

Transdnistria:
Break-away Republic of Crooks
Separatism, Organized Crime, Kleptocracy and Geopolitical Interests

Presentation Material:
One-Page Handout
+ Presentation Notes

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History of Moldova:

Principality Moldova settled chiefly by Romanian-speakers, vassals to the Ottoman empire
 1812 area east of Prut River (“Bessarabia”) comes to Russia,
 1859 area to the west to new Kingdom of Romania
 1918 Moldova separates from USSR, reunifies w. Romania;
 USSR forms autonomous republic east of Dniester to claim all of Moldova
 1940: USSR reintegrates Moldova acc. to Hitler-Stalin Pact
 after WW2: deportations, Russification, industrialization in east
 late 1980s: Moldovan nationalist movement, 1989 Romanian as state language, 08/1991 independence of Moldova from USSR
 Transnistrian Soviet elites drive separate independence and “creeping putsch” that leads to 1992 Civil War, ended by 14th Soviet Army.

The nature of the Conflict

- no classical post-Soviet conflict: linguistic and ethnic implications but not springing from them, little historic dispute; and no irreconcilable, traumatic atrocities.
- underlying cause: Soviet, ethnically Russian elite fears loss of power in Moldovan-dominated republic and due to the changes that were to come with the dissolution of the USSR, the loss of power of the Communist party and reforms

Ethnic Composition of	Moldova	Transnistria
Romanian-Moldavian	65%	40%
Ukrainian	14%	26%
Russian	13%	25%
Gaugazian (Christian Turks)	4%	n/a
Bulgarian	2%	n/a
Other	2%	7%
	4.359.100	546.400

The Transdnistrian Moldovan Republic (DMR)

- Nominally a “presidential republic”, run since 1991 by President Smirnov and his security chief Antyufeev
- leaders emerged from old Soviet State Security apparatus, linked with reactionary *Soyuz* group in Russia
- created a top-down, pro-Soviet and chauvinist Russian “workers movement” to promote separation
- identity-building efforts with *self-sufficiency*, *statehood*, *multi-ethnicity*, an *Eastern orthodox Slavic-Russian orientation*, and *Moldovanism* (as distinct from Romanian identity) – reinforced by Soviet-style anti-Western propaganda, own interpretation of history, personality cult and holidays; and backed up by social policy
- coopting Russian Orthodox Church and links to Russian Duma to create semblance of formal independence
- crack-down on power rivals, Moldovan language - closed to int'l and absence of internal law enforcement

Shadow economy and a space devoid of law

- running an – even non-recognized – state as appropriation of economic resources (customs income > budget)
- old Soviet nomenklatura used business contacts of state-owned enterprises to build up own wealth
- close links between political and business elites: mutual enrichment, common construction of quasi-statehood
- in formal sector: industrial heartland of Moldova – energy, steel, weapons, machinery: export-oriented
- Russian business interests dominant; ambiguity: legal security of investments vs profit from illegal activities
- semi-legal: import and re-export without customs duties, undercutting Moldovan industry
- haven for illegal activities: drugs, human beings, arms trafficking, money laundering between Asia & Europe
- incentives for preservation of status quo: elite internationally wanted for crimes, huge profits from illegal activities
- reach of these benefits across borders is main lever of negotiation with Ukraine, Moldova and Russia

Russian geopolitical interests and artificial state-viability

- Soviet 14th army as main pillar of de-facto independence, Moldova had to accept it as “peacekeepers” in 1994
- “peacekeeper” role as Trojan Horse to keep troops despite *Conventional Forces in Europe (CFE) Treaty*
- Divide and rule to control outposts in attempt to maintain exclusive sphere of influence (e.g. Ossetia, Abkhazia); DMR as recruitment pool and supply-line for Russian-backed separatism in the region
- Russian-supplied tools of statehood are vital: central banking, external trade, arms supply and training, energy
- but fall-out between Moscow and DMR: separate interests on settlement, DMR support for opposition in Russia

Destabilizing Moldova

- undercuts viability of Moldova: revenues, industry, law enforcement,... while propping up an artificial state
- 2003 Kozak Memorandum: nearly succeeded in making reunified Moldova structurally unstable: veto powers and binding mandates for DMR, joint rather than separate authorities, preservation of status-quo in DMR

NOTES FOR BENEDIKT WAHLER, Guidelines for the Presentation:

