma may well be depending on Russian backing during the presidential elections due in late 2004.

Despite these shifts between East and West, policy towards Moldova has remained relatively unchanged since 1991. Both countries demonstrated a desire for Western integration, resistance to renewed Russian hegemony, and willingness to cooperate economically within the CIS without joining its military and security arrangements. Both joined NATO's Partnership for Peace program, signed Partnership and Cooperation agreements with the EU and cooperated in GUAM.

The signing of the bilateral Treaty of Good Neighbourhood, Friendship and Cooperation on 23 October 1992 was of great significance since radical nationalists from both countries maintained territorial claims dating back to the Stalin era. Both countries agreed to recognise one another's territorial integrity and respect the Helsinki Final Act and its subsequent documents. Today no significant political force in Ukraine supports territorial claims against Moldova or Transdnistria.<sup>61</sup>

Nevertheless, as its larger, more powerful neighbour, Ukraine has strategic, economic and minority rights-related interests in Moldova. It is eager to restrict Romanian and Russian influence there.<sup>62</sup> Although relations between Ukraine and Romania have significantly improved since a friendship treaty was signed in June 1997, Ukraine opposes unification of Moldova with Romania, largely due to fears that this could eventually revive territorial claims and attempts to discriminate against its nationals.<sup>63</sup> Ukraine also seeks to limit Russian influence in Moldova, opposes any further Russification of Ukrainians in that country, and promotes Ukrainian culture and national identity among its nationals there. It hopes that an independent Moldova will continue to pursue European integration while closely cooperating with it.<sup>64</sup>

## B. THE APPROACH TO TRANSDNIESTRIA

Plagued by its own territorial disputes in the Crimea, Transcarpathia and the Donetsk, Ukraine condemned Transdnistrian separatism from day one. The Ukrainians also cast a dim view on the Transdnistrian secessionist movement's conservative, pro-Soviet leadership and enthusiasm for a continued Russian military presence.<sup>65</sup> From 1991 onward, Ukraine advocated complete withdrawal of Russian troops from Moldova and later facilitated the partial withdrawal by helping to transport arms, equipment and ammunition through its territory back to Russia. Certain Ukrainian officials also believe that the withdrawal of Russian troops from Moldova would establish a precedent making it easier to remove the Russian part of the Black Sea Fleet.<sup>66</sup>

The Transdnistrian conflict was a national security issue for Ukraine between 1990 and 1992. Kiev was particularly concerned about its territorial integrity as Transdnistrian and Gagauz volunteers

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limited to a handful of extreme and marginalised Ukrainian nationalists such as the Ukrainian National Assembly–Ukrainian National Self-Defence.

<sup>62</sup> ICG interview, Kiev, 15 October 2003.

<sup>63</sup> This was the case in Romania between the world wars, as well as under the Popular Front government in Moldova during 1990-1991. Ibid.

<sup>64</sup> Ibid.

<sup>65</sup> ICG interview, Kiev, 14 October 2003.

<sup>66</sup> ICG interview, Chisinau, 23 November 2003.

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<sup>60</sup> Ibid., pp. 104, 111-121.

<sup>61</sup> Transdnistria first became part of a Moldovan state in 1940. Although it is considered historically Ukrainian land, supporters of the inclusion of Transdnistria in Ukraine are

and paramilitary, as well as Moldovan security services in pursuit of DMR leaders, violated Ukrainian borders. In early 1992, hundreds of Cossack fighters from Russia crossed Ukraine to Transdniestria. At the same time, Ukrainians in Transdniestria organised themselves into the Union of Ukrainians of Transdniestria, a DMR front organisation designed to lobby Kiev over its "one-sided" approach to the crisis.<sup>67</sup> Ukraine was not only confronted with a war on its doorstep that could spread but also potential refugee movements. It quickly called for negotiations and an end to Russian interference and, in March 1992, supported a quadrilateral Moldovan-Russian-Ukrainian-Romanian negotiating forum. In April 1992, Ukraine established a 50-kilometre security zone along its border with Transdniestria to prevent Cossacks and others transiting to fight with the DMR.<sup>68</sup>

Since June 1992, Ukraine has supported Transdniestrian autonomy within a unitary Moldovan state and accepted Transdniestrian negotiators within the Moldovan delegation.<sup>69</sup> After the intervention of the Russian 14<sup>th</sup> Army and the Russian-Moldovan Moscow Agreement in July 1992, Ukraine and Romania were excluded from the negotiations but after talks intensified in early 1994 and the moderate pro-Russian Leonid Kuchma was elected president, Ukraine was invited to return to the table. Since September 1995, it has served, with Russia and the OSCE, as co-mediators between Moldova and Transdniestria. With the signing of the May 1997 Moscow Memorandum, Ukraine and Russia became potential guarantors of an agreement. Ukraine has launched a number of initiatives, including a November 1998 proposal for a gradual but comprehensive settlement. It also hosted the March 2000 Kiev conference, during which international experts elaborated two federal models.<sup>70</sup> In November 1998, Ukrainian military observers joined Moldovan, Transdniestrian, Russian and OSCE observers stationed in the security zone.

Mindful not to antagonise its partners East or West, Ukraine has, however, not been particularly active,

preferring mostly to support OSCE ideas.<sup>71</sup> Since June 2002, it has backed a federal solution. However, like the OSCE, Ukraine lacks much influence on DMR leaders, who continue to resist any such settlement. Officials stress their desire for rapid resolution of the conflict, motivated by wish to protect Ukrainians and Ukrainian citizens in Transdniestria and avoid a new war -- the 1992 fighting sent about 100,000 refugees into the country. It would much like to see the DMR reintegrated into Moldova, which would help establish unified Moldovan tax and customs regulations, as well as unified border controls, which would in turn aid in securing a border across which some 60 per cent of all cigarettes sold in the country are smuggled.<sup>72</sup> Ukraine also understands that European integration in the region would be facilitated by a settlement.<sup>73</sup>

Relations with Moldova have significantly deteriorated since late 2001, largely because Ukraine still accepts the outdated customs stamps and seals used in the DMR so trade can continue. After a visit to Ukraine by DMR leader Igor Smirnov, President Kuchma expressed concern over the humanitarian impact if the old stamps were rejected, and Ukraine has continued to allow Transdniestrian exports to enter and transit. Ukraine finally signed a protocol with Moldova regulating relevant customs procedures only in May 2003 after strong pressure from the EU and U.S., and realisation that its stance might undermine prospects for accession to the WTO. However, it refuses to establish joint customs posts with Moldova on its territory along the Transdniestrian portion of the border. Some observers believe Ukraine's position on the customs question signalled President Kuchma's displeasure to the newly elected Voronin about Moldova's more pro-Russian stance.<sup>74</sup> Pressure from businessmen illegally benefiting from the DMR shadow economy doubtless also played a part.

During 2003, Ukrainian negotiators several times proposed making Ukrainian a state language in Moldova within the framework of a political settlement. However, this was not followed up.

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<sup>67</sup> ICG interview, Kiev, 13 October 2003.

<sup>68</sup> Pal Kolsto/Andrei Edemsky/Natalya Kalashnikova: "The Dniester Conflict. Between Irredentism and Separatism", *Europe-Asia Studies*, Vol. 45 (1993), No. 6, p. 991.

<sup>69</sup> *Ibid.*, p. 992.

<sup>70</sup> ICG interviews, Kiev, 14 October 2003, and Chisinau, 13 November 2003.

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<sup>71</sup> ICG interviews, Kiev, 15 October 2003, and Chisinau, 2 October 2001.

<sup>72</sup> ICG interview, Kiev, 14 October 2003.

<sup>73</sup> ICG interviews, Kiev, 14, 15 and 17 October 2003.

<sup>74</sup> ICG Interviews in Kiev, 17 October 2003, and Chisinau, 12 November 2003.



#### IV. A QUASI-INDEPENDENT DMR

Under protection of the Russian-led peacekeepers, the DMR has developed a full range of quasi-state structures. It has a president, government, and state administration, although the powerless Supreme Soviet is no check on the executive. The court system has many of the problems as its Moldovan counterpart, but significantly worse: limited independence, general lack of professionalism, failure to implement decisions, and corruption. In a number of cases, it has been used to obstruct, harass, silence, prohibit and punish the political opposition. The Constitutional Court is a political organ dependent on the DMR leadership.

According to its constitution, the DMR is a presidential republic.<sup>75</sup> The president is the chief executive and head of its armed forces. Igor Smirnov has served in this post since 1 December 1991, having been re-elected in 1996 and 2001.<sup>76</sup> The cabinet includes thirteen ministries. In theory, the Supreme Soviet can repeal presidential decrees and overrule presidential vetoes of legislation, although this does not happen. Overly vocal deputies have often been silenced by direct pressure from Smirnov and his security minister.<sup>77</sup>

##### A. A FIRM INTERNAL HAND

The ministries of state security, internal affairs, and defence play a central role in the regime. While external security was guaranteed after the intervention of the 14<sup>th</sup> Army in 1992, internal stabilisation has been more gradual. The ministry of state security, led by Minister Vadim Antyufeev (also known as Shevtsov), cracked down sharply on the initial challenges of both the political opposition and underworld groups. A major in the notorious Soviet special police in Riga, he was brought to Transdniestria in the autumn of 1991 with the help of the *Soyuz* group.<sup>78</sup> He is the main

link between the DMR leadership and conservative Russian political forces and security services, and retains close ties to former members of the *Soyuz* group remaining in the State Duma,<sup>79</sup>

The ministry has some 2,000 personnel and includes a special Delta battalion of approximately 150 troops, a Cossack reserve regiment of roughly 200, substantial reserves who can be mobilised from Russia, and perhaps 800 border guards. These forces possess a range of armed vehicles, mortars, and small arms. The ministry runs a broad range of activities and investigations against potential opposition leaders, members of political parties, NGOs, journalists, and educators. Individuals demanding to be allowed to write Moldovan (Romanian) in Latin script and teach the Moldovan curriculum in schools have also been singled out for harassment.<sup>80</sup> The ministry likewise has directed propaganda campaigns against the Moldovan government, Transdniestrian opposition figures, and Western organisations. It directly sponsors a number of media outlets.

