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# TRANSNISTRIA: A BOTTOM-UP SOLUTION

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## SUMMARY

Transnistria has long been seen as the most “solvable” of all the post-Soviet secessionist conflicts. There is little ethnic hatred and most stakeholders accept in principle the need to reintegrate Transnistria into Moldova. The election of a new Transnistrian leader and Chancellor Angela Merkel’s engagement with the issue as part of Germany’s security dialogue with Russia have also fuelled hopes of a resolution of the dispute. However, the conflict will not be solved through a diplomatic offensive. A quick and dirty solution based on a grand bargain with Russia would almost certainly impair the integration of Moldova into the EU.

The EU and Moldova should instead pursue a bottom-up policy of de facto reintegration. The EU should keep high-level diplomatic pressure on Russia to expand the scope for confidence building measures between Moldova and Transnistria, modifying the peacekeeping arrangements, and removing military checkpoints. The EU should expand its interaction with the Transnistrian authorities through joint projects and seek to connect the region to EU-Moldova cooperation, including free trade. But by far the most important contribution the EU can make to the conflict settlement process is to anchor Moldova in Europe by supporting the reform process, a visa-free regime and free trade between the EU and Moldova.

In June 2010, German Chancellor Angela Merkel launched the Meseberg process. Under the plan, Russia would be included in European security policymaking through a joint committee with the European Union. The price was concrete progress towards the resolution of the Transnistrian conflict in Moldova. For almost two years, Russia showed little interest in the exchange and very little progress was made. But in 2012, the conflict settlement process received a boost with the election in Transnistria of a new leader, Evgeny Shevchuk. Moldova finally managed to elect a president after a three-year constitutional deadlock, removing the cloud of political uncertainty that hung over the Moldovan political elite. And Russia appointed a political heavyweight, Dmitry Rogozin, as Putin’s special representative on Transnistria. Merkel sought to re-energise the conflict-settlement process through a visit to Chisinau in August 2012.

These new developments create the conditions for potential progress on the Transnistria conflict. But they also mean that new policy choices are needed, not least from the EU. Europe is already heavily invested diplomatically in conflict settlement in Transnistria. It has a 100-person strong EU border assistance mission in the region, deployed in Ukraine and Moldova. And it has allocated substantial funds to confidence-building measures. The EU also has a significant regional trade presence. It is the largest trading partner both of Moldova and of the secessionist region of Transnistria. What the EU does not have is a strategic framework into which to integrate its substantial but scattered actions on Moldova and Transnistria.

Transnistria has long been seen as the most “solvable” of all the post-Soviet secessionist conflicts. There is little ethnic hatred and most stakeholders accept in principle the need to reintegrate Transnistria into Moldova. The EU and Ukraine both want to help solve a conflict right next to their borders. Russia might accept a settlement that gives Transnistria a significant degree of power and influence in the potentially reintegrated Moldova. Transnistria itself might prefer independence or being part of Russia, but is not completely averse to re-joining Moldova under the right circumstances, if prodded, nudged, or pressed to do so, especially by Russia. But in practice the interests of all parties have never aligned properly and it is not clear whether and when they would.

Thus a rapid settlement is neither realistic nor desirable. A top-down solution is unlikely to be accepted by the societies on either bank of the river Dniester; while a rushed solution could impair Moldova’s reform and its integration into the EU. Instead, the EU should help Moldova slowly to resolve the conflict from below by pursuing de facto reintegration between Moldova and Transnistria through confidence-building, joint economic projects, and a greater EU presence in Transnistria. The EU should aim to consolidate Moldova’s democracy, prosperity, and integration with the EU and to boost Moldova-Transnistria links and the EU’s presence and leverage on Transnistria. It will take several years of such measures – perhaps even a decade – before Moldova and Transnistria can realistically hope to achieve a sustainable constitutional arrangement for conflict settlement.

## Shevchuk’s power consolidation

In December 2011, Transnistrian politics underwent a serious shock. The region’s autocratic leader, Igor Smirnov, a Soviet-era apparatchik who led the region to secession in the early 1990s, did not even make it into the second round of leadership elections. Tired of Smirnov’s corrupt rule, the local population voted overwhelmingly for 43 year-old Evgeny Shevchuk, a modern and pragmatic leader. Shevchuk was speaker of the local legislature between 2005-2009 and opposed Smirnov’s Soviet-style rule.

However, Shevchuk’s transition to leadership has not been easy. In spite of his overwhelming public support, Shevchuk came to power from a relatively weak political position and against the preference of most local powerbrokers. He was opposed not just by the Smirnov-built de facto state and its security apparatus, but also by the presidential candidate of the Renewal party. Renewal is the political front of the biggest local business conglomerate, Sheriff. It controls the region’s legislature and, during the campaign, enjoyed undisguised support from Russia, Transnistria’s main patron. And although Shevchuk is popular, his support is predicated on his ability to fulfil his campaign promises to bring change to the region, in particular economic improvement.

However, the Transnistrian economy is in dire straits. Once the economic powerhouse of Soviet Moldova, Transnistria’s industry sector now generates huge losses. The region’s GDP per capita is roughly the same as Moldova’s, close to \$2,000 per capita in nominal terms, or \$3,300 per capita in purchasing power parity. Both are low, but the numbers behind these figures are much more disastrous for Transnistria. Moldova’s external debt amounts to around 80 percent of its GDP. But Transnistria’s is close to 400 percent of the region’s GDP. As of mid-2012, Transnistria’s debt to Gazprom, the Russian natural gas supplier, stood at \$3.8 billion. This is almost double the \$2 billion gas debt owed by Ukraine to Russia, which sparked the 2009 gas cut-off that left several EU member states freezing in mid-winter – and Ukraine’s population is over 100 times that of Transnistria. As much as three-quarters of the Transnistrian budget is reliant on direct or indirect subsidies from Russia. Russia’s tolerance for Transnistria’s non-payment of gas debts is one such indirect measure of support. The ability to run up debts is reflected in lower utility prices for the population, forming a key element of the Tiraspol authorities’ support. One Transnistrian expert estimates that only around 25 percent of the population is employed.