General:

- Poorest country in Europe
Anfang der 90er Jahre war Moldawien eine der wohlhabendsten Sowjetrepubliken. Seither hat sich die wirtschaftliche Lage drastisch verschlechtert. 2002 betrug das Bruttoinlandsprodukt 1,5 Milliarden Euro. Der durchschnittliche Monatslohn beträgt derzeit (Februar 2003) 30 Euro, Pensionisten bekommen 12 Euro im Monat. Um die wichtigsten Lebenskosten zu decken, wären mindestens 100 Euro nötig.
Aufgrund dieser Situation lebt heute ein Viertel der Bevölkerung im Ausland. Von dort überweisen sie Geld nach Moldawien, das in Summe mehr ausmacht als das BIP
- Mild example of competing historic claims and political reverberations ethno-linguistic differences as a search for identity becomes pre-eminent
- parliamentary elections for the Moldovan Parliament were prohibited in Transnistria
- Transnistria is province with center of Moldova's energy and steel production
- Transnistria calls itself by decree *Pridnestrovskiaia Moldavskaia Respublika* (PMR)
- Weak economy, high inflation, energy crisis, dependence on massive foreign credit
- continued stationing of Russian troops and even upgrading of weapons systems deployed there violates the Conventional Forces in Europe (CFE) Agreement that Russia had signed: Transnistria as a pawn against NATO enlargement
- weapons arsenals blocked from OSCE inspection, estimated to contain weapons worth over 4 billion USD
- as industrial center of Moldova: instrumental in weapons production and trafficking
- Transnistria also crucial in trading routes to Ukraine => blocked by street pirates and duty mafia
- In contrast is no classical post-Soviet conflict: linguistic and ethnic implications but not springing from them, little historic dispute; and no irreconcilable, traumatic atrocities: short conflict in 1992, since then "frozen"
- Joint mediation carried out by OSCE, Russia and Ukraine since 1993 (but: parties disinterested mediators? Or rather vested interests)
- Russia still with Cold War mindset on involvement of foreign powers in what it considers an exclusively Russian sphere of geopolitical influence
- Actively engaged in pseud-diplomatic backing for other break-away republics, namely South Ossetia, Abchasia and Nagorny-Karabakh, and wants to bundle those issues to its own in order to increase semblance of legitimacy and delay negotiations

History:

The name Moldova dates to the medieval period. In the fifteenth century, the principality of Moldova stretched from the Carpathians to the Dniestr, and was a tribute-paying vassal state to the Ottoman empire. In 1812, the area east of the Prut River was annexed by Russia under the name of "Bessarabia". The area west of the Prut became part of the Romanian kingdom in 1859.

Bessarabia declared its independence from Russia on 24 January 1918 and united with Romania shortly thereafter. In order to underline its claim to Bessarabia, Moscow created a Moldovan Autonomous Socialist Soviet Republic (MASSR) within Ukraine and on the left

(eastern) bank of the Dniestr in 1924. In 1940, the Soviet Union annexed Bessarabia as provided for in the Hitler-Stalin Pact of 1938 and formed the Moldovan Soviet Socialist Republic (MSSR) by uniting its centre with the western MASSR.

Although also partly populated by Moldovans, the lands east of the Dniestr had never shared the same administrative structure with the right (western) bank before 1940. Also, between 1941 and 1944, when Bessarabia and the area between the Dniestr and the Bug was controlled by Germany's World War II ally Romania, the banks of the Dniestr were under different jurisdictions: Bucharest formally reintegrated the right bank into the Romanian state but it only occupied the area between the Dniestr and Bug, called

Transdnistria.

After the war, Moldova was restored to the boundaries of 1940 and experienced a period of industrialisation and Russification. Up to 300,000 Russian speakers were settled there between 1944 and 1959, mainly in Transdnistria and in the few bigger cities on the right bank. At the same time, more than 500,000 Moldovans were deported to the far east of the Soviet Union or were ordered to work outside their republic. Another 200,000 died

during the great famine of 1946/47, which was triggered by the forced collectivisation of the agricultural sector. Transdnistria, which was already more developed in 1945, became the industrial centre of the MSSR. While the economy on the right bank was mainly based on agriculture and light industry, in Transdnistria it was dominated by heavy industry and enterprises for the Soviet military industrial complex. As a result Transdnistria, with the exception of the Grigoriopol and Camenca districts, became more urban and Russified than Bessarabia.

