The Russian Dimension in the Transnistrian Conflict – Possibilities for Conflict Resolution

Johann Wolfschwenger
SUMMARY

By the early 2000s Russia began to act increasingly self-assertive around its borders. It sought and still seeks to counteract a gradual NATO and EU advancement into the post-Soviet space by adopting its own, rather aggressive, brand of integration strategy. In this context, the conflict over Transnistria is used as an instrument to prevent the West from advancing further into Russia’s “near abroad”. Moscow’s role in conflict solution and the policy on a regional level are mainly shaped by geo-political considerations which aim to keep leverage over Moldova’s government. In contrast, on a local level Moscow adopts a nationalist approach which accentuates ethnic ties, and it channels enormous financial resources into the breakaway region. However, with an export rate of about 30% of Transnistria’s total exports the EU became a crucial trading partner. After the change of power at the 2011 elections the Transnistrian leadership successfully seesawed between an opening towards the West and loyalty towards Moscow. A gradual improvement of economic relations could possibly lead to a bottom-up Europeanization and strengthen the EU’s mediating role in the conflict.

Keywords: Transnistrian conflict, conflict resolution, Russia’s foreign policy, EU’s foreign policy, Transnistria, Russia, Moldova
1. Introduction

From among all frozen conflicts in the post-Soviet space the Transnistrian conflict has been generally known as the one which is easiest to solve. But even if several proposals and initiatives were put forward from various actors in the last two decades, no noteworthy progress has been made in terms of sustainable conflict solution. Even worse, as recent incidents in Ukraine show, the power struggle over the so-called shared neighbourhood is on the verge of becoming a serious confrontation between the West and the East and might shatter the relations profoundly. The current political situation shows that Russia still holds a great many of critical cards in the security architecture of the post-Soviets space. The conflict over Transnistria is no exception: Russia’s stance is determinant on the regional level, with regards to internationally facilitated conflict resolution, and on the local level, with regards to support of the separatist regime in the Transnistrian region.

This paper aims to provide a comprehensive overview of the Russian dimension of the Transnistrian conflict from the perspective of an increasing EU engagement in the region. Analytically we will refer to a “nationalist” and a “geo-political” approach\(^1\) to analyse Moscow’s strategies and explain implications for EU policies. First we will examine Russia’s policy goals towards the shared neighbourhood in general and Moldova and the Transnistrian conflict in particular (chapter 2). Thereafter, the Russian dimension is discussed on two levels: The regional level (chapter 3) refers to the macro political climate and Russia as one of the actors in conflict solution. The local level (chapter 4) opens the “black box” and discusses Russia’s role in Transnistria’s domestic politics and economics. The last chapter summarises findings and provides recommendations for a future EU strategy with the ultimate goal of conflict resolution.

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2. Identifying Russia’s policy goals

2.1. Policy goals towards the shared neighbourhood

While Russia was struggling with domestic issues in the aftermath of the collapse of the Soviet Union in the 1990s and was not perceived as a powerful actor on the international stage, it slightly recovered in the early 2000s. The increasing price of fossil fuels on the international market fostered a boom in Russia’s economy in the late 1990s. Long-term President Vladimir Putin started to establish increasingly autocratic political structures and strengthened control over major levers of power. In addition, the restoration of order after the Chechen war and the fact that the American war against terrorism required Moscow’s support in Iraq and Afghanistan additionally fostered Russia’s new self-assertiveness. “This new assertiveness was certainly reflected in Russian policy towards the conflicts in Abkhazia, South Ossetia and Transnistria, but these were only examples of a broader change in the thinking of Russian decision-makers.”

Russia’s new self-conception promoted by Kremlin elites based upon the assumption that Moscow is at the centre of a Russian, more precisely the Russian-speaking, Christian Orthodox world with a specific set of values partly conflicting with the West. According to this notion it is the goal of Moscow’s leadership to provide for the unity of the Russian nation on the basis of a Eurasian integration with a special focus on the core countries Russia, Ukraine and Belarus.

However, the colour revolutions in the early 2000s in Georgia and Ukraine indicated that Russia’s grip on the CIS states had begun to crumble at the expense of a gradual EU involvement. The EU’s expansion in the post-Soviet space and NATO’s consolidation in Eastern Europe became the determinant external factors of Russia’s foreign policy towards its neighbourhood. While the US and NATO are perceived as serious security threats the EU and its member states are “primarily seen as economic partners and the most important market for

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Russian raw materials.⁴ On the one hand, Moscow’s and Brussel’s policies towards the shared neighbourhood are mutually dependent and converge to some extent in terms of security issues. On the other hand, their policies are shaped by geopolitical objectives⁵ and lead to a wrangling over influence in the post-Soviet space. The repeated emphasis of European leaders that the European Neighbourhood Policy (ENP) as well as the Association Process are not linked to any membership perspectives does not prevent Russia to perceive the EU as a geo-political rival. Dimitri Rogozin, Deputy Prime Minister of the Russian Federation, noted that the EU’s integration strategies are a pre-step to EU and NATO membership from a Russian point of view.⁶ Thus, on the one hand Moscow sees the EU and its member states as important trading partners with partly converging security interests, but on the other hand, as a rival in terms of economic and political hegemony in the post-Soviet space.

By the mid-2000s Moscow felt justifiably trodden on its toes through a gradual NATO and EU advancement and counteracted this trend by an aggressive, CIS-focused integration policy.⁷ Russia sought to extend and institutionalise its influence over the so called “near abroad” and to prevent NATO and to some degree the EU from penetrating it. By consolidating its regional influence Russia sought to re-establish itself as a great power and strengthen its international position. The new policy did not only rely on soft power but intensified the use of hard power measures like energy conditionality, “loyalty payment” and economic sanctions. It was complemented by a new Eurasian integration project, which is officially said to work in a different spirit than other Russian-led international organisations in the post-Soviet space before.

