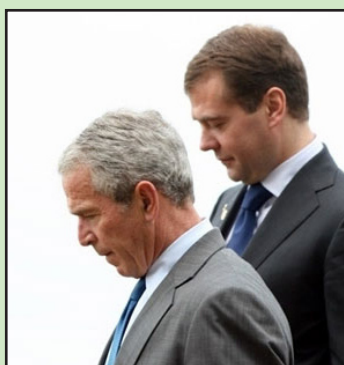
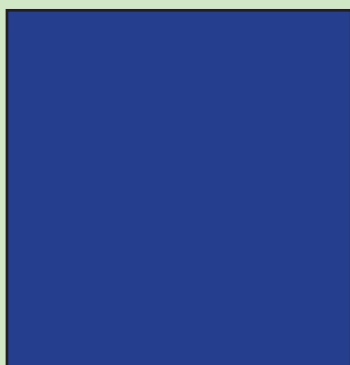


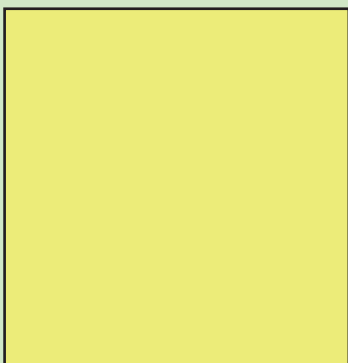
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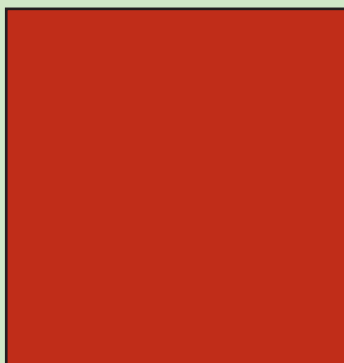


Focus

REMITTANCES AND DEVELOPMENT IN MOLDOVA



MOLDOVA AND ROMANIA: BACK IN BUSINESS OR FAKE RECONCILIATION?



THE LONG SEARCH FOR THE TRANSNISTRIAN CONFLICT „CLOSE SETTLEMENT”

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REMITTANCES AND DEVELOPMENT IN MOLDOVA

1. Overview

Every third Moldovan wants to leave the country and this trend is likely to continue. Even if it is widely perceived as a negative phenomenon, migration and money that migrants send home in the form of remittances may have a positive impact on development in the countries that send the migrant workers. Remittances represent 36.2% of the Moldovan Gross Domestic Product (GDP) pushing Moldova together with Tajikistan on the first place in the world's top of remittances-recipients (World Bank, 2008).

The vague relation between remittances and development in Moldova was not yet fully investigated. The Moldovan case illustrates that even if the high level of remittances has led to higher incomes for many households, it did not result in development. In fact, higher incomes are part of development and represent the main advantage of remittances, but exploring the whole range of economic, political and social costs of remittances inevitably shows that the narrow focus on higher household incomes and poverty alleviation does not include all aspects of development. Despite the inflows of remittances, the HDI ranking of Moldova did not improve significantly; it ranks 111 from 177 countries with HDI indicator value - 0.708, which is worse than in 1990 - 0.740 (UNDP, 2005).

2. Migrants' remittances and foreign investments

2.1. Who are the senders?

The determinants of migration are essential in understanding the behavior of the migrants. After the collapse of the Soviet Union, the main determinants for migration were cultural and ethnical, while later the main causes became economic (Mansoor and Bryce, 2005). People were leaving because of poverty, corruption and underdevelopment, which characterized most of the new independent republics. It was this later wave of migration that is associated with remittances.

A survey from 2006, commissioned by the

International Organization for Migration (IOM) revealed that increasing consumption, absence of a job and poverty were the main factors determining the migrants to leave Moldova. It would be rational to presume that most of the migrants' families are poor households. That said, of particular interest is the conclusion of Schrooten (2006) who after a detailed analysis claimed that the income situation measured in GDP per capita and the rate of unemployment do not affect the level of remittances. He makes his case by arguing that the amount of remittances depends more on the economic situation in the host country. In addition to the immigration policies of the host country, the amount of remittances depends on the number of migrants, their intentions and their expectations regarding the country, their education, age and loyalty to the family. The data used by World Bank (2008) rely on 2005 collected data and indicate a number of 705 533 Moldovan migrants (17% of the population), while the official figures indicate that 400 000 Moldovans were working abroad in 2006 (National Bureau of Statistics, 2006). Even if data are conflicting, the major sets of data show that from 1999 the number of migrants is significant and is continuously increasing.