Transdnistria was not only the economic heartland of the MSSR, but also the area from which most of its elite was recruited. Russians or Russified Moldovans from Transdnistria dominated state and party structures as well as the economy until the 1980s. Russian was the republic's language, while Romanian was confined to the role of a kitchen tongue. Moreover, Romanian (officially called Moldovan), was written in Cyrillic script, and Soviet linguists and historians attempted to prove that the Moldovan language and nation were different from those of Romania.

In the late 1980s, Gorbachev's glasnost and perestroika opened the way for pro-Romanian intellectuals to voice opposition to Russian domination. Inspired by similar movements in the Baltic States, they organised their protest in May 1989 in the framework of the Popular Front of Moldova, which rapidly became a mass-movement that demanded, inter alia, that Romanian, in Latin script, become the official state language. As a result, the Supreme Soviet of the MSSR passed a law on 31 August 1989 declaring Moldovan (Latin script), the state language. Many ethnic Russians did not speak Moldovan, their positions of power in the government and bureaucracy were therefore threatened. "De-Russification" of power

structures. By 1991, ethnic Moldovans occupied nearly 90 per cent of leadership positions within the government and the state administration.

From the outset, the Moldovan national movement faced opposition from the other ethnic groups. In southern Moldova, there are some 160,000 members of the Gagauz minority (a Christian community whose language is related to Turkish) and 80,000 ethnic Bulgarians.

When some nationalists demanded reunification with Romania, resistance on the left bank of the Dniester River, the industrial center of Moldova with many Russians employed in the state own conglomerates, hardened – and a Union of Workers Collectives (OSTK) formed as a resistance movement. **The OSTK was in essence a top-down, pro-Soviet and chauvinist Russian organisation.** It pursued, together with the local authorities in the towns along the Dniestr, a policy of step-by-step secession from Moldova. On 2 September 1990, the "Dniestrian Moldovan Socialist Soviet Republic" was proclaimed as a constituent part of the Soviet Union.

Moldova declared independence shortly after the failed Moscow putsch of August 1991, and on 2 September 1991, the Supreme Soviet of Transdnistria adopted its own constitution and began to build armed forces. On 1 December 1991, Igor Smirnov was elected the first president of the "Dniestrian Moldovan Republic",⁶ whose independence was approved in a referendum on the same day. Transdnistrian paramilitary forces and militias then started a "creeping putsch", taking over police stations and positioning themselves in the countryside mainly inhabited by Moldovans.

=> underlying cause: fear of power loss in Moldovan-dominated republic and due to the changes that were to come with the dissolution of the USSR, the loss of power of the Communist party and reforms

The Soviet 14th Army stationed in Transdnistria played a crucial role during this period. Its officers refused to acknowledge Moldovan jurisdiction, declared loyalty to the Transdnistrian leadership, and trained and equipped the Transdnistrian armed forces. While Moscow during that time might have very little control over the 14th army, many officers of it were natives of Russian communities in Transdnistria and therefore eager to defend it.

Spring 1992: the creeping putsch escalates into outright war, 50.000 Moldovan nationalists march on Transnistria, in the fighting 300 people die, about 1000 are injured, intervention by the 14th army in June establishes a cease-fire but also secures de-facto independence of DMR.

=> Current conflict in Moldova springs from shifting borders between Romania and Ukraine over 19th and 20th centuries, and waves of Russification of area. Up until late 1980s Russian or Russified Moldovans from industrialised Transdnistria region east of Dniestr river dominated economic and party structures while Moldovan (Romanian) language was subjugated to Russian.

Background

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.

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**. Overly vocal deputies have often been silenced by direct pressure from Smirnov and his security minister.

=> compare to Don Corleone's tactics, a mafia-type run state not surprisingly has in a central role a „security minister“

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 14th 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 Transdnistria in the autumn of 1991 with the help of the *Soyuz* group. 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 remained active even after the August 1991 coup attempt, in which several leading members were participants.

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. It directly sponsors a number of media outlets.

The standing army has some 4,500 troops, plus an estimated 15,000 who can be mobilised.⁸² It has eighteen tanks, courtesy of the 14th Army. The People's Militia, a regularly trained and well armed force of 2,000, 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.