Shevchuk’s main goal in his first year in power was to consolidate his authority. He moved quickly to appoint some of his few trusted people to key positions in the de facto state apparatus. He also ousted all former ministers, as well as some of Smirnov’s most notorious loyalists, such as the head of the local security apparatus. Shevchuk also sought to clip the wings of Sheriff. Under Smirnov, the company was allowed to monopolise entire sectors of the local economy, from mobile telephony to imports and from supermarkets to petrol stations. Shevchuk moved to open some of Sheriff’s monopolies to competition. He announced a bid for a second mobile licence. And he lifted a 100 percent duty on imports from the rest of Moldova, which had benefited Sheriff’s retail chains by effectively banning trade between the two banks of the river Dniester.

Shevchuk’s focus on consolidating power has two key implications for the conflict-settlement agenda with Moldova. His domestic power struggles mean that he is unlikely to undertake any grand steps towards conflict resolution. He was not elected to reintegrate the region into Moldova. Nor does he have the power to bring about reintegration, even if he wanted to, which in itself is very unlikely. And he is not willing to risk being portrayed by hard-liners as a sell-out to Moldova. So, Shevchuk’s election should not be seen as dramatically increasing the chances for a settlement, at least not in the near future. There are also concerns that Shevchuk’s rapid assertion of power could lead to the consolidation of a less than pluralist system. This could also limit the possibilities for engagement with the Transnistrian leadership and population.

At the same time, if he is to maintain his authority, Shevchuk needs not only to avoid political war but also to quickly come up with some deliverables for the population. This

makes him open to cooperative endeavours that benefit the local population. So, Shevchuk's personal pragmatism, along with a structural predisposition to cooperation, has led to intensified dialogue with Moldova. In his first month in power, Shevchuk established a good personal working relationship with Moldovan Prime Minister Vlad Filat. He has also succeeded in intensifying Transnistria's engagement in confidence building.

The various actors in the conflict-settlement process, with Shevchuk's participation, agreed to several steps that should foster confidence building. They agreed to improve the dynamic at conflict-settlement talks in the 5+2 format, which consists of Russia, Ukraine, and the Organization for Security and Co-operation in Europe (OSCE) as mediators, Moldova and Transnistria as conflict parties, and the EU and United States as observers. Freight train connections between Moldova and Transnistria have been re-established. Both sides approved the re-connection of telephone links, though this has not yet been implemented. There have been discussions on re-opening a currently unused bridge between the two sides. And the stakeholders are looking for ways to involve Transnistrian authorities in EU-Moldova negotiations on free trade.

However, for all the positive developments in conflict settlement in Shevchuk's first months, there are fears that even the less divisive measures of cooperation with Moldova will not be fully implemented. And there is concern that moving towards greater cooperation will be even more difficult. For example, when Chancellor Merkel visited Moldova in late August, Shevchuk was expected to attend a joint meeting with her and the Moldovan prime minister. This engagement was supposed to re-energise the conflict-settlement process. At the last moment, Shevchuk pulled out of attending the meeting – most probably at the behest of Russia.

Shevchuk's room for manoeuvre is limited. Moldova, too, is unlikely to go out of its way to meet Transnistrian demands. Filat's own freedom of action is limited by various degrees of scepticism towards greater engagement with Transnistria from coalition partners, civil society and political opposition. And the Moldovan public would prefer to see Filat focus his attention more on matters closer to home.

## Moldova's views on reintegration

Through all the ups and downs of conflict settlement, Moldova has continuously been affected by one underlying dynamic: indifference to Transnistria. According to various opinion polls, Transnistria ranks as the ninth or tenth priority for the population. As few as two percent of people consider it the most pressing issue, and five percent consider it second, well behind issues such as poverty, crime, or inflation. This stands in striking contrast to the much higher preoccupation with frozen conflicts in other post-Soviet countries such as Azerbaijan and Georgia.

The positive side is that such "indifference" is clearly one of the pillars of stability and peace in the region. The lack of public concern means that there is little push for militarisation or nationalist agitation around the conflict zone, as has been the case in so many conflict regions. But the downside is that because of indifference to Transnistria, Moldovan society is not willing to make significant concessions. As a result, Moldovan society tends to be against most forms of meaningful power-sharing, such as federalisation or even a serious inclusion of Transnistria elites in a reintegrated Moldova. Among Moldovan elites, most likely very few would be happy to see a significant number of Transnistrians occupying senior political positions in Moldova, from ministers to members of parliament to ambassadors.

The Moldovan approach to Transnistria is increasingly driven by a cold-blooded cost-benefit analysis rather than by grand aspirations to territorial integrity. Moldovan society and the elite are busy thinking through not only the benefits but also the potential costs of reintegration. And for a growing number of Moldovans, it is not clear that the benefits of reintegration will outweigh the costs. Moldova is a weak state with divided elites, a shaky pro-reform consensus, and a broad but shallow pro-EU majority. Adding Transnistria's Russophile and much less democratised public could tilt the balance of Moldovan politics away from European integration, towards a perpetuation of the undemocratic politics and oligarchic capitalism typical of post-Soviet countries' efforts to muddle through.