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In 2006 Kazakhstan, Russia and Belarus formally concluded the Eurasian Customs Union (ECU). In October 2011 then Prime Minister Vladimir Putin published an article in the Russian newspaper “Izvestia” which outlined the Common Economic Space as a comprehensive integration project based on legal institutions like the Collective Security Treaty Organisation (CSTO), the ECU, the Eurasian Economic Union (EEU) and finally the Eurasian Union. In this article Putin admits that the success of previous integration projects like the CIS can be questioned, but the new project will draw upon the experience gained through those projects as well as upon the example of the EU.\(^8\) Indeed, the ECU developed itself over the years and established several institutions including a Eurasian Economic Commission as a coordinating institution and a court for dispute settlement.\(^9\) In May 2014 the current three members, Kazakhstan, Belarus and Russia, went a step further and signed a Treaty on the Eurasian Economic Union which is going to enter into force in January 2015.

Given its supposed viability, its improved institutional framework and its harmonisation with the WTO, this new Eurasian integration project should not be underestimated.\(^10\) However, it cannot engage in “normative rivalry” with the EU since it is based on a Moscow dominated top-down approach and lacks credibility and economic attractiveness. The target countries share divided opinions about Moscow’s integration project. While Armenia and Kyrgyzstan have concrete plans to join the community\(^11\) other countries of the post-Soviet space, for example Georgia, the Republic of Moldova\(^12\) and Ukraine, see their geo-political future in the EU integration. Thus, the mutually exclusive integration projects\(^13\) and the subsequent deci-


9 Rilka Dragneva & Kataryna Wolczuk, *Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?* (Chatham House Briefing Paper, 2012).

10 Ibid.


12 In the Republic of Moldova the parliamentary elections on November 30\(^{th}\), 2014 will be path-breaking for the future geo-political orientation.

13 European as well as Russian officials have frequently stated that the conclusion of an AA and DCFTA is incompatible with membership in the ECU / EEU. Technically, this is not necessarily true since the DCFTA does not preclude membership in other FTAs and even Customs Unions. This is explicitly stated in Article 157 of the AA and DCFTA with Moldova. For further information see Sergei Aleksashenko, *For Ukraine, Moldova, and Georgia Free Trade with Europe and Russia Is Possible* (Carnegie Center Moscow 3 July 2014), online: <http://carnegie.ru/eurasiaoutlook/?fa=56074>.
sion about the geo-political orientation have turned into a normative battleground in domestic politics.

2.2. Policy goals concerning the Transnistrian conflict

Neither Moldova nor Transnistria are probably per se of much importance to Moscow.\(^\text{14}\) The growing strategic importance derives first and foremost from a growing EU and NATO engagement that violates Russian interests in the shared neighbourhood. Thus, in accordance with Russian policy goals Moscow seeks to integrate the Republic of Moldova into its sphere of influence and prevent the country from further drifting towards the West. The Transnistrian region can either be seen as a “bargaining chip” through which Moscow keeps its leverage over the government in Chisinau or, alternatively, as a Russian outpost that keeps Moldova’s sovereignty in check because it successfully hampers EU and NATO integration.

Domestic debates in Russia about Moldova and Transnistria certainly reflect both views. According to Andrey Devyatkov, Russia’s political elites are divided in two camps: the first one, labelled as “geo-political technocrats”, considers Transnistria to be a leverage to “control the geo-political orientation of Moldova and eventually and important pro-Russian element of a reconstructed Moldovan statehood.”\(^\text{15}\) This approach places the policy towards Moldova in the light of the power struggle over the shared neighbourhood. It assumes that Russia will force Transnistria to re integrate with right-bank Moldova if Russia sees its geo-political interests to be preserved.\(^\text{16}\)

The second camp, labelled “nationalists”, claims that “Transnistria is a pro-Russian territory with a high number of compatriots, which should be at least fully integrated into the Russian economic, social and cultural space. This logic neglects Russian interests towards Moldova by saying that there are no pro-Russian political forces in Chisinau and that both banks of Dniester do not have a common future”.\(^\text{17}\) The ongoing Europeanisation and Romanisation

\(^{14}\) Hannes Adomeit, Russia and its Near Neighbourhood: Competition and Conflict with the EU (Natolin Research Papers 4, 2011) at 53, online: <https://www.coleurope.eu/sites/default/files/research-paper/adomeit_0.pdf>.

\(^{15}\) Devyatkov op. cit. note 1, p. 3, at 8.

\(^{16}\) A scenario that understandably causes worries among the Transnistrian authorities!

\(^{17}\) Ibid.
of Moldova is seen as a serious threat to Russian cultural heritage in the region. This approach is mainly used to keep Transnistria’s loyalty and draw a curtain over Russia’s geopolitical interest. It becomes arguably more important on a local level the more Moldova and even Transnistria engage in EU structures. The rhetoric of ethnic and religious “brotherhood” and the reference to a common set of values are arguably Russia’s last resort to counter the attractiveness of the EU.

3. The Regional Level: Russia’s Role in Conflict Settlement

This chapter shows that the Russian official policy towards Moldova and the Transnistrian conflict was strongly shaped by a geo-political approach. Following this logic Moscow has always supported the territorial integrity of Moldova; it has refused to recognise Transnistria’s independence (unlike it did in the cases of Abkhazia and South Ossetia) and was not attempting to incorporate Transnistria into the Russian Federation. Every other strategy would have violated Russia’s geo-political interests by limiting the leverage over the Moldovan government. The official “Foreign Policy Concept of the Russian Federation” from 2013 states that “Russia will maintain its active role in the political and diplomatic conflict settlement in the CIS space; it will participate, in particular, in the settlement of the Transdniestria problem on the basis of respect for the sovereignty, territorial integrity and neutral status of the Republic of Moldova while providing a special status for Transdniestria,…”. If a conflict solution in a “Russian way” was not possible a prolongation of the conflict was the most beneficial option. Thus, Moscow went to undermine attempts of solution of other parties.