The interior ministry, although formally charged only with law enforcement, has often supported security ministry campaigns against potential internal opposition. Police are frequently involved directly in harassment of opposition politicians, journalists, NGOs, and Moldovan schools. The ministry has about 10,000 personnel, including a special Dnestr battalion of some 500 troops.<sup>81</sup>

The defence ministry is responsible for external security. Its forces consist primarily of four

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remained active even after the August 1991 coup attempt, in which several leading members were participants.

<sup>79</sup> The link between Antyufeev and Victor Alksnis, one of the *Soyuz* leaders, dates back to the late 1980s when both served in the Baltic republics -- the former as police major in the OMON troops of the Soviet Ministry of Interior, the latter as a colonel in the Baltic military district of the Soviet Army -- and were active in reactionary, pro-Soviet circles among the officer corps of Army, KGB, and OMON.

<sup>80</sup> In line with Soviet tradition, DMR legislation upholds that Moldovan is a language distinct from Romanian and demands that it be written using the Cyrillic script. Until recently, six Moldovan schools in Transdniestria had been allowed to retain the Latin script, introduced in the Republic of Moldova in 1989, and the curriculum of the Republic of Moldova. These schools and a few other Moldovan schools that clandestinely teach in Latin script are the target of permanent harassment by DMR authorities.

<sup>81</sup> All figures from ICG interview, Tiraspol, 1 October 2003 and Chisinau, 2 October 2003.

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<sup>75</sup> See the DMR constitution at <http://www.olvia.idknet.com>.

<sup>76</sup> To allow Smirnov's second re-election, the DMR constitution was amended in July 2000.

<sup>77</sup> ICG interview, Tiraspol, 9 October 2003.

<sup>78</sup> A conservative/reactionary group of Peoples' Deputies in the last USSR Supreme Soviet and Congress of Peoples' Deputies, *Soyuz* is closely linked to the military, other security forces and allied business interests. The group

motorised rifle brigades, a tank battalion, an artillery regiment, and an anti-aircraft artillery regiment. The standing army has some 4,500 troops, plus an estimated 15,000 who can be mobilised.<sup>82</sup> It has eighteen tanks, courtesy of the 14<sup>th</sup> Army and OGRF.<sup>83</sup> The People's Militia, a regularly trained and well armed force of 2,000, about 70 per cent of whom have some combat experience, is also under the defence ministry. The can also rely on the ten regiments of the Cossack Black Sea Army, which can be mobilised in times of conflict.

## B. CONSTRUCTING IDENTITY

Since the mid-1990s, the DMR leadership has attempted to build a Transdnistrian identity. The policy has been designed both to legitimise the claim of independence and to encourage a multi-ethnic population to embrace a common identity as the basis for DMR statehood.<sup>84</sup> Five core elements have been emphasised: self-sufficiency, statehood, multi-ethnicity, an Eastern orthodox Slavic-Russian orientation, and Moldovanism (implying an Eastern orientation in contrast to the alleged pro-Romanian orientation of Moldova itself). The core of this constructed identity is Russo-centric, even though multi-ethnicity and Moldovan-Ukrainian-Russian tri-lingualism have also been encouraged.<sup>85</sup> The Russian language has been heavily promoted as linking "Transdnistrians of different ethnic background".<sup>86</sup> Selective historical presentations in schools and the media, which omit many important episodes, create something of a cult of personality

around Smirnov and place strong emphasis on the 1990-1992 conflict.<sup>87</sup>

The DMR has also aimed to preserve the social safety net inherited from the Soviet period as a means of ensuring broad public support. Relatively extensive social infrastructure is still in place and a wide range of benefits and subsidies are provided. Prices for communal services and energy are kept artificially low.<sup>88</sup> This system has had to be reduced somewhat but its continued existence is an important propaganda tool that allows the DMR to claim its population is better off than the rest of Moldova. In recent years, the average pension has been about twice that in Moldova proper.<sup>89</sup>

The identity campaign and social policy have clearly had an impact. In a 1998 poll carried out jointly by Moldovan, Transdnistrian, Russian, and U.S. researchers, 83 per cent of respondents supported DMR statehood, and 44 per cent agreed there is a unique, unified Transdnistrian community.<sup>90</sup> A poll in 2000 showed that most Transdnistrian respondents felt they live better than Moldovans. Many Transdnistrian respondents have shown higher trust in their state institutions than their Moldovan counterparts, with 45.2 per cent trusting President Smirnov, 38.7 per cent the government, and 37.1 per cent the Supreme Soviet. Only the Orthodox Church (48.6 per cent) and the armed forces (64.7 per cent) ranked higher.<sup>91</sup> Although such polls must be treated cautiously, this level of support should not be discounted.

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<sup>82</sup> Gribincea, *The Russian Policy on Military Bases*, op. cit., p. 221.

<sup>83</sup> In comparison, the Moldovan army, which has 7,000 troops, has a smaller mobilisation capability, but possesses more artillery and anti-tank capabilities. Both armies are able to withstand an attack of the other. Information received by an international military observer, Chisinau, 20 November 2003.

<sup>84</sup> Figures are disputed, but according to rough estimates on the basis of the 1989 census, 34 per cent of the population living under DMR control is Moldovan, 29 per cent Ukrainian, 29 per cent Russian, and 8 per cent of other nationality.

<sup>85</sup> Stefan Troebst, "The "Transnistrian Moldovan Republic", 1990-2002. From Conflict-Driven State-Building to State-Driven Nation-Building", *European Yearbook on Minority Issues 2003* (forthcoming), manuscript.

<sup>86</sup> ICG interview, Tiraspol, 1 October 2003.

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<sup>87</sup> Stefan Troebst, "Staatlichkeitskult im Pseudo-Staat. Identitätsmanagement in Transnistrien", *Osteuropa*, Vol. 53 (2003), No. 7, p. 969.

<sup>88</sup> World Bank, Republic of Moldova. *Economic Review of the Transnistria Region*, Report no. 17886-MD, Chisinau, June 1998, pp. 12, 30.

<sup>89</sup> See CISR, Research Paper on Transnistria", op. cit., Annex A.

<sup>90</sup> Nikolaj V. Babilunga, "Territorial'naya identichnost' kak faktor politicheskoy stabil'nosti Pridnestrov'ya", in Michail N. Guboglo (ed.), *Ètnicheskaya mobilizaciya i mezhèticheskaya integraciya* (Moscow, 1999), p. 192.

<sup>91</sup> Vladimir Kolossov, "A Small State vs. a Self-Proclaimed Republic. Nation-Building, Territorial Identities and Prospects of Conflict Resolution (The Case of Moldova-Transdnistria)", in Stefano Bianchini (ed.), *From the Adriatic to the Caucasus. The Dynamics of (De)Stabilization* (Ravenna, 2001), pp. 100-101.

### C. THE ECONOMICS OF DE FACTO INDEPENDENCE

Although the DMR has preserved a substantial part of Transdnistrian industrial potential while actively engaging in foreign trade, it faces mounting economic challenges.<sup>92</sup> While Moldova started market economy reforms as early as 1992-1993, the DMR continued to rely on heavy state regulation until the late 1990s before market processes began to intensify.<sup>93</sup> Over the years Transdnistria it has lost many of the economic advantages it enjoyed over the rest of Moldova, including higher economic development and productivity in the agricultural sector, higher wages, and higher overall living standards.<sup>94</sup>

On the whole, industrial and particularly agricultural production have significantly fallen since 1990. Nevertheless, in recent years GDP per capita in the DMR has not been substantially lower than in Moldova, where output has also decreased. To counteract this downward trend, DMR authorities have relied heavily on twelve to fifteen export-oriented enterprises, mostly in ferrous metallurgy and light industry, that account for about 70 per cent of total GDP.<sup>95</sup> The leader is the MMZ in Ribnitsa, which produced 46.7 per cent of

the region's industrial output in 2000, 40 to 56 per cent of its exports between 2000 and 2002 and two thirds of its tax revenues.<sup>96</sup> The largest Russian investor in Transdnistria is the energy company ITERA, which has put about U.S.\$50 million into MMZ. In April 2003, the Russian Customs Committee opened a special border crossing point for MMZ scrap metal, facilitating reduction of production costs.<sup>97</sup>

A number of Russian-Transdnistrian joint ventures have been founded, and Russian banks have given substantial credits to Russian investors. With growing Russian economic activity and investment, the interest of Russian companies and banks in legal guarantees might increase. The recent process of privatising Transdnistrian enterprises, in which Russian companies and banks are the most interested, could strengthen this trend. If Russian investors were led by long-term economic considerations, an agreement on the legal status of Transdnistria within Moldova would be in their interest. However, as many Russian businessmen profit from the DMR's illegal trade and re-export economy as push to strengthen rule of law and transparency.