Taking into account that the last census revealed 53% of the population is living in rural areas, it is reasonable to presume that the major bulk of remittances is sent by migrants to rural households. IOM data show that migrants mainly come from rural areas and small towns in the countryside.

Education plays a role too in choosing the country of destination and the amount of remittances sent home. According to Luecke, Mahmoud, & Pinger (2007) only 14 percent of the current Moldovan labor migrants plan to permanently settle abroad. Obviously, those who intend to leave forever the country tend to send lower remittances, but it would be risky to reverse the logic saying that migrants sending less money home are planning to settle in another country. In terms of destination the major part of the migrants leaves for Russian Federation (WB, 2008). Still, some of them work in Russian Federation, so that later they can afford to leave for EU. Persons, who choose EU, are mostly

women, better educated, opportunity-led rather than needs-driven and coming from urban areas (Luecke, Mahmoud, & Pinger, 2007). Compared with the CIS migrants, those who migrated to EU send lower portions of their incomes home. The simplest explanation based on the data above, would be that persons migrating to Russia are needs-driven and leave the country, because there is no other way to earn money for living.

2.2. Foreign Direct Investments and remittances: different results. Is the comparison valid?

In Moldova, remittances can be viewed as a mechanism of reducing dependence on foreign direct investments or foreign capital. Mechthild Shrotten (2003) argued that “in Moldova, Kyrgyzstan, Tajikistan and Armenia remittances exceeded this kind of private capital inflow” (p. 12). It is widely accepted in the literature that the quality of remittance money is better. “Remittances have proved to be less volatile, less pro-cyclical, and therefore a more reliable source of income than other capital flows to developing countries, such as foreign direct investment (FDI) and development aid (Gammeltoft, 2002; Keely&Tran, 1989; Puri&Ritzema, 1999; Ratha, 2003 as cited in de Haas, 2005, p. 1277). However, the Moldovan authorities focus only on attracting foreign investments rather than taking advantage of migrants’ remittances. Attracting foreign investments has become a strategic priority mentioned in Moldova’s new Strategy of Attracting Investments and Promoting Exports. To follow that goal a new state agency was created, but until now the results were poor. Compared to the major foreign investors, the capital of a migrant’s household is probably thousand times lower.

Despite their better quality, remittances are rarely spent on development projects or on investment. The IOM survey (2006) reveals that in Moldova remittances are spent mainly on current consumption and unproductive household assets with returning migrants refraining from investing home due to administrative and red tape barriers. The average amount of remittances reached \$1300 during the last twelve months, whereas as a whole, remittances amounted for 2007 to 1 200 millions USD (WB, 2008). Basically, the IOM survey (2004) proves that migrants’ average sum of transfer is approx. 300 USD. Since we have seen that the main determinants of migration are poverty, unemployment and increasing consumption, and that most of the migrants are needs-driven, it is reasonable to presume that the major part of remittances is constituted by small amounts of money sent to households in need.

Still, in 2007, the amount of FDI increased and reached 532 millions USD, which represents a 44.7% increase compared with the previous year. The top of investors included Netherlands being first with 21%, followed by Russian Federation with 10.6%, Cyprus – 10% and Spain – 7.8% (National Bank of Moldova, 2008). Taking into account that 41.6% of the households have at least one migrant abroad, remittances seem to have a far greater impact on poverty alleviation than the foreign aid or the FDI. However, diminishing poverty in the migrants’ families does not necessarily mean decreasing the overall level of poverty.

3. Remittances – the blessing or the curse for a country in transition?

3.1. Economic effects

Debates over how remittances affect economic development split the researchers mainly in two categories. Some economists consider remittances will contribute to increase of investments, while others contend that they can lead to the appearance of the “Dutch disease” symptoms. Possible Dutch disease effects are evoked also by Manson and Quillin (2006). Indeed, the Leu, the Moldovan national currency has continuously gained value against the US dollar and Euro, because of remittances. The National Bank tries to maintain the exchange rate and not to allow the appreciation of the national currency buying huge sums of US dollars from the market and increasing its foreign currency reserves. This process called “sterilization” does not transform money in investment, but just conserves them. The real exchange rate is affected by the remittances and leads to exports becoming more expensive.