=> **DMR** like the USSR had survived just been taken over by reactionary block-heads of the KGB: i.e. **give a hint of how Russia might have turned out if the August 1991 Putsch had succeeded** – a nightmare to the West and the Russian population

Since the mid-1990s, the DMR leadership has attempted to build a Transdnistrian identity.

=> **evident realization that when they are going to be in power for the long-term they need to find easier and more efficient way of internal legitimacy and domination**

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.⁸⁴ 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. And as one would have expected from knowledge of the USSR: create something of a cult of personality around Smirnov and place strong emphasis on the 1990-1992 conflict. Statehood is also symbolized in festivities marking the anniversary of the DMR's proclamation of independence, which are the symbolic representation of a supposedly successful independence and national sovereignty.

Its own version of history is presented at home and abroad that speaks of the territory as having gratefully come under the protection of the Russian czars when ruled by incompetent leaders and threatened by the Turks, and then having benefited from symbiotic Russian rule all through the empire and the Soviet Union, only when Moldovan separatists allegedly desiring to romanize the entire country brought it into an oppressive union, did the Transnistrians virtuously check the challenge despite being lured by „sugar bread and Jeans“. The DMR stylizes itself as an informal outpost of Russia against Western encroachments and NATO expansion, while only reflecting the „genetically“ ordained desire of preservation of the national cultural self.

A tool that could not lack in the **search for legitimacy and creation of an ideological base for sovereignty is of course religion**. From the beginning, DMR authorities honored the Moscow Patriarchate with letters from Transdnistria, while denouncing Moldovan orthodox clergy. As a result, in 1995 a bishopric was set up under an ethnically Russian bishop that roughly coincided with DMR territory, and in 1998 was made totally congruent with it. These church authorities refer to Smirnov as president, the bishop accompanies him on foreign visits and also accuses Moldova's Metropolitan Vladimir of attempts to Romanize the church. 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.

But apparent recognition that to be effective ideology has to be backed up by **bread and butter** to lead to allegiance (after all its called *commonwealth* not *common suffering*):

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.⁸⁸ 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. The identity campaign and social policy have clearly had an impact.

=> indeed effective as it is hard to argue with (relative) success: 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.

Yet, 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.

For external recognition it was obvious that the DMR leadership would turn to Russia where it has substantial contacts via the *Soyuz* group to Communist and Nationalist deputies in the Russian Parliament Duma. This has not been without success: Between 1995 and 2002, the Duma passed more than ten resolutions supporting the DMR, and a special hearing was held on Transdnistria in 1997. The resolutions called on the Russian government to keep the Russian military in Transdnistria and sign economic, military, and cultural cooperation agreements with the "government of the DMR". At the same time the Duma failed to ratify important Russian-Moldovan agreements, such as the one on withdrawal of the 14th army in 1994. The Duma Commission for Facilitation of the Regulation of the Political and Economic Situation in Transdnistria played a special role between February 1997 and December 2002. Chaired by a former Soyuz leader, Georgy Tihonov, it adopted a very pro-Transdnistrian position. Its leaders lobbied the Duma, government officials, and Russian business circles on behalf of DMR interests.

Only after parliament elections in 2001 significantly reduced Communist and Nationalist deputies could a Russian-Moldovan Treaty on Friendship and Cooperation finally be ratified in April 2002

As far as the Transdnestrian leadership is concerned, **running a state**, albeit one that is unrecognised, is not only more prestigious than being in charge of an autonomous region or a federal unit, but also **assures control over economic resources**. The **revenues of the customs department, headed by a son of Igor Smirnov, are larger than Transdnestria's state budget**.

Shadow Economy and A Law-devoid Space

Although the DMR has preserved a substantial part of Transdnestrian industrial potential while actively engaging in foreign trade, it faces mounting economic challenges. It has begun market reforms only in the late 1990s, the role of central regulation continues to be extensive, and still focuses heavily on several large corporations.

The economic resources controlled by the Transdnestrian authorities include both legal and illegal activities. The most important (legal) enterprise is the Moldovan Metallurgical Plant in Ribnita, in which the Russian company ITERA holds a majority of shares, and which accounts for two-thirds of Transdnestrian tax revenues. Other important enterprises include the Cuciurgan Power Station, the KVINT Brandy Factory, and factories producing small and light weapons. Transdnestria is a small entity with only 630,000 inhabitants; its economy is extremely open with an external trade turnover of 276.9 per cent of GDP in 2002,

=> seems surprising but is explain by being a transit-country for tax-free re-exports

Despite the diversification of markets, particularly for the exports of the steel and heavy machinery industries (e.g. US and Western Europe), Russia remains the principal partner. Over the last decade, **close ties to Russia, including through the defence complex, kept the DMR economy alive**.