The DMR has substantially diversified markets for its exports, mainly non-precious metal (steel) and metal products, textiles, mineral products, machines, equipment, accessories and finished food stuffs. Whereas CIS markets accounted for 76.2 per cent of exports in 1996, their share fell to 46.7 per cent in 2002. Among non-CIS countries, the U.S. has been the most important during the 1998-2001 period, primarily taking steel from the MMZ until anti-dumping penalties were enforced. Italy, Egypt, Romania, Greece and Germany are other important non-CIS markets. Overall, however, Russia remains the most important trading partner, taking exports and imports together, with Ukraine and Moldova next.<sup>98</sup> Over the last decade, close ties to Russia, including through the defence complex, kept the DMR economy alive.<sup>99</sup>

Ukraine, as Transdnistria's second largest trading partner, also sees most of its exports in transit. The

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<sup>92</sup> CISR, "Research Paper on Transnistria", op. cit., p. 3. In a recent analysis of the Transdnistrian economy, the Centre for Strategic Studies and Reforms in Chisinau differentiated five stages of development: first, the 1990-1991 search for the realisation of a "free economic zone" model; second, the 1992 tensions over Moldovan-Transdnistrian attempts to block each other's economy and infrastructure; third, the 1993-1995 search for economic survival under conditions of disrupted economic ties with the right bank, during which the directors of Transdnistrian state enterprises revived economic links to Russia, Ukraine, Belarus and other former Soviet republics; fourth, the five successful years between 1996 and September 2001 with the development of regional entrepreneurship and the legalisation of foreign trade by accepting Moldovan custom stamps and seals; fifth, the post-September 2001 deterioration after Transdnistrian foreign trade decreased due to the introduction of new Moldovan customs stamps and seals and certificates of origin, which were not shared with Transdnistria, and the non-recognition of old customs stamps and seals and certificates of origin by Russia and, since May 2003, Ukraine.

<sup>93</sup> Ibid., pp. 3-4.

<sup>94</sup> World Bank, "Republic of Moldova. Economic Review of the Transnistria Region", op. cit., pp. 3, 17, 28 ff.

<sup>95</sup> CISR, "Evolution of the Transnistrian Economy: Critical Appraisal Research Paper on Transnistria", Chisinau, 2002, p. 7.

<sup>96</sup> CISR, "Recent Economic Developments in Transnistria", Chisinau, 2003, p. 2.

<sup>97</sup> CISR, *Research Paper on Transnistria*, op. cit., p. 7.

<sup>98</sup> Ibid., Annex B.

<sup>99</sup> CISR, *Evolution of the Transnistrian Economy*, op. cit., pp. 7-8.

Ukrainian transport infrastructure, especially the nearby port of Odessa, are vital for the survival of Transdnistria's economy. The export of MMZ steel is particularly dependent on access to the Odessa port.

Overall, the economy is unstable. A large foreign debt has been accumulated, mostly to Gazprom, but also in Russian credits accrued between 1992 and 1994. These are a heavy burden. In 2002 foreign debt totalled 456.3 per cent of GDP.<sup>100</sup> Since introduction of the new Moldovan customs stamps, seals, and certificates, Transdnistrian industrial output and exports have decreased. Although GDP dropped only 2.7 per cent in 2002, the 2003 budget was down by about 40 per cent. Russia's refusal to recognise the old customs stamps and certificates of origin held by DMR authorities has hit the economy especially hard. Expectations for 2004, however, include some recovery in industrial production and an increase in the regional budget.<sup>101</sup> On balance, the DMR economy has not fared much worse than Moldova's over the last thirteen years but it has been heavily propped up by debts that will seriously limit future choices. In addition, many economic reforms have been delayed and the overall prospects for Moldova's economy have been frustrated by the lingering conflict.

## 1. The shadow economy

The five years between February 1996 and September 2001 have been the most successful for the Transdnistrian economy. In February 1996, Moldova and Transdnistria signed a protocol stipulating liquidation of DMR customs posts on the internal border, establishment of joint customs posts at the Ukrainian border, the handing over of Moldovan customs stamps and seals to DMR authorities and standardisation of customs regulations. While Moldova did share its customs stamps and seals, the DMR did not keep its side of the bargain.<sup>102</sup>

As a consequence, the protocol did not produce a common customs space, but merely enabled

Transdnistrian enterprises to export legally without paying taxes to Moldova. As Moldova also agreed not to collect taxes and duties on goods with a Transdnistrian destination imported through other Moldovan borders, an extremely profitable re-export business developed. Since DMR authorities apply lower or even no taxes and custom duties on some goods, and producers in the region are exempt from taxes and duties for import of raw materials, huge quantities of goods (far exceeding the demand of the local market) are imported to Transdnistria and re-exported over the uncontrolled internal border to Moldova. They are consequently much cheaper than competing Moldovan goods or goods imported directly to Moldova.<sup>103</sup> This web of illegal economy activity stretches across DMR, Russian, Ukrainian, Moldovan and other business circles.

There is also considerable direct smuggling through Transdnistria, including, reportedly, of oil products (especially fuel), alcohol, food products, and tobacco.<sup>104</sup> While the DMR receives little official revenue from re-exports, huge profits find their way into the pockets of individuals as well as their Russian, Ukrainian, Moldovan and other business partners.

Arms production also appears profitable. Although no exact data are available, licensed arms and accessories for companies belonging to the Russian military-industrial complex seem to be only a part of the region's total production. Five or six Transdnistrian factories are said to be manufacturing various types of pistols, automatic weapons, mortars and missile launchers. Although some of these surely go to DMR forces, most are exported -- allegedly often without serial numbers. Although the Moldovan press has repeatedly reported on alleged Transdnistrian arms exports to Abkhazia and Chechnya, these remain unsubstantiated.<sup>105</sup>

The multiple, lucrative and often illegal enterprises in the DMR have created a powerful network of individuals and companies with a vested interest in maintaining the status quo. The DMR leadership continues to guard its stake jealously. The income

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<sup>100</sup> CISR, *Research Paper on Transnistria*, op. cit., Annex C.

<sup>101</sup> ICG interview, Tiraspol, 10 October 2003.

<sup>102</sup> Text of the protocol in G.N. Perepelitsa, *Konflikt v Pridnestrov'e. Prichiny, Problemy i Prognoz Razvitiya* (Kiev, 2001), pp. 84-86.

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<sup>103</sup> *Ibid.*, p. 13.

<sup>104</sup> *Ibid.*, pp. 12-13.

<sup>105</sup> See, for example, *Basa-Press*, 4 December 2002.

of DMR customs is said to be much higher than the state budget.

DMR leader Smirnov and security minister Antyufeev have been linked to the Sheriff Company, which is operated by former policemen from Bendery. Its businesses have been declared tax exempt as reward for their participation in the armed conflict with Moldova. Sheriff, which began with several supermarkets, has de facto monopolies on various imports, as well as such strategic investments as fuel stations and the telecommunication and construction sectors.<sup>106</sup> It is the region's largest employer and recently built two major symbols of DMR "statehood" in the capital, Tiraspol: Transdnistria's largest orthodox cathedral and an enormous sports complex. These projects are said to have cost hundreds of millions of dollars.

As long as the international community turns a blind eye to the DMR's parallel economy, the political leadership has virtually no incentive to accept a negotiated settlement to the conflict. Three mechanisms should be used to cut off the benefits flowing to that leadership. First, international observers should be placed on the Transdnistrian sector of the Moldovan-Ukrainian border to provide transparency and information on the flow of goods to and from Transdnistria. Secondly, joint Ukrainian-Moldovan customs posts on Ukrainian territory should firmly control that side of the border and collect Moldovan duties and taxes. The same international observers should apply relevant customs procedures and collect appropriate duties and taxes. Thirdly, during a transition to joint Ukrainian-Moldovan customs posts, the internal transit of goods from Transdnistria to Moldova and effective collection of full taxes and duties should be enforced by internal Moldovan customs posts on all Transdnistrian-Moldovan routes.

Given the shared border, Ukraine continues to be a key player in the DMR shadow economy and during 2000-2002 was the second biggest exporter to Transdnistria.<sup>107</sup> A huge amount of goods appears to be sent from Ukraine to Transdnistria and re-exported to Moldova. Many of these are part of the illegal re-export business that exploits the tax

and customs differences between the DMR and Moldova proper. Not surprisingly, DMR ties with Ukrainian Odessa and, to a lesser degree, Vinnytsia are especially intensive. These two regions have a natural interest in the stability of Transdnistria. The Odessa region experienced the greatest difficulties from the presence of Russian and DMR armed formations in 1991-1992, as well as from Moldovan security incursions and general fear that the violence might spread. It also bore the heaviest refugee burden in 1992.

At the same time, Odessa and Vinnytsia serve as primary transport routes for legal and illegal exports and imports to and from Transdnistria and Moldova. Local products are exported or smuggled to Moldova through Transdnistria, effectively circumventing higher customs duties and taxes so as to become cheaper on the Moldovan market. The Odessa and Vinnytsia administrations have maintained close political, economic, social, and cultural ties with the DMR leadership. When the new Moldovan custom stamps, seals and certificates of origin were issued, and the DMR faced loss of access to Ukrainian transit routes and Odessa port for its exports, the DMR leadership and their Ukrainian allies were quick to lobby central political institutions, including ministries and the presidential administration in Kiev, that were able to persuade President Kuchma and other high ranking officials to provide relief.<sup>108</sup> This highlights the need for effective anti-corruption programs in customs systems and tax and border guard services in both Ukraine and Moldova, as well as for a concerted police effort against smuggling and re-export activities to and from Transdnistria.