These problems could potentially be minimised if Moldova could strengthen its state institutions enough to be able to absorb Transnistria. But to achieve that, Moldova needs several more years, or even a decade, of systematic reforms, rapprochement with the EU, and increasing prosperity. And the success of such an enterprise is not guaranteed. One senior official and Moldovan politician, a long-term champion of conflict-settlement in Transnistria, argued, "The worst situation for Moldova would be to have a dysfunctional federation with Transnistria as envisaged by the Kozak Memorandum in 2003 (a Russian sponsored deal). The second worst would be to retain Moldova's

status quo – not being in the EU and having the conflict unsolved. The next option, a rather favourable one, is to join the EU without Transnistria like Cyprus did, and the best possible is to join the EU together with Transnistria. The option of joining the EU without Transnistria could mean either leaving it unsolved or even recognising it.”<sup>2</sup> Of course, Moldova’s own EU accession prospects are hardly set in stone. This makes Moldovan elites even more uncertain about the possible effects of reintegration.

Moldovan elites have therefore started to think about reintegration through the prism of how it would serve the existing three million or so inhabitants of the Republic of Moldova. They are not willing to sacrifice what Moldova has achieved as a state for the sake of reintegration with Transnistria. More and more, if state functionality and EU integration cannot be reconciled with reintegration, then reintegration is considered to be the less important goal.

These reservations complicate any discussion of a grand bargain on the status of Transnistria in a reunified Moldova. But that does not mean there can be no meaningful engagement or confidence building with Transnistria. This kind of engagement has been taking place under the leadership of Filat and Shevchuk. The two have established a very good working relationship, and they have regular formal and informal one-on-one meetings. They have met not only in Moldova and Transnistria, but also in Bavaria under the auspices of the OSCE (“beer diplomacy”), at Mount Athos in Greece at the initiative of the Metropolitan of Moldova (“Orthodox diplomacy”), and even at a concert by French singer Lara Fabian in Chisinau.

Moldova hopes that its rapprochement with the EU, which involves a free trade area, a visa-free regime, and improved democracy and prosperity, will make it much more attractive for the residents of Transnistria. But although Moldova’s attractiveness is a necessary condition for conflict settlement, the Moldovan leadership realises that it is not the only important factor. Moldova must therefore also engage in confidence building with Transnistria. People-to-people contacts must be increased. Links such as train, telephone, and mass media connections must be established between the two sides. And projects that promote economic development and interdependence should be developed. Gradually, this approach could develop into a bottom-up reintegration process, which, in time, could substantially increase the chances of reaching a durable solution. But even if Moldova is successful in its efforts, Russian interests in the region will continue to provide an additional layer of complexity to the conflict-settlement process.

## Russia’s Eurasian project

In March 2012, Dmitry Rogozin was appointed Russia’s special representative “on Transnistria” (rather than “on conflict settlement in Transnistria”). Rogozin is Russia’s deputy prime minister responsible for the military-industrial complex as well as a former ambassador to NATO. He is a sharp-tongued Russian nationalist who openly espouses dreams of a Eurasian empire. The appointment was one element of a part-defensive, part-offensive policy designed to raise Russia’s game in Transnistria.

Russia is already embedded in Transnistria through a military presence that remains in the region in defiance of previous commitments on withdrawal and in spite of Moldovan protests. The country finances as much as 80 percent of the Transnistrian budget, as the Transnistrian leader himself acknowledges.<sup>3</sup> And Russia is the region’s main political sponsor in international affairs. Russia has also issued passports to some 150,000 residents of the region, which provides an additional justification for Moscow to interfere in Transnistrian affairs.

Despite its overwhelming support for Transnistria, Russia is in principle in favour of Moldovan reintegration, because it fears that Moldova without Transnistria would drift further away from its zone of influence. But to ensure decisive influence in Moldovan affairs in the future, Russia wants as much power as possible for Transnistria in a reintegrated Moldova. For the time being, if a settlement plan that meets its criteria is not on the table, Russia is content with the status quo. The current situation serves its goals of impeding Moldova’s European integration and maintaining Moscow’s influence in Moldova as a whole.

Almost immediately after his appointment, Rogozin set a high bar for progress by announcing a fairly unreasonable list of conditions under which Russia would support Moldova’s reintegration, including a “recognition of Russia as the only country which possesses political and coercive authority in the region” and said a future common state could only be formed “on a federative or confederative basis”. In a newspaper interview, he warned: “Do not try to play cat and mouse introducing as mediators players that have nothing to do with this region.”<sup>4</sup> Despite Rogozin’s nationalist credentials, his sharp statements often obscure a wily and pragmatic way of thinking. But even if Rogozin is more pragmatic than his rhetoric might sound, he is not the person Russia appoints when it wants to be cooperative on an international issue.

Rogozin has intensified the pressure on Moldova to agree to the opening of a Russian consulate in Tiraspol, an institution that would in fact most likely become a governor-general’s

<sup>3</sup> “Konferentsiya Prezidenta Pridnestrovskoi Moldavskoi Respubliki Evgeniya Shevchuka”, Pervyi Respublikanskiy Telekanal, 31 August 2012, available at <http://www.youtube.com/watch?v=CWEMG-QnLRI>.

<sup>4</sup> Vladimir Soloviev, “To, chem ya zanimayusi ne sovsem chinovnichiya rabota”, *Kommersant*, 20 April 2012, available at <http://www.kommersant.ru/doc/1919430>.

<sup>2</sup> Unless stated otherwise, quotes are from interviews with the authors.

office. The Moldovan government has long refused to allow such a consulate, but is now considering such a move. But if it does not give in, Russia is implicitly threatening to unilaterally open a representative office of Dmitri Rogozin in Tiraspol, in defiance of Moldovan formal sovereignty. Through what were probably calculated media leaks, Russia has also raised the possibility of deploying a radar station in Transnistria to counter the Romania-based US elements of the Anti-Ballistic Missile shield.<sup>5</sup> And there have been reports that the Russian peacekeeping force could be turned into a military base in Transnistria.