3.1. Conditions for conflict settlement – The Kozak Memorandum

In the 1990s and early 2000s Moscow seesawed between a policy of rapprochement with Moldova and open support for the Transnistrian region. In some periods it was even serious-

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ly opting for a conflict settlement. “A reunited and friendly Moldova was more important to Russian interests than a pro-Russian Transnistria and an unfriendly Republic of Moldova. Thus, Russia moved to limit its support for Transnistria in order to promote a settlement of the conflict.”

The efforts peaked between 2001 and 2003 with discussions about the withdrawal of Russian support for the Transnistrian President Igor Smirnov and the proposal of the Kozak Memorandum, a draft constitutional design for a reunified Republic of Moldova, put forward by initiative of President Putin in 2003.

The Kozak Memorandum outlines Moldova as a neutral, demilitarised federation consisting of the territories of Transnistria, Gagauzia and the rest of Moldova. An analysis of the Kozak Memorandum shows that Transnistria would have maintained comprehensive rights of co-determination through a two chamber legislative system. It furthermore granted far-reaching self-governing competences to pursue independent financial and cultural policies and even maintain good relations to Russia independently from Chisinau. In addition, an amendment to the draft required by the Transnistrian President Igor Smirnov allowed Russian troops to remain in Transnistria for the next 20 years. Russia and Transnistria justified that claim with the argument that security for the region in the transitional period has to be ensured.

The draft Memorandum sets out Moscow’s basic conditions for a settlement: First, it would have secured strong Russian influence on the affairs of the reunited state, including the possibility to shape any decision concerning the geo-political orientation. The draft would have enabled Transnistria to block any rapprochement towards EU and NATO. Second, it would have maintained Russia’s influence in the Transnistrian region through extensive self-governing rights. Third, owing to the long list of joint competences outlined in the memorandum and a likely disagreement on certain issues between Tiraspol and Chisinau it would have led to deadlock or, even worse, a fully dysfunctional state. This “potentially low

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viability of the reunified state would have required Russia to act as a “power-broker” and external guarantor. And forth, because of the amendment it would have secured the stationing of Russian troops in a supposedly demilitarised country for the next 20 years. It is reported that Russia had to literally force the Transnistrian side to accept the plan since the loss of state sovereignty was against its goals. Moldova’s President Vladimir Voronin, in turn, agreed with Moscow and Tiraspol to sign the Memorandum but suddenly changed his mind on November 25th, 2003 as Vladimir Putin was already waiting in the wings in Moscow to join the signing ceremony in Chisinau. Reportedly the rejection of the Memorandum was the result of consultations with high EU and US officials in the night before. In addition, the Memorandum lacked popular support in Moldova: opponents stated beforehand that the draft would result in a dysfunctional state. The refusal of the signature was of course strongly condemned by Moscow and marks a watershed in Russia-Moldova relations. In the aftermath Chisinau’s relations to Moscow and Tiraspol cooled down considerably. The following period did the name “frozen conflict” credit. From now on it was important for Russia to keep a foothold in Moldova while the country started to engage with the EU.

3.2. From the Kozak Memorandum to Meseberg

Formal talks between the parties (Moldova, Transnistria and Russia; Ukraine and the OSCE as mediators) continued in 2004 but were more for the sake of keeping a dialog going than for serious negotiations about a conflict resolution. Russia kept referring to the conditions outlined in the Kozak Memorandum while the OSCE and Ukraine put forth different proposals. In 2005 Ukraine put forth the so-called “Yushchenko Plan” that opted for a settlement on the basis of democratisation of Transnistria. Despite tough negotiations and several different versions and amendments put forward by both Tiraspol and Chisinau, the parties did not reach an agreement. But the Yushchenko Plan at least entailed Moscow’s acceptance

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23 Popescu op. cit. note 2, p. 3, at 5.
25 For further details about Transnistria’s policy goals and the relations to Russia see Ibid, 23-29.
26 Quinlan op. cit. note 21, p. 9, at 131.
27 A comparison of the most important proposals over 20 years has been conducted by Stefan Wolff, A Resolvable Frozen Conflict? Designing a Settlement for Transnistria, 39(6) Nationalities Papers (2011), 863–870.
of the EU and the US as observers of the peace talks. This was the hour of birth of the so-called 5+2-talks. The new format formally facilitated negotiations but did not produce significant outcomes. Instead of having Western representatives on the negotiation table Moscow preferred to directly engage with Chisinau and Tiraspol.

By that time Moldova’s President Voronin had also consolidated himself domestically and was able to increase political pressure on Transnistria. In the context of the establishment of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) in 2005 and 2006 the EU facilitated a customs regulation between Ukraine and Moldova which required Transnistria-based companies to obtain Moldovan certificates for exports to Ukraine. Both, Russia and Transnistria strongly condemned this new regime and labelled it “economic blockade”. Voronin’s application of political pressure bore fruits on the one hand but was undermined by Moscow’s intervention on the other: despite pressure from Transnistrian authorities a great many of the export-oriented businesses knuckled down under the new trade regime and registered in Chisinau. But as a reaction Russia imposed sanctions against Moldovan wine and raised the price for natural gas. Earlier it had already banned fruits, meat and vegetables from the Russian market. Those sanctions hit the Moldovan economy hard and President Voronin (re-elected in 2005) realised that Moldova needed the Russian market.