<sup>106</sup> ICG interview, Tiraspol, 9 October 2003.

<sup>107</sup> CISR, *Research Paper on Transnistria*, op. cit., Annex B.

<sup>108</sup> ICG Interviews in Kiev, 16 October 2003, and Chisinau, 23 November 2003.

## V. CULTIVATING SUPPORT FOR THE STATUS QUO

While DMR officials still advocate independence, most now recognise that international recognition is unlikely, if not impossible. Yet, they remain extremely reluctant to reintegrate with Moldova. The lack of political will for reasonable compromise is best explained by a number of factors: increased political ambitions after thirteen years of de facto independence; grudges against Moldovan leaders stemming from 1990-1991; and the economic logic of preserving a profitable status quo. In fact, the leadership's strategy seems to legalise this status quo through a very loose confederation with Moldova under Russian supervision. Toward that end, the DMR has lobbied Russia, Ukraine, and Moldova extensively and exploited illegal economic ties as a bargaining tool.

### A. LOBBYING RUSSIA

From the start, DMR leaders have sought the closest possible connections with Russia, initially in hope of restoring the Soviet Union, founding a greater Slav state, or creating conditions for the victory of conservative forces in Russia. Transdniestrian connections with Russia's government have often been opaque, but always extensive. DMR officials have lobbied a wide range of Russian government institutions. However, the leadership has seldom enjoyed direct contact with Russia's presidents. Neither Yeltsin nor Putin have met with Smirnov other than on a few important occasions -- Yeltsin at the final negotiations and signing of the Moscow Agreement (July 1992) and the Moscow Memorandum (May 1997) and Putin in October 2003 over removal of military material from Transdniestria. On several occasions, Yeltsin and Putin have dispatched their heads or deputy heads of administration to negotiate. Occasionally Prime Ministers Chernomyrdin, Stepashin, or Putin have discussed a political settlement with Smirnov or withdrawal-related questions. But most DMR lobbying targets the middle strata of the presidential administration.<sup>109</sup>

Not surprisingly, regular contacts have developed between DMR leaders and the foreign ministry. Smirnov and his foreign minister, Valeri Litskai, travel relatively frequently to Moscow to meet with the relevant deputy foreign minister and the special representative of the Russian president to the negotiations. More often, these sessions are in Tiraspol and Chisinau between Smirnov, Litskai and other DMR leaders with the Russian ambassador and his senior staff. Since 1993, DMR authorities have assisted the Russian government in a broad campaign for adoption of Russian citizenship in Transdniestria. The Russian Embassy in Chisinau sends consulate officials to Transdniestria daily,<sup>110</sup> and two-thirds of those who have obtained Russian citizenship live in Transdniestria -- although only one-third of Moldova's ethnic Russians live there. During Russian elections, DMR officials, the Russian foreign ministry and the Russian Central Election Commission have cooperated closely in organisational questions such as setting up polling stations in Transdniestria.<sup>111</sup>

The DMR also has extensive links to Russia through economic, scientific-technical, and cultural agreements.<sup>112</sup> Ties to production chains of the former Soviet economy as well as personal contacts between directors of state enterprises usually provide the basis for cooperation with Russia's regions and cities.<sup>113</sup>

In the social and cultural sphere, Transdniestrian public and non-governmental organisations have been eager to secure membership to Russian umbrella organisations. For example, the Transdniestrian state university was accepted into the Association of Russian Universities where it attracted the All-Russian Education Fund as a financial supporter. Various Russian academic institutions, including the Academy of Natural

<sup>109</sup> ICG Interview, Moscow, 27 October 2003.

<sup>110</sup> In this way Russia de facto by-passes the Moldovan refusal to open a Russian consulate in Transdniestria. ICG interview, Chisinau, 21 November 2003.

<sup>111</sup> The same is done for Ukrainian, not, however, for Moldovan elections, although persons holding Moldovan citizenship (about 150,000) in the region by far outnumber Russian (60,000-80,000) and Ukrainian (about 20,000) citizens. ICG interviews in Tiraspol, 8 October 2003 and Chisinau, 10 October 2003.

<sup>112</sup> ICG interviews in Moscow, 28 October 2003 and Chisinau, 20 November 2003.

<sup>113</sup> ICG interview, Chisinau, 20 November 2003.

Science, have awarded honorary scientific titles to DMR leaders, and Moscow State University as well as five private universities have opened branches in Transdnistria. Many Transdnistrian colleges, institutes of professional training, and other higher education institutes also cooperate closely with Russian bodies. Transdnistrian diplomas are accepted as Russian equivalents. A number of Russian cultural and social non-governmental patriotic organisations, such as the World League of Slavic Youth, have opened branches in Transdnistria, providing an important channel for humanitarian aid and political support.

The DMR leadership has tried to establish relations with the Russian Orthodox Church. During the first half of the 1990s, it denounced clergymen from the right bank territories and honoured the Moscow Patriarchate with letters from Transdnistria. In July 1995, the Dubasari curacy within the Moldovan Metropolia was established by a decision of the Holy Synod. The territory of the curacy roughly coincided with that claimed by the DMR. An ethnic Russian, Bishop Justinian, was nominated as bishop. He has criticised Moldova's Metropolitan Vladimir on several occasions for Romanisation and accused him of dividing the Moldovan Orthodox Church.<sup>114</sup> In October 1998,

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<sup>114</sup> No formal split within the Moldovan Orthodox Church occurred between Moldova proper and Transdnistria. Justinian continues to be subordinate to Vladimir, the Metropolitan of Moldova. However, a formal split occurred in Moldova proper. In September 1992 a group of priests who refused the policies of the Moldovan Orthodox Church (which is under the jurisdiction of the Moscow Patriarchate) revived the Bessarabian Metropolis, which had existed between 1917 and 1944 when Bessarabia was part of Romania. In December 1992, the Bessarabian Metropolis was recognised by the Bucharest Patriarchate and thus came under the jurisdiction of the Romanian Orthodox Church. The Bucharest Patriarchate and the Bessarabian Church have also founded communities in historical Bessarabian territories in Ukraine, attracting mainly Romanian nationalist believers who deny the existence of a separate Moldovan nation and identify themselves as Bessarabian Romanians. The Bessarabian Church, which was recognised by almost all brother churches except the Moscow Patriarchate, was initially denied registration by Moldovan authorities, who feared a further split of the Moldovan Church. The Bessarabian Church was registered only in 2002, after winning a case against the Moldovan government in the European Court of Human Rights. It is now going through a new round of court procedures to regain property confiscated after Bessarabia's reoccupation by the Soviet Union in 1944. There are practically no differences in the liturgies of the two

the Holy Synod reorganised the curacy into the Tiraspol-Dubasari bishopric within the Moldovan Metropolia, the territory of which now fully coincides with that claimed by the DMR. Subsequently, Moscow Patriarch Aleksy received the Transdnistrian medal of the republic. Church officials have referred to Smirnov as "president", and Bishop Justinian has regularly accompanied him at official DMR festivities. While the Moscow Patriarchate has insisted it is merely serving its followers in Transdnistria and not recognising independence, it is clear that the interests of the Moscow Patriarchate in strengthening the Russian Orthodox Church in Transdnistria coincide with the desire of the DMR leadership to receive the symbolically important blessing of the Church.<sup>115</sup>

## 1. Duma links

DMR executive and legislative bodies have maintained important connections to the Russian State Duma. Smirnov, Litskai, and other DMR officials have fostered contacts with a variety of nationalist and communist figures from different Duma factions and deputy groups, including Vladimir Zhirinovskiy, Victor Alksnis, Georgy Tihonov, Sergey Baburin and others, many of whom are former members of the *Soyuz* group. They together with their parties and deputy groups have been active in Transdnistria in particular during Russian and DMR elections. Zhirinovskiy, for example, established a branch of his Liberal-Democratic Party of Russia in Transdnistria, and in 2000 President Putin's Edinstvo organisation also established a branch in the region.<sup>116</sup> Nationalist and communist Duma candidates have received considerable rhetorical support during their election campaigns from DMR-backed NGOs.<sup>117</sup> In addition, several DMR politicians have run for

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churches; the issue is much more a political one, as well as of national identity and property. The Church's supporters include the oppositional, right-wing, pro-Romanian Christian Democratic Popular Party, leading figures of which hold positions in its governing bodies.

<sup>115</sup> ICG interview, Moscow, 28 October 2003.

<sup>116</sup> Edinstvo has been critical of Smirnov; it won eight of 43 seats in the Supreme Soviet of the DMR in December 2000.

<sup>117</sup> See, for example, election related appeals to the Transdnistrian population by such NGOs during November and December 2003 on the website of the official DMR news agency Olvia-press at <http://www.olvia.idknet.com>.