Russia is not keen on letting confidence-building measures advance too far, fearing that they could lead to a decreased Russian role in the region. A recent instance of Russian diplomacy behind the closed doors of the 5+2 format exemplified that attitude. In April in Vienna, a new round of 5+2 talks were held, one of the first rounds of the re-launched talks after a break of almost six years. One key issue on the agenda was whether Moldova and Transnistria could be considered equal parties. Transnistria and Russia pushed for recognition of the equality of the two sides, whereas the traditional Moldovan position has been that there can be no parity between a recognised state and a secessionist entity. After the usual diplomatic wrangling, there was a coffee break. The Russian representative at the talks, Sergey Gubarev, left the room to smoke a cigarette. During the coffee break, Moldova and Transnistria agreed on a compromise that consisted of recognising the “equality” of all participants in the negotiating process.

The deal implied that Chisinau recognised its equality with Tiraspol in the context of the talks, which was a formal recognition of the reality that Transnistria had always had a formal veto inside the talks. All the other participants in the 5+2 – the mediators, Russia, Ukraine, and the OSCE, as well as the observers, the EU and the US – would also be equal in the context of the negotiations. Upon returning from the break, the Russian diplomat was told that the parties had agreed on a compromise. This caused a clear disagreement from the Russian side. They wanted Tiraspol to be equal to Chisinau, but did not want formal equality between Moscow on the one hand and Washington and Brussels, which have the formal status of observers, not mediators, on the other. The Russian side attempted to block the agreement. The Ukrainian representative at the talks launched into a tirade about the fact that the mediators’ role in the negotiations is to help Chisinau and Tiraspol find a solution, not to block a solution agreed upon by the two sides. Allegedly, after that round of talks, the Transnistrian authorities got a serious battering from Moscow for agreeing to compromises with Chisinau without clearance from Moscow.

For all Russia’s assertive rhetoric, Russia does not want Transnistrian independence. Transnistria’s greatest value to Russia is in providing a source of leverage within Moldova. The Russian hope is that a reintegrated federative Moldova could be heavily influenced by Russia via Transnistria. Moldova could perhaps even be induced to join the Russian-led Eurasian Union, which is Putin’s primary foreign-policy goal. On his first visit to Moldova in his new capacity, Rogozin spent quite some time extolling the virtues of the Eurasian Union and predicting the imminent collapse of the EU, as well as talking down the Deep and Comprehensive Free Trade Area (DCFTA) with the EU. Besides attempting to spin the economic attractiveness of a customs union with Russia, Rogozin carries the threatening stick of the \$3.8 billion Transnistrian debt to Gazprom. Russia considers the debt to be the Republic of Moldova’s obligation. He once stated that “if Moldova will not recognise Transnistria, then it means that the gas consumed by Transnistria belongs – is Moldova’s debt, and Moldova should pay for it. How else? This a pragmatic approach.”<sup>6</sup>

The debt itself is an interesting way of supporting Transnistria and enriching certain individuals, both in the region and in Russia. The debt has skyrocketed through Russian gas deliveries to the Gazprom-controlled company, Moldova Gaz. This organisation has a monopoly on gas sales and distribution in Moldova, including in Transnistria. Of the gas delivered to Moldova Gaz, and to Moldova as a whole, roughly half goes to Tiraspoltransgaz, which handles gas distribution in Transnistria. In Transnistria, the gas is then sold below market price to residential and industrial consumers, generating huge losses for Tiraspoltransgaz and Moldova Gaz. The money collected from gas consumers in Transnistria is not transferred to Moldova Gaz and Gazprom, but instead is spent by the secessionist authorities. This constitutes Russia’s most substantial indirect subsidy to the region.

Close to half of the gas used by industry in Transnistria goes to the Kuchurgan power plant, owned by the Russian state company Inter RAO. This firm’s CEO, Boris Kovalchuk, is the son of one of Putin’s close friends. And its board of directors until recently included Igor Sechin, one of Russia’s most influential politicians, a close Putin confidant and the overseer of the energy sector.<sup>7</sup> Another substantial consumer of natural gas in Transnistria is the Moldovan Steel Works in Ribnitsa, controlled by Alisher Usmanov, an oligarch with close ties to Putin’s inner circle. The end result is that Gazprom’s deliveries to Transnistria are used to subsidise the Transnistrian authorities and Russian-owned industry. Meanwhile, Moldova is left responsible for a gas debt that continues to rise alarmingly.

<sup>5</sup> Svetlana Gamova, “Dmitrii Rogozin poshel v razvedku”, *Nezavisimaya Gazeta*, 17 April 2012, available at [http://www.ng.ru/cis/2012-04-17/1\\_rogozin.html](http://www.ng.ru/cis/2012-04-17/1_rogozin.html).

<sup>6</sup> “Tri Missii Rogozina”, 20 April 2012, Materik.ru, available at <http://www.materik.ru/rubric/detail.php?ID=14929&print=Y>.

<sup>7</sup> See InterRAO UES Board of Directors, available at <http://interrao.ru/en/company/rukovod/council/>.

Russian assistance to Transnistria is crucial for the region's economic survival. But it contrasts with the kind of international assistance received by Moldova. Moldova gets substantial grants and credits, which are mostly invested in development, such as roads, irrigation systems, and institution building, with the aim of building a more sustainable economy. In contrast, virtually all Russian assistance to Transnistria is spent on current spending with little developmental potential. And unlike Western aid to Moldova, very little of the Russian assistance to Transnistria can be audited in any meaningful way. This provides the potential for much of it to be misappropriated.