Normalisation of the relations between Chisinau and Moscow took place between 2006 and 2008. Voronin’s “walk to Canossa” and following rapprochement diplomacy resulted in a gradual abolishment of the sanctions in 2006 and 2007. In 2006 after high-level talks between Putin and Voronin, the “Russo-Moldovan Intergovernmental Commission for Trade and Economic Cooperation” was re-established after the meetings of this committee were interrupted in 2003 as a result of the refusal of the Kozak Memorandum.

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29 Quinlan op. cit. note 21, p. 9, at 147.

30 Ibid.
3.3. The Meseberg process

Meanwhile the EU strengthened its engagement in Moldova. The Commission announced the European Neighbourhood Policy (ENP) in March 2003 and the finalisation of the accession procedure of ten Central European countries in 2004 granted credibility to the integration prospects of Moldova. Following a stronger engagement of the EU in the region the Transnistrian conflict became an issue in the Russian-European security architecture. The so-called Meseberg process, initiated in 2010 by the German Chancellor Angela Merkel and the Russian President Dimitri Medvedev, brought new momentum in the settlement process at first sight. The Memorandum established a joint EU-Russia Political and Security Committee (EU-R-PSC) on ministerial level (EU High Representative Catherine Ashton and Foreign Minister Sergey Lavrov) as “a forum for the exchange of views on current topics of the international political and security agenda” and elevated the Transnistrian conflict to one of the main issues in the bilateral relations between the EU and Russia. It stated that “the EU and Russia will cooperate in particular towards a resolution of the Transnistria conflict with the view to achieve tangible progress within the established 5+2 format (Russia, Ukraine, Moldova, Transnistria, OSCE, EU, US). This cooperation could include a joint EU-Russia engagement, which would guarantee a smooth transition of the present situation to a final stage”.

Despite this enthusiasm the impact of the Memorandum had limited effect on a serious conflict resolution. Not only that it took until September 2011 when the 5+2-talks were officially resumed (informal talks in the framework of the OSCE were never suspended), the negotiations were also more or less limited to trust-building measures. The German attempt to transfer Russia’s willingness to conflict solution shown in Meseberg into concrete steps “appears to be undermined by the Russian side. Up to now, all progress in negotiations on Transnistria have failed due to Russian insistence that its troops will only be withdrawn once a decision has been made on the new political status of Transnistria”.

32 Ibid, Art. 4.
34 Meister op. cit. note 4, p. 5, at 16.
Owing to the increasing rivalry between Russia and the West in the shared neighbourhood it became clear that the international political climate does not facilitate conflict resolution. Instead parties embarked on a strategy of “small steps” which was strongly facilitated by the 2011 elected Transnistrian President Yevgeny Shevchuk. Since his election several working groups have been established in order to deal with technical issues like opening a train link between Chisinau and Tiraspol. In 2013 Ukraine took over the chairmanship of the OSCE and announced progress towards the solution of the Transnistrian issue as one of the major goals. Again, the main outcome of the 5+2-talks in 2013 were minor technical aspects and trust building measures.

3.4. Moldova’s path towards the EU – The AA and DCFTA

Moscow has made considerable efforts to convince Chisinau of the attractiveness of the ECU and simultaneously sanctioned rapprochement with the EU. Between 2009 and 2011 Moscow provided favourable conditions for the import of Moldovan agricultural products and wine which remarkably increased exports to Russia. It offered a 30% lowering of the gas price in return for abandoning EU integration plans and kept on emphasising that the conclusion of the DCFTA would have a negative impact on Moldova’s economy. As negotiations about the AA and the DCFTA were in progress Moscow performed a U-turn and temporarily restricted imports from Moldova. In addition, Putin underlined the importance of the issue by appointing Deputy Prime Minister Dmitri Rogozin to the newly created posts of the “Russian President’s Special Representative for Transnistria” and the “Co-chairman of the Russian-Moldovan Intergovernmental Committee”.

In the run-up to the Eastern European partnership summit in Vilnius, Dmitrii Rogozin visited Chisinau and Tiraspol several times clarifying that “Moldova’s decision to sign an association agreement with the EU would necessitate a revision of the existing agreements between Russia and Moldova. It could harm Moldovan exports, hamper the supply of Russian gas to

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36 Wolff op. cit. note 7, p. 5, at 12.
the country, and lead to restrictions for Moldovan migrant workers. Rogozin has also said that closer relations between the EU and Moldova would have a negative impact on the Transnistrian settlement”. However, the pro-European government in Chisinau remained relatively unimpressed by those measures and initialled the AA and DCFTA on the Eastern Partnership Summit in Vilnius in November 2013, followed by signing it in June 2014.

3.5. Summary

After the refusal of the Kozak Memorandum, Moscow created the appearance of being a constructive player in the settlement process while actually being satisfied with the status quo. On a regional level Moscow uses Transnistria to create a security issue in the Western part of the post-Soviet space that prevents NATO and the EU from penetrating the “near abroad”. Moscow would thus oppose a settlement or even a reunification of Moldova if its geo-political interests are not met. Gaining Moscow’s consent would at least require credible guarantees that Moldova keeps its neutral status, meaning integration neither with NATO nor with the EU.