Duma mandates on the lists of nationalist and communist parties.<sup>118</sup>

During DMR elections, a number of Russian parliamentarians have visited as self-proclaimed observers and given glowing assessments of the electoral process. A number of these deputies hold leading positions in Duma committees and, in recent years, some from non-nationalist, non-communist factions have joined their missions. Russian parliamentarians have regularly visited Transdniestria to attend festivities marking the anniversary of the DMR's proclamation of independence and have publicly backed the Transdniestrian position on a loose confederation. They have also supported the demand for the withdrawal of Moldovan police from the jointly patrolled town of Bendery while opposing the pullout of Russian troops. In earlier years Russian delegations also declared support for separate DMR accession to the CIS.<sup>119</sup>

Between 1995 and 2002, the Duma passed more than ten resolutions supporting the DMR, and a special hearing was held on Transdniestria in 1997. The resolutions called on the Russian government to keep the Russian military in Transdniestria and sign economic, military, and cultural cooperation agreements with the "government of the DMR". There were also requests to open a consulate in Transdniestria, support the DMR in negotiations, raise the issue of Moldovan human rights violations internationally, and protect Russian citizens in Transdniestria. The resolution of 17 November 1995 requested that President Yeltsin define Transdniestria as a zone of special strategic interest to Russia and negotiate "recognition of the DMR as [an] independent, sovereign state".<sup>120</sup> While Duma resolutions on foreign policy are not binding, the Moldovan authorities have been aggravated by pronouncements that run contrary to the official Russian position.<sup>121</sup>

The Duma's continued failure to ratify important Russian-Moldovan agreements has also damaged relations. It delayed ratification of the Russian-

Moldovan Treaty of September 1990, as well as the October 1994 agreement on withdrawal of the 14<sup>th</sup> Army. Parliamentarians argued that the unresolved status of Transdniestria together with the need to synchronise troop withdrawal with a political settlement justified the delays. In January 1999 President Yeltsin finally withdrew both treaties from the Duma to avoid outright rejection.<sup>122</sup> However, with the weakening of nationalist and communist political forces in the Duma and the victory of Moldovan communists in the 2001 parliamentary elections, a new Russian-Moldovan Treaty on Friendship and Cooperation was finally ratified in April 2002.

The Duma Commission for Facilitation of the Regulation of the Political and Economic Situation in Transdniestria played a special role between February 1997 and December 2002. Chaired by a former *Soyuz* leader, Georgy Tihonov, it adopted a very pro-Transdniestrian position. Its leaders lobbied the Duma, government officials, and Russian business circles on behalf of DMR interests and organised visits to Moscow by DMR leaders. However, during 2002, sharp disagreements arose between the DMR leadership and the commission on withdrawal of Russian munitions and compensation to the DMR. In December 2002 the commission was dissolved against the will of its chair and on the initiative of pro-presidency factions. The commission had obviously become a burden for President Putin and the foreign ministry, and with the April 2002 treaty ratification it had lost some of its muscle.<sup>123</sup> However, the DMR leadership has kept up ties to leading deputies from the dissolved body. With the Duma now firmly controlled by a pro-Putin majority, it remains to be seen if it will renew activities on Transdniestria.

## B. LOBBYING UKRAINE

Transdniestrian connections have been less frequent with Ukrainian than Russian officials. President Kuchma has met Smirnov several times during negotiations, as well as during two official visits by the DMR leader to Kiev in 2001. The DMR leadership can claim closer relations with the foreign ministry, largely as a result of the

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<sup>118</sup> As the DMR deputy "minister" of "state" security for the "Stalinist Bloc" in 1999. *Olvia-press*, 20 December 1999.

<sup>119</sup> *Dnestrovskaya Pravda*, 10 July 1993 and 9 September 1995.

<sup>120</sup> V.Ya. Grosul et al, *Istoriya Pridnestrovskoj Moldavskoj Respubliki*, pp. 249-255.

<sup>121</sup> ICG interview, Chisinau, 13 November 2003.

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<sup>122</sup> ICG interview, Moscow, 28 October 2003.

<sup>123</sup> *Ibid.*



negotiations. Smirnov and Litskai meet frequently with the relevant Ukrainian deputy foreign ministers, the special representative of the president to the negotiations, and the Ukrainian ambassador to Moldova.

DMR authorities and their front organisation, the Union of Ukrainians of Transdnistria, have also supported the Ukrainian foreign ministry in organising polling stations for Ukrainian elections and the process of conferring Ukrainian citizenship on nationals in Transdnistria. The consular staff of the Chisinau embassy regularly visit to process citizenship applications, with the Union of Ukrainians playing a facilitating role.

Transdnistrian connections are also well developed with the education ministry and the State Committee for Questions of Nationalities and Migration. The DMR education ministry the Union of Ukrainians of Transdnistria maintain regular contact with these two bodies and have been able to mobilise support to establish and equip Ukrainian schools in Transdnistria as well as professional, educational, social, and cultural exchanges. The Union of Ukrainians is currently lobbying to secure places for Transdnistrian students in Ukrainian universities.<sup>124</sup>

Social and cultural contacts are facilitated by a variety of public organisations and NGOs. Many Ukrainian organisations view support of Transdnistrian Ukrainians as humanitarian aid. The Tiraspol-Dubasari diocese has invited bishops and metropolitans from Ukrainian regions to participate in religious holiday festivities, and these ceremonies have been attended by the DMR leadership. During these events Ukrainian clergymen such as the metropolitan of Odessa and Ismail have made no secret of sympathy for the DMR and its policy of strengthening the Russian Orthodox Church and strictly limiting activities of other denominations.<sup>125</sup>

The most important ties, as noted, continue to be the economic ones at regional levels. As with Transdnistrian-Russian business relations, the directors of state enterprises largely inherited these from the Soviet period. The DMR has signed

cooperation agreements also on scientific, social and cultural cooperation with many Ukrainian regions and cities, including for exchanges, festival participation, and material support for Transdnistrian cultural institutions and organisations. Professional training and studies at Ukrainian institutions have been instituted, and material support for Ukrainian schools in Transdnistria provided. Ukrainian regional academic institutions have awarded honorary scientific titles to DMR leaders.<sup>126</sup>

## 1. Rada links

Transdnistrian connections with the Ukrainian Verkhovna Rada (parliament) developed later and are less extensive than those with the Russian Duma but have intensified in recent years. They are most visible when Rada deputies take part in DMR anniversary festivities and observe DMR elections. As a rule, these deputies represent pro-Russian or radical Ukrainian nationalist parties and factions.<sup>127</sup>

The DMR leadership maintains contacts with the Rada Committee on Foreign Affairs and exchanges views on the negotiations. These contacts intensified during 2003 when the Rada set up a special parliamentary group devoted to the Transdnistrian conflict. Its particular interest is said to be to help reactivate stalled talks on the parliamentary level between Moldova and the DMR.<sup>128</sup>

In autumn 2003 nineteen Rada deputies requested the registration of a second group, "Transdnistria". The background was a visit to Kiev by the leadership of the Union of Ukrainians of Transdnistria. However, the Committee on Foreign Affairs among others expressed fears that it could become a biased pro-DMR body similar to

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<sup>124</sup> ICG interviews in Tiraspol, 8 October 2003, and Kiev, 14 October 2003.

<sup>125</sup> *Olvia-Press*, 1 September 2002.

<sup>126</sup> ICG interview, Kiev, 15 October 2003.

<sup>127</sup> For example, in December 2001 eleven Rada deputies observed Transdnistrian presidential elections. They represented the pro-Russian faction For the Participation in the Union of Belarus and Russia, as well as two nationalist parties, the People's Ruch and UNA-UNSO (Ukrainian National Assembly-Ukrainian People's Self-Defence). *Olvia-Press*, 10 December 2001. The former Ukrainian foreign minister and then People's Rukh deputy, Hennadiy Udovenko, made a prominent appearance at DMR anniversary celebrations in September 2001, where he said he believed the DMR would achieve international recognition. *Olvia-Press*, 1 September 2002.

<sup>128</sup> ICG interview, Kiev, 15 October 2003.

the one that operated in the Russian Duma between 1997 and 2002.<sup>129</sup> Most members of the proposed "Transdnistria" group belong to the Rada faction of the Social Democratic Party (United), the party of Kuchma's chief of presidential administration, Viktor Medvedchuk. This party is well known for lobbying the votes of national minorities and the diaspora during Ukrainian elections.<sup>130</sup> A few deputies from other factions, including Our Ukraine, also participate. Given the group's composition and political position, it seems likely that its main motivation is to advance its members' political aims in Ukraine, perhaps as part of early jockeying for advantage in the 2004 Ukrainian presidential elections.

On balance, while the DMR has been able to mobilise some support from presidential, governmental, and parliamentarian circles in Ukraine, no significant political force has backed an independent DMR or even a loose confederation with Moldova.

### C. LOBBYING MOLDOVA

The DMR leadership has not been able to mobilise significant political support in Moldova proper. The relatively few individuals supporting establishment of an autonomous region or separate republic -- mostly Russian-speaking former functionaries and bureaucrats who lost or left their jobs during 1990-1992 -- have relocated to Transdnistria. Even among Moldova's Russians and Ukrainians, two thirds of whom live on the right bank of the Dniestr, the DMR has no significant support. There was considerable sympathy for the DMR during the early 1990s when nationalist emotions ran high, and some Russian speakers hoped the secessionist movement would force Moldova to take a more liberal approach on language issues. This sympathy has waned, with the indefinite postponement of

language exams in 1994-1997 and lax enforcement of language legislation. The increasing process of democratisation in Chisinau and growing authoritarianism in the DMR has also undercut Russian and Ukrainian support for the DMR in Moldova. The leftist Congress of Russian Communities, a notoriously biased Russian nationalist splinter group, and the closely related political movement Equal Rights (*Ravnopravie*) are the only organisations that continue to depict the DMR largely positively.<sup>131</sup> Otherwise only a few Russian language newspapers have been sympathetic. The most important of these, *Kommersant Plus*, is allegedly financed largely by the DMR security service.<sup>132</sup>

DMR leaders have mobilised a measure of symbolic political support from nationalist forces in the autonomous region of Gagauzia, which held power there during the secessionist conflict with Moldova (1990-1994) but were ousted in the 1995 elections. Nationalist parties regained power in the Gagauz regional parliament in 1999 and came into conflict in 2001-2002 with President Voronin over financial and economic issues. This led them to renew closer contacts with the DMR leadership. Though this cooperation was largely symbolic,<sup>133</sup> Moldovan central authorities reacted strongly and in 2002 took advantage of frictions in the Gagauz regional parliament to oust its leadership and later the governor (*Bashkan*), Dmitri Croitor, who had sought to cooperate closely with the DMR.