Despite Russia's important role in the region, its influence is not uncontested, and it is not always exercised constructively. Both Moldova and Transnistria conduct over 50 percent of their trade with the EU, and much less trade with Russia. Russia may have started to gain some ground in the geography of exports from Moldova due to the EU's recent economic troubles. But the balance is still significantly tilted in favour of the EU. This makes the DCFTA the only possible game in town. Once Moldova formally accedes to this free-trade agreement, the country will be anchored even more firmly in the pan-European economic space.

Some Russian actions have served unintentionally to antagonise Moldova and even parts of the Transnistrian elite. In Moldova, on the morning of 1 January 2012, a Russian peacekeeper was involved in the fatal shooting of a Moldovan civilian at a joint peacekeeping forces checkpoint. This was the first lethal incident since the end of hostilities two decades ago. Instead of apologising, then Russian ambassador to Moldova Valeri Kuzmin blamed the civilian victim, saying he was drunk. He accused the media of "instigating hysteria" and, bizarrely, of behaving "like Winnie the Pooh, who, while visiting the rabbit, was asked whether he wants condensed milk or honey, said that he wants both and without bread".<sup>8</sup> Besides such disrespectful "diplomatic" exchanges, there has been no proper investigation of the incident. The Russian authorities refused to cooperate on such an investigation with the Moldovan authorities. They quickly made sure that all Russians involved in the incident were relocated from the region to Russia.

Russia has similarly mishandled its interactions with the Transnistrian political elite. It aggressively involved itself in "internal" politics in Transnistria by backing a losing candidate against Evgeny Shevchuk in the December 2011 elections. This candidate, Anatoliy Kaminski, campaigned with electoral posters featuring Putin and stamped with the imprint "supported by Russia". Such behaviour by Russia was consistent with the pattern of its ill-fated attempts to act as kingmaker in Abkhazia in 2004 and South Ossetia in 2011.

Russia's ill-advised attempt to play favourites in the 2011 Transnistrian elections means that there is little love lost and not much trust between Shevchuk and Russia. And, despite regular proclamations of affection for Russia, much of the Transnistrian elite would like more autonomy from Russia. They might enjoy the opportunity to play some kind of balancing game between various external stakeholders such as Russia, Ukraine, and the EU. But Transnistria as a whole is dependent on Russian economic and political support. Shevchuk's own domestic agenda of consolidating power and improving the economy means that his only option is to be extremely cooperative towards Russia – whatever personal misgivings he may have about Russia's heavy-handed political interventions.

There is little chance of Russia agreeing to a sustainable solution to the conflict in the foreseeable future. Such a solution would have to be based on devolution of power from Chisinau, while preserving Moldova's freedom to move towards the EU. Moldova's persuasive powers in Moscow are negligible. The EU and the US are supportive of conflict settlement in general and are diplomatically engaged with the resolution process. But they are clearly not making Transnistria a big enough priority to change Russia's current calculation of its approach to the conflict.

## Ukraine: irrelevant by choice

Ukraine could be a key actor in conflict settlement in Transnistria, but it is not. The country has no interest in having at its south-western border an unresolved conflict that sustains a Russian troop presence and perpetuates a weak Moldova. And, like Russia, it has over 100,000 passport holders who live in Transnistria. But Ukraine often appears to be torn between multiple factors that prevent it from playing a coherent role in the settlement process.

Ukraine is in favour of Moldova's territorial integrity and greater EU involvement in the region. Kyiv supported the deployment of the EU border assistance mission on its territory back in 2005. It cooperated with the concurrent Moldovan-EU actions that forced virtually all Transnistrian exporters to register with the government in Chisinau. Moldova and Ukraine have been engaged in a deep rapprochement that has helped to solve several problems, including the two countries' longstanding border disputes. Ukraine also supports the transformation of the Russian-led peacekeeping operation into an international mission, which corresponds to the positions of Moldova and the EU. And Ukraine will hold the OSCE chairmanship in 2013, which will give it another platform to play a more visible role on Transnistria. During that time, Ukraine is likely to be focused on 1+1 meetings between Shevchuk and Filat. At these meetings, Kyiv will try to play the role of moderator. This will follow on from the first ever Filat-Shevchuk meeting, which the Ukrainians brokered, in a minor diplomatic coup. That meeting took place in Odessa in early 2012.

<sup>8</sup> Publika TV channel, 3 January 2012, 'Kuzmin regreta moartea tanarului impuscat si ne da sfaturi' <http://www.youtube.com/watch?v=m1XRNxoOXXk>.

Ukraine has for a long time had a good relationship with Evgeny Shevchuk. The Transnistrian leader is an ethnic Ukrainian, studied in Kyiv, and has been close to Ukraine throughout his political career. The relationship was slightly overshadowed, but not permanently damaged, when Shevchuk decided to make his first foreign trip to Moscow rather than to Kyiv, upsetting many of Shevchuk's Ukrainian political "friends". After Ukraine's falling-out with the EU following the imprisonment of former Prime Minister Yuliya Tymoshenko and several other former ministers, Kyiv has framed its constructive approach to Transnistria as one of the few areas where it can have a positive political dialogue with the EU. As a Ukrainian diplomat confessed, "We clearly don't want all our meetings in the EU to only be confined to the Tymoshenko affair. Having a meaningful and positive discussion on Transnistria could help us defuse the currently tense relations with the EU."

Ukrainian diplomats think that confidence-building measures should remain the main tool for rapprochement between Chisinau and Tiraspol. Moreover, Kyiv thinks that the term "reintegration" is not a positive one and should be excluded from the political lexicon. Alongside confidence-building measures, the process should be focused on economic cooperation. This could help to create strong business ties. And it could convince Transnistrian business interests that cooperation with Moldova is their best chance to engage in profitable, stable, and legal economic activity.