As a land-locked country, in quarrel with its mother republic to the West, Ukrainian transport infrastructure, especially the nearby **port of Odessa, are vital for the survival of Transdnestria's economy**.

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 (450% of GDP)** that will seriously limit future choices.

In the process of privatisation, Russian banks and corporations have taken the largest share. If Russian investors were led by long-term economic considerations, an agreement on the legal status of Transdnestria 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.

=> **economy and economic interests as a source for political transformation? The Chinese example: The strong-men walking the path towards reform, with very small and controlled steps that they deem necessary to maintain the resource base for their power and wealth.**

But these are all just considerations of the formal economy.

The five years between February 1996 and September 2001 have been the most successful for the Transdnestrian economy. Moldova shared its customs stamps and certificates of origin with DMR to create a common market and joint customs controls at the external borders. But DMR merely used this to **export legally without paying taxes, and build businesses of tax-free import and reexportation**. No joint customs posts were ever created.

There is also considerable direct **smuggling through** Transdnestria, including, reportedly, of oil products (especially **fuel**), **alcohol, food products, and tobacco**.

Although having only $\frac{1}{4}$ of the inhabitants of Moldova, Transnistria received four times the imports of Moldova in 1998. Many of those will have reached the Moldovan market as smuggled, tax-free goods. The logistics of such large scale contraband trade has brought about criminal organization on both sides of

the border.

Bigger business, linked to political interests, however, is the arms trade.

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, ideal for organized crime. on alleged Transdnistrian arms exports to Abkhazia and Chechnya, => while it makes it easier for Russia to prop up those conflicts under cover, it is also likely to backfire as anti-Russian groups are likely to profit from the existence of a country that is an arms bazaar.

One of the major routes for trafficking in human beings to Russia and Arab countries goes via the Transdnistrian "capital", Tiraspol, and the Ukrainian port of Odessa. in the current situation, such activities can be conducted in and from Transdnistria very easily.

International law enforcement bodies are not allowed there, and international governmental and non-governmental organisations are unable to operate normally.

Transdnistria is basically a safe haven for criminals, whose safety is threatened only by rivals such as in December 1999 when a number of Transdnistrian officials and local criminals were killed over several days. => mafia-like infighting

An **additional incentive for the Transnistrian elite** to hold on to the current situation or to seek a solution only if it gives them wide-ranging freedom of action is that many of them are **internationally wanted for crimes** they committed as part of the Soviet Security apparatus in the Baltic states during the fight for independence there.

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.

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.

Example of the interplay of power cliques and their political ambitions:

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.¹⁰⁶ 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.

What can be done on shadow economy?

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.

But for such a solution, Ukraine with its ports of Odessa and Vinnytsia is key: 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

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.

In February 1992, a **Transdnistriean cash settlement centre was established within the Central Bank of Russia**, which enabled Transdnistriean enterprises to bypass the National Bank of Moldova for international financial transactions.

=> Russian role in propping up DMR economic and financial viability: **also organized crime needs structures to conduct its business and finance transactions**

More shadowy:

60% of all cigarettes consumed in Ukraine are smuggled into the country via the DMR-Ukrainian border; yet Ukraine still accepts the outdated DMR customs stamps and certificates of origin Pressure from businessmen illegally benefiting from the DMR shadow economy doubtless also played a part.

=> **desire even of crooks to have some semblance of official formality** – ability to widen their business (like the **Corleone family's move to Las Vegas**) – **what counts is the internal control of economic resources and activities plus external business contacts**

The role of Russia

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.

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.

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 Transdnistriean assets and stopped supplying roubles. Between 1992 and 1994 Russia pressed Moldova to grant the 14th 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**

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 1991-92. 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. The defence ministry's economic interests and the general Russian military-industrial interest in Transdnistriean arms production have tainted prospects for resolving the conflict. **Transdnistriean factories produce arms or arms' accessories for Russian enterprises or the Russian State Committee for Arms Export.**

=> semi-independent power centers in Russia advance their interests in DMR whatever the consequences and whether they run counter to Moscow's FP

In its recent and **largely unilateral attempts to resolve the Transnistrian 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.