While political support for the DMR remains thin, Moldovan business circles have not been coy about engaging in the DMR's shadow economy. By lobbying and sharing profits, and through corruption, businesspeople seem to have secured the cooperation of some elements within Moldova's political institutions,<sup>134</sup> which have become complicit in the re-export and smuggling business.

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<sup>129</sup>According to the leader of the proposed "Transdnistria" group, it would seek to support Ukrainians living in Transdnistria and deal exclusively at first with social, cultural, and educational issues. Political topics were not excluded for future discussions, however. ICG interview, Kiev, 14 October 2003. In early November 2003, the leadership of the proposed group visited Transdnistria for the second time after participating in the opening of a Ukrainian school in the region, together with the head of the State Committee for Nationalities and Migration.

<sup>130</sup> ICG interview, Kiev, 15 October 2003.

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<sup>131</sup> These groups have very little support. In the 2003 local elections, Equal Rights received 0.43-0.85 per cent of the vote. In the 2001 parliamentary elections, it received 0.44 per cent. Even in Chisinau, where one-third of Moldova's Russians reside, it received only 1.12 per cent in 2001. Election results at <http://www.ifes.md> and <http://www.e-democracy.md>.

<sup>132</sup> ICG interview, Chisinau, 26 November 2003.

<sup>133</sup> Examples are Gagauz attendance at DMR festivities and election observation. Olvia-Press, 2 September and 10 December 2001.

<sup>134</sup> ICG interview, Chisinau, 20 November 2003.

This has had a negative impact on efforts to reach a settlement. Decisions have been taken that obstruct the solution of specific questions within the negotiation process. Other decisions that could have helped resolve certain issues were put on the backburner when they threatened to damage the interests of specific persons or circles.<sup>135</sup>

Successive Moldovan governments have tried to stop the flow of contraband and re-exported goods over the internal border and to collect taxes and duties on goods from Transdnistria. In 1999 and again in 2003, both permanent and mobile customs posts were set up on the traffic routes but they proved ineffective. The introduction of armed policemen from Chisinau at these posts seems to have been primarily an attempt to curb the corruption of officials stationed at these posts.<sup>136</sup>

President Voronin asked the EU in late 2001 to send observers to the Transdnistrian section of the Ukrainian-Moldovan border to help stop contraband. The EU forwarded this request to the OSCE, which sent an assessment team in November 2002 that made recommendations to both sides, including employing international observers not only at the Transdnistrian section but also at the section under Moldovan control in order to help patrol the large unmarked "green" border area through which the contraband passes. The OSCE plan did not provide for assistance in actual collection of duties and taxes, and Moldova refused the deployment. Overall, attempts by the Moldovan government to resolve the conflict continue to be undermined by those who benefit from the loopholes.

## VI. THE KOZAK MEMORANDUM AND ITS AFTERMATH

The Joint Constitutional Commission was established on a February 2003 initiative by President Voronin to draft a federal Moldovan constitution.<sup>137</sup> By the middle of the year, however, its efforts appeared stalled. At a meeting with President Putin, Voronin requested renewed Russian mediation and the appointment of a Russian special envoy versed in federal constitutional issues. Putin appointed his deputy head of administration, Dmitry Kozak, to consult with the Moldovan and Transdnistrian sides and prepare a memorandum on the basic principles of state structures that could guide drafting.<sup>138</sup> Apparently, the two presidents agreed to keep this negotiating track secret from the Ukrainian and OSCE co-mediators.<sup>139</sup>

After shuttle diplomacy, Kozak requested in July 2003 that Moldova elaborate a first draft of the memorandum on the basis of his consultations. This draft was forwarded to Moscow in August for editing and appraisal. In early September 2003, Kozak returned to Moldova for further consultations, which resulted in further amendments. Russian and Moldovan positions were reportedly close, and both countries considered a number of Transdnistrian demands unacceptable.<sup>140</sup>

The September draft outlined an asymmetrical federation of the Republic of Moldova and one federal subject, the DMR. The latter would have its own constitution and executive, legislative and judicial bodies, budget, taxes, and state property. Gagauzia would remain an autonomous region with its status constitutionally guaranteed. Moldovan would be designated the only state language, while Russian would function as an official language across the entire country. The DMR and Gagauzia

<sup>137</sup> See ICG Report, *Moldova: No Quick Fix*, op. cit., pp. 8-13.

<sup>138</sup> ICG interview, Chisinau, 13 November 2003.

<sup>139</sup> For an exhaustive account of the Kozak Memorandum affair from the point of view of the Dutch OSCE presidency, see John Löwenhardt, "Het Nederlandse OVSE-voorzitterschap, Moldova en de Russische diplomatie", *Internationale Spectator*, April 2004, pp. 200-205 (English translation available from the Clingendael Institute).

<sup>140</sup> ICG interview, Moscow, 27 October 2003.

<sup>135</sup> ICG interview, Chisinau, 1 October 2003.

<sup>136</sup> ICG interview, Chisinau, 13 November 2003.

would be permitted to designate additional official languages as they saw fit. International agreements concerning issues which fell under DMR competence would come into force only after being ratified by the DMR. The draft listed competencies of the Republic of Moldova and those that would be jointly shared by the government and the DMR. All competencies not explicitly articulated would fall to the DMR. The overall division of competencies seemed to give Transdnistria relatively fair participation in most important federal policies affecting the region.

The federal state would maintain a measure of influence in Transdnistria to ensure compliance with the constitution and legislation. It would have a president, government, and bicameral parliament. The upper house would consist of 26 senators: thirteen elected by the federal lower house, eight by the DMR Supreme Soviet, and five by the Gagauz People's Assembly. The lower house would consist of 71 deputies elected by proportional representation on the basis of a national constituency. The upper house and federal president would have vetoes over all federal laws, which could be over-ruled by a two-thirds majority in the lower house, except that a Senate veto on a federal organic law would be final. The DMR and Gagauzia would thus be strongly over-represented in the upper house, and DMR senators would need cooperation from only a few Gagauz and/or right-bank colleagues to veto federal laws. The DMR and Gagauzia would also wield significant influence in the composition of the federal government, as the prime minister would require upper house confirmation, and the two first deputies would be appointed with agreement of the two regional parliaments. Finally, the draft provided for a referendum on the constitution by 31 October 2004 and elections of the federal parliament and president by the end of April and May 2005, respectively.<sup>141</sup>

## A. SECRET TALKS EXPOSED

Following the second round of consultations, the DMR leadership found itself isolated in the trilateral talks and unsatisfied with the draft. To improve its negotiating position, it leaked the draft to the co-mediators. It also refused further trilateral

discussions and insisted that the five-sided format (Moldova, DMR, Russia, Ukraine and OSCE) was the only legitimate venue.<sup>142</sup>

The Ukrainian and OSCE co-mediators were surprised that negotiations had moved forward without them, but all three co-mediators agreed to start drafting joint proposals and recommendations for the Joint Constitutional Commission so as to reactivate the stalled negotiations. On 24 September 2003 they met in Zagreb to discuss an OSCE draft. The aim was to agree on a joint paper to be presented during a five-sided round scheduled for 1-2 October 2003. However, owing largely to Russian concerns, they failed to finalise their proposals in Zagreb. A substantial part was agreed but the Russians were reluctant to put this into a protocol. Furthermore, although Moscow knew the earlier memorandum had been leaked to the co-mediators, it refused to discuss that drafting exercise.<sup>143</sup>

After Zagreb, OSCE representatives proposed several times to the Russian and Moldovan delegations that the proposals of the joint mediators and the draft memorandum be combined into a single document, but both rejected the idea.<sup>144</sup> However, in mid-October 2003 the co-mediators resumed discussions in Kiev and agreed on everything except the questions of official languages and peacekeeping. They then finalised the draft through consultations over the remainder of the month.

This joint mediators' draft did not differ fundamentally from the September draft memorandum. In particular, it also proposed an asymmetric federation. However, in line with recommendations received from the Venice Commission<sup>145</sup> during the work of the Joint Constitutional Commission, it based the division of powers on the principle of exclusive and clearly specified federal and DMR competencies. This was an effort to reduce the potential for contradictions between federal and DMR laws. Compared to the September draft, the division of competencies was more clearly articulated and more in line with other

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<sup>141</sup> Copy of the draft received by ICG in September 2003.

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<sup>142</sup> ICG interview, Chisinau, 6 October 2003.

<sup>143</sup> ICG interview, Chisinau, 2 October 2003.

<sup>144</sup> ICG interview, Chisinau, 23 November 2003.