Ukraine has several reasons for not focusing on reintegration as energetically as other regional players. Ukraine has strong business and political links with Transnistrian elites. Through the port of Odessa, the country is Transnistria's gateway to the world. Ukraine would like to ensure the language rights of a sizeable Ukrainian minority in the region. And it sometimes buys into the unrealistic fears, fanned by Russia and Transnistria, that Moldova could unite with Romania. Ukrainian regional elites, especially but not only those in the Odessa region bordering Transnistria, have multiple business dealings with parts of the Transnistrian elite.

Considering all the problems it has with Russia, from energy conflicts and trade disputes to debates over the role of the Russian language, Ukraine does not want Transnistria to become another factor that complicates its relations with its large neighbour to the east. Ukraine is unlikely to push for a settlement as long as it appears that the only potential solutions would involve some sort of federalism. Ukraine has in the past had its own problems with regions such as Crimea demanding more autonomy from the centre. Kyiv therefore worries that a federative arrangement could set a precedent for Russia to engage in attempts to federalise Ukraine. Ukraine has its own domestic problems, such as economic troubles, tensions in its relations with Russia, and a lack of credibility with the EU. This internal situation means that Ukraine is not in a position to be a forceful player on Transnistria.

In short, Ukraine often plays a positive role in the process, but it has not managed to be particularly active on conflict settlement in a way that would be appreciated by Moldova, Transnistria, or the EU. Ukraine's approach to Transnistria is influenced by countervailing factors that leave Ukraine almost helplessly squeezed in the middle.

## The EU's plateauing engagement

In December 2002, the EU issued a short first foreign-policy statement on Transnistria in what would become the first salvo of a growing involvement in conflict settlement. A decade later, the US has become increasingly disengaged from eastern European affairs in general. The OSCE plays a useful role as a forum and nexus of expertise on Transnistria, but lacks the weight to drive the process. Aside from Russia, the EU is now the main international actor involved in conflict settlement. Over the last decade, it has had an impact on conflict settlement in Transnistria in two ways: by taking direct actions to influence conflict resolution, in diplomacy, security, trade, and the financial sphere; and by influencing the international environment and actors like Russia and Ukraine.

In 2005, the EU deployed an EU border assistance mission that worked with Moldovan and Ukrainian customs and border guards to reduce smuggling around the region. It introduced travel restrictions on Transnistrian leaders, which were later suspended. And it played a role in a joint Moldovan-Ukrainian-EU offensive that forced most of the Transnistrian exporters to register with the Moldovan authorities. But after an initial spike in the middle of the last decade of initiatives designed to promote conflict settlement, the EU has lost momentum. The EU's own domestic economic problems, combined with the cumulative effect of years of Russian and Transnistrian stonewalling, may have taken their toll.

The Meseberg process offered Russia input into European security policymaking in exchange for concrete progress on conflict settlement in Moldova. In launching this diplomatic initiative in 2010, Chancellor Merkel was pursuing several goals. One was to respond to President Dmitry Medvedev's request to reconsider the European security architecture. At the same time, the initiative aimed to bring a more cooperative and constructive tone to the EU-Russia security agenda, an area that was put under serious strain by the 2008 war in Georgia. Germany was also trying to support the Moldovan government, which had since 2009 been engaged in a dynamic rapprochement with the EU.

From Moscow's perspective, the Meseberg offer was not much more than hot air. It was being offered a "soft" institution in exchange for giving up its "hard" military and political presence in Transnistria. Russia tends to like grand-sounding committees and organisations. But it also knows that previous institutions, such as the 1997 NATO-Russia Permanent Joint Council (PJC) and the 2002 NATO-

Russia Council, along with other lower-level frameworks between the EU and Russia, have almost never amounted to real inclusion in decision-making either from NATO or the EU. The Meseberg process therefore failed to change the prevailing Russian approach to the region or to activate the EU as a whole. But Merkel's diplomacy helped to re-launch the 5+2 talks on Transnistria and it kept the spotlight on Russia, limiting its potential to play a disruptive role.

In the absence of a high-political breakthrough, the EU focused on smaller steps. It has already committed to spending almost €30 million on conflict settlement in Transnistria over the next few years. This money will support the confidence-building process with concrete projects that could bolster links and interdependence between the two sides of the river Dniester and increase the EU's leverage in the region. However, many in Chisinau fear that this approach could strengthen Transnistria's international exposure and the sustainability of its de facto independence. Even though there is a risk that such an approach risks fuelling secessionist ambitions, it is ultimately sound. However, whatever EU assistance is likely to be deployed to bring Chisinau and Tiraspol closer together, it is dwarfed by Russia's political and economic commitment to supporting Transnistria and maintaining the region's separation from the rest of Moldova.

EU ambitions on Transnistria appear to have plateaued. But EU-Moldova integration has been on a rapid upward path since the pro-EU Alliance for European Integration came to power in Moldova in 2009. Since then, Moldova has come to be seen as a model success story of the EU's Eastern Partnership – an impression that is amplified by comparison to Ukraine's backsliding and effective freeze in relations with the EU. Moldova has launched talks on an Association Agreement, entry into a DCFTA, and the establishment of a visa-free regime with the EU.

These initiatives have clear implications for Transnistria. With regard to visa-free talks, Moldova is supposed to ensure that its borders are well managed. But since the Transnistrian authorities control a section of Moldova's border with Ukraine, Moldova cannot be considered to have full control of its border. The border is not completely uncontrolled, since the Ukrainians have established border controls, and the Transnistrian authorities also have their own de facto border and customs controls. But from a Moldovan standpoint, the country does not have full say over who enters and exits the country through the Transnistrian region, because it does not conduct passport checks of individuals entering and exiting Transnistria.