On the other hand, De Haas (2005) points out an interesting fact and namely, that most migrants are not sent by the least developed countries and consequently do not contribute to alleviation of poverty in the least developed states. It is important to say that de Haas (2005) contested the pessimistic view on remittance spending arguing that “more recent empirical work from Latin America, in particular, but also from Asian and African countries, strongly suggests that remittances potentially enable migrants and their family members to invest in agriculture and other private enterprises” (p. 1274). Moreover, consumption based on imports increases the revenues for the state budget that could be invested. So if in Moldova, most of the researchers tend to view the exaggerated consumption determined by remittances as something damaging for the economy, de Haas reverses the argument and

considers that spending on consumption might be considered also development.

After being transferred through banks, express money services or directly through couriers (drivers, friends), tracing the money becomes difficult. Still, it can be assumed that a certain remittance spending cycle emerged in Moldova. In households, where one of the members of the family is working abroad, the incomes increase. That leads to higher demand on consumer goods (foodstuff, clothes, household assets) and often to price increases, because the supply is limited. High demand leads to over-dependence on imports and while in some households poverty is diminishing, because of inflationist pressures it spreads to other households, where none of the members has chosen to migrate. This in turn should lead to an increase in migrants, because the main determinants of migration are poverty or unemployment. Of course, higher demand for some products might lead to increases in local production, but such examples could not be documented.

In Moldova remittances have not yet led to local rural development and there are multiple factors leading to such a disappointing result. First of all, when it comes to community projects in rural areas that involve all the members of a village, there are great difficulties in convincing everyone to contribute financially. If before the fall of Communism on the local level, existed the common agricultural cooperatives (kolkhoz), after 1991 the villages became atomized. Common projects for a community were viewed as an attempt to return to Communism. Families and clans became the main social networks in rural areas supporting the vulnerable groups. The few community centers created in Moldova were established with the financial assistance of donor institutions. Unfortunately, the villages are not prepared to assimilate the amounts of money they receive. Luecke, Mahmoud, & Pinger (2007) indicate that most of the money is spent on daily needs - foodstuff, clothes, rent etc. Even if a lot of money is spent on foodstuff, there is no evidence that local producers are benefiting from remittances. In many cases, the money sent to rural households is spent in urban centers on buying goods for the rural household, most of which are imported. Thus investments in rural areas are rather rare and the multiplier effect occurs mainly in urban centers. Remittances determine migrant families to leave villages and to move to urban areas after having acquired an apartment. Besides that, migrants are not yet ready to spend money on community projects since their expectations on the general development of the country are negative.

The experience of some countries in Latin America and some Asian states that pass through the migration experience for decades and had to cope with the same problems regarding remittances might be revealing. Even if it may sound too interventionist the state can indirectly contribute to the re-directing of the remittances towards productive investments by creating a favorable investment and business climate; that was a often heard recommendation issued by EU and major donor institutions. Ellerman (2005) addresses the relation between remittances and development from a broader perspective, at the same time extracting from international practice four possible methods of translating remittances into development. Basically, the researcher highlighted four methods used by various countries: 1) capturing a share of the remittances, 2) attracting them in formal banking deposits, 3) creating incentives for more direct productive investments and 4) creating and involving country and home-town associations in this process. Such a list of possible solutions will be definitely needed in the future, since the level of remittances for 2007 was underestimated even by the International Monetary Fund (IMF). The last figures for 2008 show the level of remittances will increase as compared to 2007. Furthermore, there is no evidence that the trend will stop during the next years.

3.2. Social structures and remittances

In case of families, remittances lead to role differentiation, less childcare and sometimes crimes. In certain families remittances highlight the various social roles played by men and women. Mainly in families from rural areas, the social roles have not changed much, with men having the task of earning money and women seen as housekeepers. That is why a major part of male rural population is migrating to Russian Federation and sends a greater share of the income to the family. Even if a family gains in financial terms, adverse effects appear. The rate of divorces is increasing; children and teenagers are used to live on the money sent by their parents and often lacking parental care have problems at school; there are fewer younger people to take care of the older ones. Remittances lead often to crimes. There are numerous cases when migrants coming home are attacked, because they are perceived as carriers of huge sums of money. The families of migrants are also under threat, because local mafia structures presume that they preserve money in their houses. Blackmailing or stealing from migrant families is widespread. Thus, it is difficult to evaluate whether financial advantages compensate for the social damages that remittances cause.