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4. The Local Level: Russia’s Role in Transnistria’s Domestic Politics and Economics

4.1. Politics

4.1.1. Russia’s soft power practise

The ethnic ties between Transnistria and Russia date back to the era of the Soviet-Union. Transnistria has been an industrial region to which a large number of Russians immigrated because of job opportunities. After the collapse of the Soviet Union tensions between pro-Russian and pro-Romanian parts of the population arose. While re-unification with Romania was considered among Moldovan elites, pro-Russian Transnistrian elites mobilised against Chisinaus’s discriminatory language policies. The escalation of the conflict in 1992 resulted in a period of armed clashes with about 1,000 casualties and the de facto division of Moldova. While the command of the Soviet troops on the right bank of the river Nistru was handed over to the Moldovan government, the 14th Army on the left bank remained formally under Moscow’s control but was acting largely independent in the chaos of the collapse of the Soviet Union. The Russian General Alexander Lebed (who is still treated as a national hero in Transnistria) was deployed as commander of the 14th Army and took patronage of the Transnistrian secession. Stuart Kaufman concludes that the escalation of the conflict was a combination of Russian assistance to Transnistria, ethno-nationalist extremism on the Moldovan side and interests of self-serving elites in Transnistria who could rely on the backup of the 14th Russian Army. The armed clashes in 1992 were if not directly supported by Russian troops at least facilitated with weapons. In July 1992 a ceasefire agreement was signed and provided for a Russian-Transnistrian-Moldovan peacekeeping force in a buffer zone along the river Nistru, overseen by a Joint Control Commission. This set the basis for Russia’s control over Transnistria and its centrality in the settlement process. After the ceasefire

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41 Officially entitled “Agreement on the Principles of a Peaceful Settlement of the Armed Conflict in the Transnistrian Region of Moldova”.

42 Wolff op. cit. note 7, p. 5, at 41.
the Transnistrian president Igor Smirnov, a former engineer in one of the industrial units, started the process of nation-building including the construction of a national historical narrative, state symbols and institutions, education policies, etc.\(^ {43}\) Despite the ethnic composition of approximately one third Moldovans, one third Russians and one third Ukrainians\(^ {44}\) the majority of the population sees itself as a part of the Russian world and opts for Eurasian integration. This desire was expressed in a referendum in 2006 when 97.1 % voted in favour of the independence of Transnistria and a subsequent reunification with Russia, as the wording on the ballot stated.\(^ {45}\)

Moscow’s policy on a local level accentuates ethnic, ecclesiastic and cultural ties. Russia is present with media institutions and organisations which finance social projects and promote Eurasian integration and Russian values. Russian officials repeatedly stress that they would protect people in Transnistria from potential aggression from Chisinau or Romania. The protection of Russian compatriots is also the justification of the presence of Russian troops in the region.\(^ {46}\) The Russian NGO “Eurasian Integration” has recently spent around $100 million for social projects like kindergardens, schools and medical facilities.\(^ {47}\) Of course, such soft power measures in combination with nationalist rhetoric lead to a broad support among the Transnistrian population and foster the ideological divide but they should not suggest an overestimation of the ethnic component of the conflict. According to Pirkka Tapiola, Head of the EU Delegation in Chisinau, and representatives from local municipalities the on-the-ground divide is not as big as the rhetoric on the Transnistrian and Moldovan side indi-


\(^ {44}\) According to the 2004 census.

\(^ {45}\) Quinlan op. cit. note 21, p. 9, at 149.

\(^ {46}\) According the OSCE Istanbul Summit Declaration from 1999 Russia is requested to withdraw troops from the breakaway region but is still present with parts of the 14\(^ {\text{th}}\) army, amounting 1.200 soldiers and 20.000 tons ammunition. See Wolff op. cit. note 7, p. 5, at 16.

Russia’s financial support does not provide for a sustainable economic and political development but equals a “buying of Transnistrian loyalty”.

Transnistria’s elites, however, are divided over their stance towards Russia. While the official policy focuses on gaining independence and international recognition, some pro-Russian forces pursue the course of integration into the Russian Federation. The latter stance was expressed in March 2014, in the context of Russia’s annexation of Crimea, when the head of Transnistria’s Supreme Soviet, Mihail Burla, sent a request to the head of the Russian State Duma asking to allow Transnistria to join the Russian Federation. In line with Russia’s foreign policy this request was simply ignored, representing an example for Russia’s Janus-headed policy between nationalist rhetoric and geo-political interests.

4.1.2. Improving relations with the EU

The 2011 elections marked a watershed in Transnistria’s politics. Long-term President Igor Smirnov was replaced by the young politician Yevgeny Shevchuk who broke with the old power structures. Smirnov can be described as an ideological hardliner who raised Transnistria’s independence above everything. He was strongly opposed to Russian intervention in domestic affairs and isolated Transnistria’s economy from the West. Thus, he became a thorn in Russia’s flesh since the former threatened Russia’s control over Transnistria and the latter increased costs since it further complicated the already difficult economic situation.

At the 2011 elections neither Smirnov nor Shevchuk were Moscow’s desired candidates, but the Kremlin preferred Shevchuk’s pragmatic approach over Smirnov’s stubbornness.

Shevchuk’s background is the opposition party Obnolvenie (Renewal) that draws support from Transnistrian entrepreneurs, first and foremost the Sheriff group which controls the

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49 Devyatkov op. cit. note 1, p. 3, at 2.

50 Solovyov op. cit. note 6, p. 5.

51 Wolff op. cit. note 7, p. 5, at 11.

52 Grund et al op. cit. note 22, p. 9, at 69.
overwhelming majority of Transnistria’s domestic market. Shevchuk had been chairman of Obnolvenie and speaker of the parliament between 2005 and 2009 but broke with the party in the course of a confrontation with Smirnov over a constitutional reform and ran as independent candidate at the 2011 elections. His rule stands for economic and political reforms towards a strengthening of the parliament, a functioning private sector and an opening towards the West.\textsuperscript{53} Although the foreign policy goals remained the same – Transnistria still opts for independence, Eurasian integration and the vital support from Russia - he wants to keep good relations with the EU.\textsuperscript{54} Shevchuk acknowledges that the essential ties to Russia require a certain degree of loyalty, but as a result of his rule working relations between the EU, Moldova and the Transnistrian authorities profoundly improved. Visits of representatives of national and international organisations as well as western diplomatic missions are now daily business. While on the one hand improving economic relations with the EU contributes to self-preservation of the Transnistrian economy and leave a taste of Europeanisation, Russia is highly alarmed about the EU’s engagement in Transnistria.