Moldova would in principle, even if reluctantly, be willing to deploy border police on the administrative border line between the Chisinau-controlled part of the country and Transnistria. This could ensure that Moldovan border management complies with the standards expected by the EU as part of the visa-free dialogue. However, this would likely have a disruptive effect on people-to-people

contacts across the river Dniester, since many residents of Transnistria are holders of Russian, Ukrainian, or old Soviet passports. Border controls could cause complications for them in crossing into the rest of Moldova. So far, the EU, which wants to encourage people-to-people contacts between the divided parts of Moldova, has been flexible on the issue. However, as Moldova advances towards a visa-free regime with the EU, it is possible that a stronger monitoring regime along the administrative boundary with Transnistria might be enforced.

Even more important is the potential impact on Transnistria of EU-Moldova talks on deep and comprehensive free trade. Almost all Transnistrian exporters are currently registered with the Moldovan authorities. This makes it possible for them to export to the EU under a favourable trade regime granted to Moldova called Autonomous Trade Preferences. Because of this, in recent years, more than 50 percent of Transnistrian exports, and sometimes closer to 60 percent, have gone to the EU. But an EU-Moldova free trade area is set to enter into force in the autumn of 2013. The Autonomous Trade Preferences will end, and Transnistria will have two choices. It can face a much tougher trade regime with the EU, as an exporter of "goods of non-specified origin", to which the highest tariffs apply. This could hit its exports hard. Alternatively, it could implement the EU *acquis* so as to fall within the DCFTA. The "deep and comprehensive" formula of the free trade area agreement means that Moldova must adopt large swathes of the EU *acquis*, implement EU standards, and engage in sweeping institutional reforms as part of the DCFTA accession process. Implementing the *acquis* is time consuming and very expensive, and Moldova has been receiving EU assistance in the process. Transnistria will find it difficult to follow suit.

Moldova invited Transnistrian representatives to participate in its talks with the EU on DCFTA in the hope that Transnistria would formulate requests on quotas, transition periods, and potential EU assistance in the implementation of the *acquis*. Transnistria took up the offer half-heartedly, sending a junior diplomat to observe the talks. It seemed to have little intention of playing a pro-active role either in trying to shape Moldova's negotiation position or in adapting to the DCFTA realities and implementing the necessary parts of the *acquis*. Transnistria's feeble response to the opportunity to participate in the DCFTA talks reflected its lack of people who were qualified to take part. It was also evidence of its uncertainty about the benefits of DCFTA, as well as its reluctance to upset Russia.

Transnistria's political narrative and economic realities contradict each other. The region's leadership has failed to start preparing for a DCFTA trade regime. It constantly reassures Russia and its Russophilic population that it wants to integrate into Russian-led Eurasian integrationist initiatives. But this kind of policy could deliver a severe blow to its own trade and economic interests. Shevchuk has to navigate between two extremes. He is dependent on Russia, and in the short term, it is urgent that the region continues



to receive Russian gas subsidies, cash transfers, and geopolitical sponsorship. But in the long term, Transnistria's interests lie in ensuring some kind of functioning economic base, such as could be achieved through a deeper political and economic engagement with the EU. So far, self-reliance has not been Transnistria's preferred choice. The short-term benefits of Russian subsidies seem to outweigh Transnistria's long-term interest in developing a more sustainable economic base through trade with the EU.

## Pursuing de facto reintegration

Postponing conflict resolution is not something anybody wants. But a bad solution is worse than no solution. So, realistically, the international community and the EU should not push right now for a quick solution to the conflict. Instead, they should try to turn the tide of conflict settlement from the status quo of de facto Transnistrian independence into a policy of bottom-up de facto reintegration of Moldova and Transnistria.

The EU should think through its policies at several levels. The EU's most important role is to shape and protect a regional environment that is conducive to conflict resolution. This should be achieved through engagement with Russia and Ukraine and by supporting confidence-building measures. The EU must continue to develop its policies targeted towards Transnistria and seek to build EU leverage and profile in the region. The greatest impact that the EU will have on regional stability will be through its continuing support for Moldova's European integration effort. This integration could build the basis for a sustainable solution to the conflict.

### *Engaging Russia*

Russia has a tendency to equivocate with its diplomatic partners, so it can often sound reasonable in conflict settlement talks on Transnistria but then suddenly adopt disruptive diplomatic tactics. Russia's goal in the region is to have a reintegrated but compliant Moldova that is not moving towards the EU, but instead, is connected to if not fully integrated with a Russian-led Eurasian Union. And the EU's soft diplomacy is unlikely to fundamentally change Russian objectives.

However, the EU should keep Transnistria in the spotlight of its diplomatic engagement with Russia so as to push for greater confidence building between Moldova proper and Transnistria. The EU should not rush into grand bargains or seek a quick solution on paper to the conflict. This conflict will not be solved through a diplomatic blitzkrieg.

All interested players, including the EU, should promote measures to increase the sustainability of confidence building by making the process relevant and visible to the wider public. These measures should include a

demilitarisation of checkpoints on the roads and bridges between Moldova and Transnistria. Peacekeepers should be taken off these roads. They could maintain a presence in the security zone, but roadblocks, sandbags, and barbed wire should be removed, and existing armoured vehicles should be replaced with army SUVs. The risk of military hostilities is currently close to zero, and there is no need for visible military infrastructure. These publicly visible changes in the security zone would help create a sense of stability and greater trust between the conflict zones. And it would minimise the risks of security incidents, such as civilians being killed by peacekeepers.

Although Moldova has requested that Russian troops be replaced with an international civilian mission, Transnistria insists that they remain. While the EU and Moldova should continue to ask for the withdrawal of Russian troops, an interim compromise solution would be to reduce the number of peacekeepers, and add a substantial group of international (EU, Russian, and Ukrainian) civilian monitors. These civilians would work to monitor the security situation alongside the existing peacekeeping format. A mixed civilian-military force like this would be unique. But it would represent a step towards ensuring that the peace support operation is acceptable to both sides in the conflict. And it would constitute a positive precedent in EU-Russia security cooperation. The EU should also become a party to the existing trilateral Joint Control Commission that oversees the peacekeepers.