The Moldovan civil society was not affected significantly by the remittances from abroad. It is hard to say whether remittances had the same paralyzing effect on civil society as foreign aid has. By paralyzing effect, it is meant the exaggerated dependence of Moldovan NGOs on foreign aid and the lack of volunteer community projects. In terms of interest representation, there is not a single visible national organization claiming to represent the interests of the migrants. Nor did the migrants try to create home-town associations in the major destinations regions, therefore it can be argued however that after the first decade of migration experience, remittances had adverse effects on the consolidation of a solid civil society.

3.3. Politics and remittances

Like the Moldovan civil society, political parties are also adapting rather slow to the challenges of migration. Migration is not high on the agenda of Moldovan parties. Only when in November 2007, a new law on political parties was modifying party financing rules, migrants became an issue. Thus, donations from Moldovan citizens abroad were limited to a certain amount and many of the parliamentary parties protested against such strict legal provisions. Political discourse and political parties did not adjust to the environment and it would be difficult to say at this moment, which of the Moldovan parties represents the interest of the migrants. Except for certain attempts to organize migrants' congresses in Moscow, parties did not usually bother about migrants. Unlike in Kyrgyzstan, no Party of Migrants emerged.

More curiously, in Moldova even the parliamentarians are potential labor migrants. That was the case of Valentina Cusnir, MP. During a parliamentary session, she admitted that during summer vacations she travels to Italy in order to work for three months and to earn additional money. The declaration raised a lot of protests from the governing party (Communists' Party) that claimed through its MPs that deputies do not have the right to work in other places except the legislature.

4. Prognosis

Remittances have a huge social impact on families, local communities and civil society. At the political level, migrants are not yet represented, but remittances constitute a financing source of numerous political parties. It is not clear whether the short-run economic benefits of migration will outweigh the long-term social and political

disadvantages. Until recently, remittances generated higher household incomes, but were rarely used for investments (IOM, 2006). However, the good signs appear as the International Monetary Fund (2008) analysts suggest that there is a change in the consumption pattern observed during the last decade and more remittances are being directed into private investment. This, in turn can lead to more durable development in a transition country relying mainly on remittances to solve its economic problems.

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MOLDOVA AND ROMANIA: BACK IN BUSINESS OR FAKE RECONCILIATION?

Overview

Past month was important for the Moldovan foreign policy in the light of the Romanian Foreign Minister's visit to Chisinau given the strained relations between the two states. The expectations were high enough to trigger the interest of media on both banks of Prut. However, the meeting between Comanescu and Stratan developed under closed doors followed by a short press conference, which did not shed any light on the results of the reunion. Only later on it was clear that some steps have been taken towards easing the Moldovan-Romanian tensions and reopening the political dialogue, at least until the parliamentary elections conclude lately this year in Romania and early next one in Moldova. The major achievement of the visit was nevertheless the decision to open a Romanian consulate in Cahul and a Moldovan one in Iasi. There have been speculations as well with regard to opening two new ones in Balti and Constanta, idea triggered by Moldovan authorities and not confirmed by the neighbors.

The Moldovan offensive intensified on the European vector. President Voronin gave instructions to the government to enhance the relations with France, holding EU presidency at the moment, and to push forward the ambitious Association Agreement with EU. Given also the approaching electoral campaign, the negotiations should start in his opinion before the elections to counter any speculations about whether European integration is a priority or not for the Communists. Otherwise, this might be regarded also as depriving the opposition of its only advantage to do well during the campaign. Albeit, it is rather improbable this may come true. The EU will wait to see if the winning Communists can be trusted or to build a new relationship with the winning opposition.

Back into Safe Waters: For How Long?

The visit of Romanian Foreign Minister Lazar Comanescu at the initiative of Chisinau raised several important questions about the Romanian-

Moldovan relations in general and particularly in the context of Romania as a EU member. Traditionally, these relations were unsatisfactory, to say the least. There were sporadic improvements, but determined by specific interests and circumstances and not wholehearted intentions meant at developing a thriving relationship between two Romanian states.