4.2. Economics

4.2.1. Economic structure

More important than ideological and political ties is Transnistria’s dependency on Russian financial assistance. The small domestic market and the lack of raw materials and resources do not provide for a viable economic model. Transnistria’s GDP reached around $1.1 billion in 2012.\textsuperscript{55} Unypical for the region is Transnistria’s dominating industrial sector compared to the weak role of agriculture. Figures show that industrial production amounts to 27.7 % of Transnistria’s Gross Value Added (GVA), in comparison to just 15.2 % in right-bank Moldova. Agriculture, in turn, plays with 2.9 % of the GVA a minor role in comparison to 11.8 % in

\textsuperscript{53} Wolff op. cit. note 7, p. 5, at 11.

\textsuperscript{54} Kosienkowski op. cit. note 24, p. 10.

\textsuperscript{55} If not otherwise specified, all economic figures are provided by a study of the Berlin Economics GmbH, The Impact of the EU-Moldova DCFTA on the Transnistrian Economy: Qualitative Assessment under Three Scenarios (Berlin, 2013), with reference to the Transnistrian Central Bank and the National Bureau of Statistics of the Republic of Moldova. The author has checked those figures with various other studies. They vary slightly but not significantly.
Moldova. Another noteworthy characteristic is the relatively important role of the public sector with around 30.2% of the GVA in comparison to 19% in Moldova. Exports of the industrial sector are accountable for one of three main sources of revenue of the breakaway region. The other two sources are remittances of Transnistrians working abroad (mainly in Russia) and Russia’s direct contributions to the social system.  

Given the small size of the country the industrial sector is fully dependent on exports. This export dependency and the lack of diversification of the industrial production create a high vulnerability to external shocks. The bigger share of the industrial sector is comprised by electrical energy (34.4%), metallurgy (25.8%), light industry (13.5%, mainly textiles and footwear) and food industry (10.9%). The industrial sector is dominated by a handful of huge, Soviet-style industrial units which have been privatised in the course of the last decade into Russian hands. Arguably those Russian investments do not follow commercial considerations but are the result of pressure from the Kremlin. The proximity of ownership structures and the Kremlin supports this view.

The first big player in Transnistria’s economy is the Moldovan Steel Works (MSW) in Rîbnita / Rybnitsa. It is accountable for almost the entire production of metal ware. The joint stock company MSW is controlled by the Russian Metalloinvest Holding which is owned by Russian oligarchs who maintain close relations to President Putin and the Kremlin. According to company data the overall production of MSW has shrunk to less than one third between 2004 and 2011. A second big player is the Rybnitsa Cement Plant, since 2007 also owned by Metalloinvest Holding. It is not as dependent on exports as the MSW since the main part of its production is sold in the region. A third main actor in Transnistria’s industrial sector is the Moldovskaya thermoelectrical power plant in Kuchurgan (Moldavskaya GRES). It is fired with fossil fuels (either coal, oil or natural gas) imported from Russia. A small part of its ca-

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57 See Devyatkov op. cit. note 1, p. 3, at 14; Grund et al op. cit. note 22, p. 9, at 66.
58 Metalloinvest is part of USM Holding Ltd, a company owned by Alisher Usmanov (60%), Vladimir Skoch (30%), son of Deputy of the State Duma Andrei Skoch, and the Iranian Businessman Farhad Moshiri (10%). Alisher Usmanov is one of Russia’s richest oligarchs. It is said that the Usmanov family maintains close relations to Kremlin and Gazprom. See Grund et al op. cit. note 22, p. 9, at 66 and the official webpage of the company at <http://www.usm-group.com/>.
Pacity suffices to cover the demand of the entire Transnistrian region, the remaining share is exported mainly to right-bank Moldova and also to Romania and Ukraine.\textsuperscript{60} Since 2005 it is part of the Russian energy provider Inter RAO, a joint stock company controlled by Russian state-owned entities. Some influential members of the management of Inter RAO maintain close relations to President Putin and the Kremlin.\textsuperscript{61}

The only big player in Transnistria’s economy for which ownership cannot be traced back to the Kremlin is the Sheriff group. It is the largest employer in Transnistria and holds various production plants and firms representing different industries. It exercises a monopoly over many branches of the regional economy: for example retail, filling stations, mobile phone network operator and food production.\textsuperscript{62} Most important for export and accountable for almost the entire production of Transnistria’s light industry is Tirotex, one of Europe’s largest cloth producers.\textsuperscript{63}

Russia’s financial aid including direct contributions to the social system leads to a better average economic situation of people living in Transnistria but cannot counteract the deteriorated economic situation. The industrial sector desperately needs modernisation and investments, but owing to the uncertain political situation it is more a burden than a lucrative opportunity to engage in Transnistria’s economy. The overall economic outlook for the next year is pessimistic\textsuperscript{64} and Yevgeny Shevchuk himself acknowledged recently that Transnistria is in an economic crisis.\textsuperscript{65} According to data provided by the Foreign Ministry of Transnistria 10% of the population, representing 30% of the working population, have left the country...

\textsuperscript{60} Calus op. cit. note 56, p. 18, at. 2.

\textsuperscript{61} Igor Sechin, Chairman of the Board of Inter RAO and one of Russia’s most powerful officials: President of Rosneft, former Deputy Prime Minister and since 2004 Deputy Head of the Presidential Administration of the President of the Russian Federation; Boris Kovalchuk, CEO of Inter RAO and son of Putin’s close friend and presidential advisor Yury Kovalchuk; see Popescu and Litra op. cit. note 35, p. 12, at 5 and also <http://www.interrao.ru/en/company/rukowod/council/>.

\textsuperscript{62} Including the famous brandy producer Kvint.