### *Working with Transnistria*

Transnistria is willing to pursue engagement with Moldova and the EU. But it is constrained by domestic opposition to rapprochement, and more importantly, by Russia's wariness of these contacts. So, its scope for manoeuvre is drastically limited. The EU can respond to this challenge by pursuing engagement on several fronts. EU-funded projects in Transnistria should be partly geared towards co-opting the Transnistrian authorities into a more cooperative and trust-based relationship – even if this sometimes provokes wariness in Chisinau.

It is equally important not to exacerbate Transnistria's de facto separation from the rest of Moldova. Rather than development assistance solely aimed at improving the socio-economic situation in the region, EU funding should align with the needs of conflict resolution by building more links between the banks of the river Dniester. For example, the EU and Moldova could set up a fund to finance scholarships for Transnistrian students to study in Chisinau. Existing scholarships for Moldovans to study in the EU should be open to Transnistrians and be advertised more widely in the region. The recently created Euroregion involving parts of Moldova, Ukraine, and the Transnistrian region could be another vehicle for more projects. The EU could make the Euroregion a focal point for its assistance projects. This would allow it to undertake broader regional initiatives

involving Ukraine, as well as dealing with local Transnistrian authorities. By widening the scope of participants, it could avoid some of the more politicised discussion on the legal status of the region.

Most importantly, the EU must seek to connect Transnistria as much as possible to the EU-Moldova dialogue on issues such as the deep and comprehensive free trade area and the dialogue on visa liberalisation. Transnistria will need to move fast to associate itself with DCFTA negotiations, and it will require outside assistance to do so. This presupposes a fuller participation for Transnistrians in the Moldovan negotiation team. More involvement in negotiations would enable Transnistria to convey the interests of the Transnistrian business community to Moldovan negotiators so that they can be taken into account in the talks.

Although it will be difficult, Transnistria will have to start implementing the *acquis* and EU standards. Only by doing this can it save Transnistria's export potential and provide hope for its weak economy to rebound by securing continuing and improved access to the EU market. The EU could assign some trade advisors to work with the Transnistrian executive, legislature, and business associations on a roadmap to implementing the *acquis* that would allow Transnistria to be fully associated with DCFTA. These advisors could be based with the OSCE office in Tiraspol. This measure would be hard for the Transnistrian leadership to adopt, partly because of the strong anti-EU domestic currents, and partly because Russia is likely to strongly disapprove of such flirtation with the European agenda in the region. But if the region wants to have a productive economy and to avoid being completely subsidised by Russia, local businesses need access to EU markets. The EU should also prepare a plan B, in case Transnistria for political or technical reasons cannot associate with DCFTA. Part of this plan could be to prolong the current facilitated trade regime for the region for a transition period beyond 2013, so as to give the region more time to associate with DCFTA.

Another avenue for cooperation would be to extend engagement with Transnistria on border management. This would fit well into the EU's efforts to improve border controls in the wider neighbourhood, such as its visa dialogue with Moldova, Ukraine, and Russia. To facilitate these efforts, the EU border assistance mission should have its mandate extended so that it can start cooperating directly with the Transnistrian authorities. The EU border assistance mission could work together with the Moldovan border police and Transnistrian de facto border guards to harmonise border practices and bring them in line with each other and with European practices. Once – and if – EU engagement with Transnistria advances, steps should be taken to drastically simplify the movement of people across the Dniester. This could help to persuade Transnistria to remove its current de facto border posts with the rest of Moldova.

### *Europeanising Moldova*

Whatever actions the EU takes, the biggest impact it is likely to have on conflict settlement will come from the effects of the broader EU-Moldova relationship. Moldova's ability to consolidate as a democratic state making progress towards the EU could have a decisive influence on conflict settlement. EU-Moldova free trade, visa liberalisation, and political rapprochement are all important stepping-stones to conflict settlement. So, once Moldova fulfils the necessary conditions, the EU should move as soon as possible towards implementing a free trade area and visa liberalisation. Under no circumstances should EU-Moldova relations be held hostage to Transnistria, for example on the DCFTA. This would only embolden potential spoilers in the conflict-settlement process.

Moldova's increasing attractiveness should be made as visible and obvious to Transnistrian residents as possible, so as to change the "balance of attractiveness" on the ground. To achieve this, Moldova should prioritise development in its own towns and villages near the administrative border with Transnistria. In concrete terms, it should invest in development and job creation in and around towns such as Rezina or Varnitsa, a suburb of the Transnistrian controlled Bender/Tighina. The EU could support projects that show Moldova benefiting from its dialogue with the EU in a way that is felt by ordinary citizens. In order to project this image, the EU and Moldova should focus on concrete and publicly visible life improvements. These could include renovating cinemas and night clubs, lighting streets, and renovating roads. Public Wi-Fi internet could be deployed in towns such as Rezina and Varnitsa. Schools and hospitals could be upgraded and special support and tax incentives could be given to small businesses. The right-bank Moldovan audience should also be kept in mind. To sustain interest in reintegration among the right-bank population, public information campaigns underscoring the potential gains for Moldovan society from resolving the conflict will be essential.

Conflict resolution in Transnistria should not be understood as a one-off event: a day when Chisinau and Tiraspol sign a document that puts an end to the conflict. A quick and dirty deal might even be detrimental if it disrupts Moldova's reform and European integration process. Instead, the EU should concentrate on building a solution from the bottom up through policies that promote the de facto reintegration of Moldova in various socio-political spheres. A formal deal will naturally follow.

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