<sup>145</sup> The Venice Commission -- formally the European Commission for Democracy through Law -- is the constitutional law arm of the Council of Europe.

international federal models.<sup>146</sup> It would have established a federal president, government and a bicameral parliament. The electoral system and timetable for the federal president and the bicameral parliament was left to further agreement of the two sides, as was the number of deputies in the chambers. Federal laws would need a simple majority of both chambers. The federal president's veto of federal laws could be overruled by a three-fifths majority in both chambers. Constitutional revisions would require a two-thirds majority in both chambers. The draft also proposed demilitarisation of the country.

In contrast to the September draft memorandum, the co-mediators' proposal stipulated guarantees in the form of an international peacekeeping operation. The exact parameters were to be defined by five-sided negotiations, though the OSCE was considered the most likely candidate to supervise the operation.<sup>147</sup>

During the 29-30 October five-sided round, the co-mediators requested meetings with Voronin and Smirnov to present their proposals officially but the former refused.<sup>148</sup> Russian negotiators claimed that the Transdnistrians were not interested in a political solution and were blocking negotiations.<sup>149</sup> The OSCE continued to suggest that the Russian and Moldovan sides merge the memorandum and mediators' draft into a single document but Moldovan officials remained unconvinced. They hinted that a completely new draft might soon emerge and argued that more concrete mechanisms and time frames were needed if endless talk was to be avoided.<sup>150</sup>

During this period, the co-mediators' paper was leaked to the DMR leaders. Realising that it took a tougher line over DMR competencies than the September memorandum, they immediately restarted trilateral negotiations. In the first half of November 2003, DMR representatives travelled to Moscow for consultations. A few days later the Russians gave the co-mediators a final draft – substantially amended since September -- of the "Memorandum on the Basic Principles of the State Structure of the United State", approved by the Moldovan government.

This final November draft converted important competencies from federal to shared. Gagauzia was elevated to a federal subject. Composition of the upper house was revised by adding a Transdnistrian senator and subtracting a Gagauz senator. The Constitutional Court included an additional two judges, respectively from Transdnistria and Moldova proper. Proportional representation of Transdnistria and Gagauzia in the federal government was introduced. Transdnistrian senators would be bound by a DMR government mandate, establishing strict control over their voting. A two-thirds majority in the lower house and a four-fifths majority in the upper house were required to revise federal constitutional law. Transitional provisions were introduced requiring: three separate regional electoral constituencies for the federal parliament until 2020; a majority of nine out of eleven judges for Constitutional Court decisions until 2015; and most critically, the need for the upper house to confirm federal organic laws with a three-fourths majority until 2015.<sup>151</sup>

Most of these amendments were major concessions to the DMR. The ability of the federal state to pursue its interests in the subject territories was seriously curtailed, while the possibility that the DMR could veto federal laws (including international agreements) was dramatically increased. Through the transitional provisions alone, Transdnistria could block any important federal laws and international agreements until 2015. The influence of both the DMR and Gagauzia in the federal administration was substantially increased. Under such conditions, the DMR and Gagauzia would have free hands at home while exercising considerable power over federal

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<sup>146</sup> Vladimir Socor, in a widely circulated analysis, mischaracterises the October draft as leading to a "soft version of Russian sphere of influence". Socor omits to mention that the mediators' proposals took account of the Venice Commission's recommendations, in order to design the distribution of powers between the federal units in line with international federal practice. See Socor, "Moldova: A Blot on the OSCE's Dutch Chairmanship", part of a five-part review in the Policy Briefings series for a presentation at Johns Hopkins University's School of Advanced International Studies (SAIS), Washington, December 2003, available on the website of the Institute for Advanced Strategic and Political Studies: <http://www.iasps.org/>.

<sup>147</sup> ICG interview, Chisinau, 3 November 2003.

<sup>148</sup> ICG interview, Chisinau, 5 November 2003.

<sup>149</sup> ICG interview, Moscow, 27 October 2003.

<sup>150</sup> ICG interview, Chisinau, 13 November 2003.

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<sup>151</sup> *RIA Novosti*, 17 November 2003.

policies. Transnistria could effectively preserve the status quo until at least 2015. A political settlement of this kind would have preserved Russia's considerable influence in Moldova while making broader European integration more difficult.

The Moldovan government initially supported the November final draft memorandum, which President Voronin described as a realistic compromise, suggesting that further talks on some clauses were necessary but that the benefits of agreement outweighed the dangers of continued conflict.<sup>152</sup> While Moldovan commentators suggest that he and his negotiators had badly underestimated the dangers inherent in the memorandum, Voronin was apparently eager to see his initiative succeed, and placed great faith in Russian assurances that the current DMR leadership would be replaced.<sup>153</sup>

Russia pushed for a rapid signing. As soon as the document was handed over, Russian officials briefed the media that the memorandum enjoyed full OSCE support.<sup>154</sup> The Russian Ambassador to Moldova claimed that the OSCE had had an important role in its preparation.<sup>155</sup> The aim of this campaign seems to have been to confuse the Moldovan public and the international community while pressuring both sides. DMR leader Smirnov sought to expand on his considerable gains, insisting that Russian be a second state language and military guarantees -- a 30-year Russian peacekeeping presence -- be included. The Moldovan government in turn insisted that any peacekeeping operation be open to wider international participation. Moscow suggested as a compromise that a Russian-led peacekeeping operation include 2,000 Russian troops (more than the current OGRF size) until 2020, with possible participation of Ukrainian troops and international observers. This plan clearly seeks to maintain a meaningful Russian military presence while paying lip service to most of Moscow's withdrawal commitments to the OSCE. Once again, exaggerated DMR demands have made it easier for

Russia to stake out a position driven by its own strategic interests.<sup>156</sup>

## B. THE FAST TRACK COLLAPSES

The memorandum was due to be signed in Chisinau on 25 November 2003 in President Putin's presence but early that morning, Voronin called Putin and cancelled the ceremony.<sup>157</sup> This was the result of his extensive talks over ten days with the OSCE Mission in Moldova, the Dutch OSCE Chairmanship, the U.S. and the EU (Javier Solana's office), all of whom advised that the document had seriously problematic elements.

The critical coordinating role was played by the OSCE Mission in Chisinau,<sup>158</sup> which, along with the U.S. special negotiator for Eurasian conflicts, apparently provided an in-depth analysis of the weaknesses of the memorandum before it had been officially introduced.<sup>159</sup> On the basis of this, the OSCE Chairman met with leading member states, especially other EU member states and the U.S. On 24 November the U.S. ambassador to Moldova informed Voronin of Washington's reservations. Later that day, the OSCE chairman informed Voronin by phone that there was no OSCE consensus to support the Russian proposal, and several member states had serious reservations.<sup>160</sup> Solana then called Voronin to warn that signing the

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<sup>156</sup> ICG interview, Chisinau, 24 November 2003.

<sup>157</sup> A Russian advance security team had already landed at the Chisinau airport, and President Putin was said to have been in Moscow on the way to his airplane when Voronin called him.

<sup>158</sup> In his article, "Moldova: A Blot On The OSCE's Dutch Chairmanship", op. cit., Socor ignores the key role played by the OSCE Mission in alerting Voronin, and the EU for that matter, to the dangers inherent in the memorandum. Instead Socor credits the Moldovan opposition and civil society (along with the EU and U.S.), for preventing Voronin's signature of the memorandum. In reality, the domestic opposition only began to stir once Voronin had already reversed his original commitment to the memorandum as a result of international pressure.

<sup>159</sup> Ibid. The OSCE Mission received the final draft from the Russian co-mediator on 14 November 2003, three days before the official handout, with the request to support the document; the Ukrainian co-mediator received the document only on 17 November.

<sup>160</sup> OSCE press release at <http://www.osce.org/moldova>.

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<sup>152</sup> *Interlic*, 20 November 2003.

<sup>153</sup> ICG interview, Chisinau, 23 November 2003.

<sup>154</sup> *RIA Novosti*, 17 November 2003.

<sup>155</sup> *Moldpres*, 18 November 2003.

memorandum would not advance Moldova's European aspirations.<sup>161</sup>

The episode highlighted the danger of Russia trying to force through a largely unilateral settlement without consulting its fellow mediators in a timely fashion, particularly the OSCE.<sup>162</sup> The memorandum ultimately tilted so heavily towards Russian and Transdnistrian interests that it almost guaranteed the agreement could not be implemented. Moscow appeared not to have abandoned its historical manner of operating in the CIS nor to have comprehended that OSCE support for conflict resolution is not only necessary but should be welcomed.

At an OSCE Council in December 2003, Foreign Minister Igor Ivanov criticised the organisation for undermining potential agreement.<sup>163</sup> Russia refused to join a ministerial decision and regional statements on Moldova and Georgia, supported by most participating states, that called for close cooperation among the co-mediators in the five-sided negotiation and completion of troop withdrawal without further delay.

By offering to work with Russia and making demands that enabled its negotiators to convince the Moldovans to accept a "compromise" clearly favouring Moscow's interests, the DMR was nearly able to strike a deal that would have formalised the status quo. The Moldovan government, spurred by domestic politics, came close to overlooking the dangers inherent in the memorandum. Only the combined OSCE, EU, and U.S. efforts saved Moldova from a settlement that would have done little to reduce its internal turmoil.