\textsuperscript{63} Calus op. cit. note 56, p. 18, at. 2.


since 2006 and the number of employees in the ten biggest companies dropped by almost 50 \%. Officially, it is the “economic blockade” (see chapter 4.2.2) imposed by Moldova and Ukraine that is the reason for the economic downturn.\(^{66}\)

### 4.2.2. Trade

Transnistria’s export is oriented towards right bank Moldova, and the EU. The main export partners are the Republic of Moldova\(^{67}\) with 35.1 \% of the total exports, the EU\(^{68}\) with 29.1 \%, Russia with 22.2 \% and Ukraine with 8.5 \%. Transnistrian entrepreneurs are mostly oriented towards the West. The fact that “key companies from the region managed to penetrate the European market in some competitive and demanding niches denotes the high potential and willingness of Transnistrian firms to tap this important [European] market”.\(^{69}\)

The current trade regime between the EU and Moldova facilitates this trend. The Autonomous Trade Preferences (ATP), in force since March 2008, grant Moldova already a tariff-free (with the exception of agricultural products) access to the EU market. Moldova is furthermore member of the CIS Free Trade Area (CISFTA), which entered into force in 2011, and allows Moldova to export a range of goods tariff-free to CIS countries. Both agreements also apply to Transnistria.\(^{70}\) In the context of the establishment of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) in 2005 and 2006 the EU facilitated a customs regulation between Ukraine and Moldova which required Transnistria-based companies to obtain Moldovan customs documents for exports to Ukraine. Already earlier the EU had required such certificates for imports from Transnistria. This regulation requires Transnistrian

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\(^{67}\) In official Transnistrian statistics trade with right-bank Moldova is treated as foreign trade.

\(^{68}\) The most important trading partner in the EU is Romania (because of energy), followed by Italy and Germany (mainly steel products and textiles), see Berlin Economics GmbH op. cit. note 55, p. 18.

\(^{69}\) Ibid at 7.

\(^{70}\) The tradition of common customs regimes dates back to 1996 when an agreement between Chisinau and Tiraspol applied the same customs duties in Moldova and Transnistria. After Moldova’s accession to WTO Transnistria lost this privilege but most countries cleared imports from Transnistria anyway.
companies to register at the authorities in Chisinau.\textsuperscript{71} The fact that the EU and since 2006 also Ukraine supports this measure is frequently labelled “economic blockade” by Russian and Transnistrian officials while the EU and Moldovan representatives keep emphasising that those measures do not affect Transnistrian trade.

Since its \textit{de facto} independence Transnistria suffered from an enormous trade deficit. It has exported goods amounting to $698 million in 2012 (63 \% of Transnistria’s GDP and 14.5 \% of right-bank Moldova’s GDP) and imported goods worth $1.8 billion (164 \% of its GDP), resulting in a deficit of more than $1.1 billion in 2012, equivalent to 104.6 \% of the GDP. The three main groups of goods exported by the Transnistrian region coincide with the three main stakes of industrial production: metal products, energy (mostly electricity) and products of light industry (textiles and footwear). Imports consist mainly of energy (50.3 \%, mainly fossil fuels from Russia), metal products and products of light industry. The countries of origin of imported products are Russia (50.7 \%, again because of the fossil fuels) and the EU (15.6 \%). The trade figures lead to the conclusion that the main added value in Transnistria is produced through the processing of fossil fuels and crude steel products imported from Russia and processed through Russian owned units, namely the Moldovskaya GRES power plant and MSW.

Under normal circumstances, a trade deficit of 104.6 \% would immediately lead to economic collapse. Such a deficit is possible because Transnistria does not pay for a huge share of its imports, namely natural gas from Russia. This leads to the conclusion that “the main form of financing the large trade deficit is actually hidden transfers from Russia in form of subsidised gas”.\textsuperscript{72} The gas transfer does also partly fund the Transnistrian state budget since the authorities are selling the gas they don’t pay for to Transnistrian companies. The gas subsidies are furthermore the only reason why Transnistrian companies are competitive on international markets. Varying from different sources the gas debts amounted to between $3.5 and $3.8 billion in 2012.\textsuperscript{73} Thus, the Transnistrian region finds itself in the difficult situation of

\textsuperscript{71} Up to now around 1000 Transnistrian enterprises have registered in Chisinau; see Lina Grâu, \textit{Transnistrian Dialogues - Newsletter 06} (Foreign Policy Association Moldova, 2014) at 2, online: <http://www.ape.md/public/files/publication/2014-03-06_Transnistrian_Dialogues_EN.pdf>.

\textsuperscript{72} Berlin Economics GmbH op. cit. note 55, p. 18, at 9.

\textsuperscript{73} For comparison: At present, Ukraine has acquired roughly $5 billion gas debts.
being financed by Moscow, but dependent on Moldovan and European markets. This
dilemma has to be considered with regards to the upcoming implementation of the DCFTA in
Transnistria.

4.2.3. The DCFTA and Transnistria

In June 2014 the EU and Moldova signed the Association Agreement (AA) together with a
Deep and Comprehensive Free Trade Agreement (DCFTA) which is going to replace the cur-
rent ATP regime. While the two agreements are currently being ratified by EU member
states they are provisionally applied in right-bank Moldova. In the course of the implementa-
tion process the EU and Chisinau invited the Transnistrian authorities to take part in the neg-
otiations. In early 2014 several joint meetings were held in which the EU repeatedly called
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In the third round held in late April
2014 EU chief negotiator Luc Devigne even considered to introduce the Most Favoured Na-
tion trade regime\footnote{Tiraspol will Continue to be Charged Duties on Exports to EU if it does not Apply DCFTA (IPN News Agency 06 May 2014), online: <http://ipn.md/en/economie/61665>.
} – an arrangement which would charge tariffs on imports from Moldova. However, supposedly under Russia’s pressure Transnistrian authorities refused to imple-
ment the DCFTA. Instead, Foreign Minister Nina Shtanski and President Jevgeny Shevchuk
stressed that the DCFTA-regime would be destructive and have disadvantageous implica-
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Several scenarios concerning the implementation are currently discussed.\footnote{For a detailed discussion and implications of several scenarios see Berlin Economics GmbH op. cit. note 55, p. 18; and Valeriu Prohnițchi & Adrian Lupușor, Transnistria and the Deep and Comprehensive Free Trade Agreement: a little stone that overturns a great wain? (Expert Grup Policy Notes 2/1, 2013), online: <http://www.expert-grup.org/en/biblioteca/item/download/972_ba9250542ae4085e175909b27cba6773>.\n}