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.

when the Moldovan parliament failed to ratify the Almaty Protocol,¹⁹ 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.
=> not let it out of the CIS as officialized structure of Russian sphere of influence

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.

=> separatism as a leverage for an outside power over the political options of the central government = walking a tight rope in applying pressure and supporting separatists

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.¹⁵ 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.

Independence has never been Russia's preferred option. Instead, it has sought a special legal status for

Transnistria within the country while engaging in negotiations with Moldova on a range of strategic issues.³ The DMR leadership, by way of contrast, has shown absolutely no desire to reintegrate with Moldova.

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.³⁴ 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.

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.

Opening of a Transnistrian branch of the Pro-Putin "Unity"-Party in 2000, joining together a significant number of influential directors of Transnistrian state enterprises; cooperating also with DMR opposition on the left. DMR leadership faced with these threats to its power cracked down: "invited" the leaders of Unity to talks with Smirnov and his Security chief who "talked them" into distancing themselves from the party, also withdrew licences of main opposition parties => elections only in so far as manageable and not a threat to the ruling kleptocracy

In issues on which Russia has neither a strategic nor domestic political interest (such as human rights in Transnistria) **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,⁴⁵ 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.

Moldova as the bigger stake: therefore Russian willingness to undertake a *quid pro quo*:

During 2001 the Communist-dominated parliament passed laws broadening use of Russian in public affairs and guaranteeing Russian language education.⁴² 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.

In September new Moldovan customs stamps and seals conforming to WTO standards were issued and not shared with the DMR. Russia denies recognising the DMR custom stamps and certificates of origin.

=> even at regime massively dependent on trafficking can weigh down with quasi-economic sanctions
But Russia continued to provide DMR with subsidised gas, while denying such a favorable deal to Moldova; and when it failed to keep the deadline to withdraw its troops, hoping to reach an agreement over a continuous base, 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.

Russian energy subsidies remain crucial to the Transnistrian 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 Transnistria's annual GDP.**

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.

=> slow interlacing of Moldova and Russia – permeate Moldova with Russian stakes

Russia is the central lobbying object of DMR leadership, and therefore it has cultivated extensive contacts at the middle strata of government. While in the earlier days hoping for a reestablishment of the Soviet Union, a joint Slav state and providing support for the reactionary 1991 Putsch, objectives have become more pragmatic:

Since 1993, DMR authorities have assisted the Russian government in a broad campaign for adoption of

Russian citizenship in Transdnistria. => while strengthening ties via Russian nationalism, making sure Russia continues to perceive Moldova as a central stake due to presence of many Russians, it also facilitates travel and business for many from the shadow economy and power elites. The daily mission of Russian consulate officials to DMR for passport and citizenship issues de-facto by-passes Moldovan refusal to open a Russian consulate in Transdnistria, and brings DMR some benefits of quasi-statehood

Is a solution actually being desired?

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. 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 its most important bargaining tool vis-à-vis Moscow, Kiew and Chisinau, all of whom directly benefit from illegal DMR trade.**

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.

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.

Also cooperation on many other levels of government: 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. Public health, cultural affairs.

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.⁵⁶ 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.

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.

The West, has levers to apply pressure by delaying ratification of the new Conventional Forces in Europe agreement, which is important for Russian military parity with NATO in Europe

The problem of instability-export:

- no effective internal border so that from 2007, Romania-Moldova border will be EU's external border with Transdnistria; and since Romania has already granted 300,000 citizens of Moldova Romanian citizenship and more will follow, even harder to control flow of goods and people
- Russian secret service **FSB uses DMR as a recruiting pool for mercenaries to support other break-away republics** that it uses to foster its corporatist and geostrategic interest, e.g. in South Ossetia and Abchasia (in July of this year: shuffled several hundred mercenaries from DMR to South Ossetia via Russia). Diese drei (Südostetien, Abchasien, Transnistrien) sich von ganzer Welt losgesagten Republiken, die unter der Vormundschaft Moskaus leben, haben sich jetzt daran erinnert, dass sie noch im Jahre 1994 einen Pakt über die gegenseitige Hilfe geschossen haben, einschließlich der

militärischen Unterstützung, falls eine solche notwendig sein soll.

- 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, which have become complicit in the re-export and smuggling business.