### C. WHAT NEXT?

In late January 2004 the co-mediators reconvened in Sofia. They agreed that their proposals and

recommendations should be distributed to the two sides and requested comments. On 17 February 2004 the Moldovan side presented the mediators with a new proposal, a "Declaration of the Basic Principles of State Structure of the Republic of Moldova". This retained the structure of the Kozak Memorandum but addressed some of its most critical points. Besides moving some important competencies from joint to federal responsibility, the document decreased the number of Transdnistrian senators, eliminated the ability of the Transdnistrian government to control them by a binding mandate, moved the power to confirm the government from the senate to the lower house and enabled the lower house to override an upper house veto on organic laws. At the same time, however, Transdnistria remained overrepresented in the Senate, and the requirement of a four-fifths majority for constitutional changes was retained. The Moldovans had basically ignored many of the mediators' proposals and recommendations.

On 26 April, the first five-sided negotiations of 2004 took place. The Moldovan side provided its new proposal. The Transdnistrian side declared it was ready to sign the Kozak Memorandum, but if the Moldovans were not, it had its own proposal reiterating the idea of a loose federation of two equal subjects (de facto a loose confederation). The two sides and the mediators agreed to continue five-sided negotiations on a regular basis and to resume expert groups on various issues. However, the five-sided talks, on 25-26 May, had no results, and the expert groups have not yet met. The next round of five-sided negotiations is set for 23-24 June.

The Kozak memorandum appears to be dead. Even in January 2004, before the Sofia meeting, the Russians and Transdnistrians had stated that a go-slow approach was warranted, given the failure of the memorandum and the approach of parliamentary and presidential elections in Moldova in early 2005. Moldova was not asked to join the Common Economic Area, which was founded in September 2003 at the CIS Yalta summit and includes Russia, Belarus, Ukraine, and Kazakhstan. This prompted Voronin to criticise the CIS, declare that European integration is Moldova's top foreign policy priority<sup>164</sup> and reverse himself by embracing a role for the EU and possibly other

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<sup>161</sup> ICG interview, Chisinau, 25 January 2004.

<sup>162</sup> This appears to be the line taken by the Russian foreign ministry, which was not directly involved in the Kozak affair (Kozak was a presidential envoy). ICG interview, Moscow, June 2004.

<sup>163</sup> Ukrainian President Kuchma had post factum stated his support during an interview a few days earlier. *Olvia-Press*, 29 November 2003. Kuchma, after the memorandum had already failed, seemingly tried to curry Russian support in the up-coming Ukrainian presidential election.

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<sup>164</sup> *Infotag*, 22 September 2003.

Western states in a restructured peacekeeping operation.

Russia's strategic aims in Moldova appear to be blocked. In reaction to Voronin's early attempts to curry favour, it may have overestimated his political will and underestimated the need to give him practical support. Even after he retreated from some early positions, Russia continued to seek a one-sided bargain.

Moscow failed to meet the end of 2003 deadline for troop withdrawal. At the December 2003 OSCE Ministerial in Maastricht, no declaration or statement on Moldova was possible due to fundamental policy differences between Russia and the majority of participants. EU and U.S. statements were critical of Russia, and both pushed for an international peacekeeping operation, including unarmed observers, under the OSCE to supervise implementation of an agreed political settlement. They also stressed that troop withdrawal should be completed without further delays.

NATO members at Maastricht urged swift fulfilment of Russia's withdrawal commitments as a precondition for them and others to ratify the revised CFE treaty. Not wanting to be reminded of its commitments in an official document, Russia reaffirmed its intention to withdraw, but when the necessary conditions were in place -- reversion to synchronisation. Its delegation also threatened that Moscow might be forced to seek alternative means of ensuring national security if CFE ratification was further delayed.<sup>165</sup> Russia subsequently announced that it needs another five to six months to complete withdrawal of ammunition but has not provided any information about its troops.

## VII. CONCLUSION

The failure of the Kozak Memorandum demonstrates that resolving the Moldovan conflict requires cooperation, not gamesmanship and that Russia would be well advised to review its approach to the conflict. At the same time, the affair showed that the international community needs Russia and its considerable influence over the DMR leadership if it is to mediate a political settlement.

The DMR, however, is not a mere Russia pawn but a self-aware political entity with its own interests that it has the ability to advance through lobbying, economic opportunism, political posturing, and creative negotiating. Clearly the parallel economy remains its most important bargaining tool when trying to harness or hold on to support in Russia, Moldova, and Ukraine -- all of whom benefit directly from illegal DMR business. The DMR remains heavily dependent on Russian political and economic support and will usually take into account Russian perspectives. When their interests align, the DMR is more than happy to provide Russia with leverage it can use against the Moldovan government. When Russian policies run counter to DMR interests, the leadership has proved itself capable of avoiding or minimising Russian pressure.

Russia's current approach to Moldova may ultimately be undercutting its own best interests. By working behind the backs of the other co-mediators, and by dragging its feet on troop withdrawals, Russia makes its pronouncements on security cooperation and partnership with the EU, NATO and OSCE look empty. Its security does not depend on several thousand troops in Moldova. The real dangers for Russia lie in the damage their overstay does to the country's reputation and the implied message they send that Soviet-style belligerence still dominates in the Kremlin. Given that President Putin appears to have recognised the merit of Russia's greater economic integration with the West, it would seem logical for Russia to welcome such a process also among its neighbours. Ultimately, Russia would be better served by having stable, economically prosperous, democratically minded states on its borders than by sporadic, hegemonic muscle flexing.

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<sup>165</sup> See documents of the 11<sup>th</sup> Ministerial Meeting at [www.osce.org/docs/](http://www.osce.org/docs/).



It remains to be seen, however, whether Russia will withdraw the rest of its equipment, ammunition, and troops from Moldova and push the DMR authorities to accept this. During 2002 and 2003 lack of determination led directly to the failure to meet its Istanbul commitments. While Russia can seek to pin blame on the DMR, few in the international community are likely to accept the excuse. Only towards the end of 2003, and in connection with the failed negotiations around the Kozak Memorandum, did Russia appear to have secured DMR agreement on finalising the withdrawal of the remaining ammunition, if not troops. The DMR later backtracked, insisting its agreement depended on signature of the Kozak Memorandum, write-off of the \$100 million gas debt by the Moldovan and Russian governments and lifting of the "economic blockade" caused by Moldova's new customs policy.<sup>166</sup>

Pressure from the U.S. and other NATO countries in the form of holding back ratification of the adapted CFE treaty until Russia withdraws its troops from Moldova remains essential. The OSCE, and in particular the U.S. and EU, rightly insist that withdrawal of all Russian troops from Transdnistria, in line with the Istanbul commitments, and the peacekeeping question are distinct matters that must be treated separately.<sup>167</sup> There are good arguments for Russian participation in future peacekeeping operations but only if the Russian contingent is balanced by forces more acceptable to the Moldovan side, and the operation is legitimised by an international mandate. A new peacekeeping operation should have a significant but minority Russian contingent and not include officers who are long-term residents in the region. Ukraine could also be considered as a participant but Western OSCE participating states would be appropriate as well. Most importantly, establishment of such an operation should not be made contingent upon a final settlement agreement, but should start as soon as Russia has met its revised commitment on withdrawal.<sup>168</sup>

Far from discouraging Moldova's hopes for European integration, Russia's heavy-handed role

in the negotiations has produced the opposite effect, as illustrated by the fact that a communist government in Chisinau has made European integration its highest foreign policy goal. Moldova needs more Western -- especially EU and U.S -- support to make it clear that Russia is not the only player with an interest in the country. The international community should, as its priority, target the web of corrupt business networks that keep the DMR afloat. Doing so would accelerate prospects for a political settlement in the reasonably near future.

**Chisinau/Brussels, 17 June 2004**

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<sup>166</sup> *Olvia-Press*, 17 December 2003.

<sup>167</sup> ICG interview, Chisinau, 21 November 2003.

<sup>168</sup> It would be irresponsible to leave the Moldovan and Transdnistrian forces occupying the security zone without the presence of a third party. See ICG Report, *Moldova: No Quick Fix*, p. 21.

## APPENDIX A

### MAP OF THE REPUBLIC OF MOLDOVA



## APPENDIX B

### GLOSSARY OF ACRONYMS

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CFE	Treaty on Conventional Armed Forces in Europe
CFSP	Common Foreign and Security Policy
CSCE	Conference on Security and Co-operation in Europe
CiO	Chairman-in-Office
CIS	Commonwealth of Independent States
CISR	Centre for Strategic Studies and Reforms
CPSU	Communist Party of the Soviet Union
"DMR"	Dniestrian Moldovan Republic
"DMSSR"	Dniestrian Moldovan Soviet Socialist Republic
EU	European Union
GDP	Gross Domestic Product
GUAM	Georgia, Ukraine, Azerbaijan, Moldova
GUUAM	Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova
JCC	Joint Control Commission
KGB	Komitet Gosudarstvennoj Bezopasnosti (State Security Committee)
LDPR	Liberal-Democratic Party of Russia
MFA	Ministry of Foreign Affairs
MMZ	Moldavskij Metallurgicheskij Zavod (Moldovan Metallurgical Factory)
MSSR	Moldovan Soviet Socialist Republic
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
NIS	New Independent States
OGRF	Operational Group of Russian Forces
OMON	Otryad Militsii Osobogo Naznacheniya (Special Task Police Detachment)
OSCE	Organisation for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
PCRM	Party of Communists of the Republic of Moldova
UNA-UNSO	Ukrainian National Assembly-Ukrainian People's Self-Defence