First, a full im-
plementation of the DCFTA would require Transnistria to adopt legislation and standards
required by the agreement. This would include technical, phyto-sanitary and hygiene stand-
ards, reforms of legislation concerning competition and intellectual property rights, the es-
tablishment of public procurement rules as well as regular visits of Moldovan officials to check whether standards are actually applied. Such a scenario would have the most beneficial impact on Transnistria’s economy since it would facilitate the business environment, attract foreign investment and subsequently lead to an increase of the GDP. However, it would be strongly opposed by Transnistrian authorities since it would surrender a part of Transnistria’s sovereignty to the authorities in Chisinau and even to the EU. Moscow would oppose such a regime because it would reduce its leverage on Transnistria and allow the EU to further integrate with the Republic of Moldova. A second possible scenario is a non-implementation and a return to a non-preferential regime. Such a scenario is very unappreciable from an EU perspective since it would reinforce the divide between the right and the left bank of the river Nistru and potentially lead to a serious economic crisis in Transnistria. Also Russia and Transnistrian authorities would condemn such a scenario since they will be held accountable for the economic deterioration. Moldovan experts believe that Russia cannot compensate for the loss of European market in Transnistria.

Recognising the difficult situation the EU has agreed on a period of transition until the end of 2015 in which the current ATP regime will work in parallel to the DCFTA. The implementation of a consecutive trade regulation in Transnistria beginning with 2016 is subject to negotiations between Tiraspol and Chisinau and will be facilitated by EU representatives. However, since Russia is financing the breakaway region it is unlikely that Transnistrian authorities have any other option than to follow Moscow’s demands. But also Moscow knows that a deterioration of trade relations between Transnistria and the EU could be very costly. Furthermore, Transnistrian companies have a strong interest to keep a preferential trade regime and will adapt to European standards, if necessary. Thus, the most likely scenario is a compromise that applies a “DCFTA light”: in return for the implementation and an increasing influence in the breakaway region the EU would make concessions concerning the implementation conditions. This is presumably also a solution Moscow could live with as long as the loyalty of Transnistrian authorities to Moscow is not challenged.

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78 Ibid.
79 Grâu op. cit. note 71, p. 21, at 8.
80 Ibid.
5. **Conclusion and policy recommendations**

The conflict over Transnistria is characterised by elite interests on a local level and a geo-political power struggle on a regional level. On both levels Russia holds a great many of critical cards and follows a Janus-headed approach between geo-political considerations and nationalist rhetoric.

On the regional level the wrangling over the geo-political orientation of the Republic of Moldova creates the main obstacle to conflict resolution. In the last decade Moscow went to undermine solution efforts to keep the *status quo*. It uses the Transnistrian region as a “bargaining chip” and creates a security issue that prevents NATO and the EU from penetrating the post-Soviet space. However, Moscow is not entirely reluctant towards conflict resolution and even a re-unification of Moldova if it is in line with its geo-political interests. Russia’s consent would at least require a significant improvement of Russia-EU relations and credible multilateral guarantees for Moldova’s neutrality and non-EU membership.

On the ground, the societal divide between both banks of the river Nistru is less significant as elite rhetoric indicates. The mediating parties and observers are experienced enough in conflict resolution to put forward a constitutional arrangement that would overcome the small ethnic tensions and provide for a re-unified Moldovan state. But mainly because of Moscow’s financial and military support Transnistria’s authorities can pursue their separatist claims.

In the light of the ideological divide over the shared neighbourhood and the increasing mistrust between the EU and the US on the one and Russia on the other hand, the current macro-political climate is counter-productive for conflict resolution. Thus, conflict resolution on a regional level is currently very unlikely to be achieved. Instead, the EU should focus on the local level and continue to pursue economy- and development-focused policies. Since the early 2000s the EU is becoming gradually more involved in the conflict and the breakaway region. Together with right-bank Moldova the EU accounts for around 64% of Transnistria’s exports. Thus, the Transnistrian authorities find themselves in the dilemma of being dependent on Russia’s financial aid on the one hand and the EU’s and right-bank Moldova’s markets
on the other. This is the contact point for a future economy-focused bottom-up approach which would increase the influence of the EU on the expense of Russia’s leverage. The political situation in Transnistria indicates that this approach could be successful in the long-run if the EU manages to improve the economic situation and the living conditions in the region.

In the short run, the EU shall continue to strengthen its position as a crucial trading partner of the Transnistrian region and facilitate further opening towards the West. The implementation of the DCFTA in Transnistria shall be pursued in such a way. In addition, it shall continue to pursue policies that strengthen trust and cooperation between the Transnistrian region and right-bank Moldova on the one and the EU on the other hand. It shall continue to pursue integration policies towards the Republic of Moldova and Ukraine since this will positively affect people living in Transnistria. In the long run, a bottom-up approach would strengthen the mediating role of the EU and provide for the usage of Europeanisation mechanisms like conditionality and social learning to facilitate conflict resolution.

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81 The visa liberalisation for Moldova is a good example because many people from Transnistria hold Moldovan passports.