The recent visit was bearing an important political load as it had to settle the burning issues of the Border and Basic Treaties Moldova insists on. Also Romania finds itself in the position of a troublesome neighbor, EU member, who cannot sort out its border issues with the immediate neighbor and consequently this has to be fixed. On the other hand, the idea submitted by a former MAEIE employee, Vlad Lupan, seems to bear some seeds of truth. The Moldovan leadership acts considering an electoral advantage. Since Russia could not be convinced to support the demarches of the Communist party with regard to the resolution of Transnistrian conflict and the talks are still stalemated, the Communists passed to plan B. This means warming the relations with Bucharest, which in turn has to infuriate Moscow, but in the end Moldova obtains Romanian signature on both Basic and Border treaties and puts them on the plate for Russia. Thus, Communists ensure themselves the Russian support they are so desperately seeking in order to win the elections.

Nevertheless, Comanescu was very careful in all the meetings he had with the Moldovan leadership – Voronin, Greceanii and Stratan. While Voronin was praising the Romanian Foreign Minister's visit as the most pleasant, lucrative and promising one with a representative of the Romanian leadership, the only certain thing out of this was the decision announced later by the Moldovan Foreign Ministry about opening two new consulates, one in Cahul and another one in Iasi. While the Romanian consulate is critical for Moldova in order to ease the pressure on the Consular Section in Chisinau, the Moldovan consulate in Iasi is a whimsical action of the Moldovan diplomacy based on the principle of reciprocity.

Stratan's declaration that with the signing of the Small Border Traffic Agreement more and more Moldovan citizens will need this Consulate in Iasi is more a protocolar lie than an objective truth.

Therefore, the issue of treaties remains open, with both parties declaring they are in the last stages and be ready soon for signature. The guess would likely be that this visit had to postpone the confrontation between Bucharest and Chisinau at least for a while. In both states electoral campaigns are unfolding or already ongoing and such a melt down is beneficial for PR measures. Furthermore, there is EU who would like a more friendly relation between Moldova and Romania. Moreover, there are considerable European funds to be turned to account for cross-border projects. That is why, recently the Lower Danube Euroregion has been revitalized in the capacity of a Romanian juridical person, namely with the purpose to attract and use these funds. Moldova is directly involved in this matter and can profit from. As it can be seen there are several reasons for improving the Romanian-Moldovan dialogue.

Nonetheless, this is most probably a temporary measure, a fake reconciliation that left aside the important issues of cooperation: political relations, economic ties, education, cultural exchanges, etc. Moldova and Romania "are back in business" taking an "armistice" for the duration of the elections. It may turn out that after elections Bucharest might deal with a totally new government, one that may be more cooperative than the Communist one or vice versa, the change may occur in Bucharest. Thus, with a new configuration, the existing problems may get a new solution. To wait is the wisest thing to do and this is exactly what Chisinau and Bucharest are going to do. Those who nurtured hopes for a real, wholehearted reconciliation will have to wait. For how long? - At least for another year or so.

Unfortunately enough, the parties have been imposed to cooperate closely by the Mother Nature in light of the floods, which affected the northern parts of Romania and Moldova and along the Prut River. A joint commission was created to work at Stinca-Costesti dam and to avoid its destruction by the furious waters of Prut. If at the moment the political relations are somehow in safe waters, both governments have to do everything possible to bring people affected by floods in safe waters as well.

Voronin Wants Moldova Closer to France: How About Germany and United Kingdom?

Moldovan authorities are more and more determined to get an Association Agreement from EU. It's not only the agreement itself which is obviously too

daring, but the timeframes for it are being pushed too hard. Voronin insists that the negotiations with the Commission should begin before the parliamentary elections scheduled for next year in order to exclude any doubts about Communists Party true will to integrate Moldova into EU. No matter how strong this will is, Moldova and specifically the party in power, is expected to do its homework and to fix all the remaining problems.

Nevertheless, President Voronin "ordered" the government to enhance the relations with French Republic who holds the presidency of EU for the second half of 2008. In such a way the Communists hope that France will support their idea and will put it on the agenda of its presidency. However, as the French government's initiatives show, France is more interested in the Mediterranean region than Eastern Europe. Barcelona Process launched in 1995 at the French proposal has been turned now into a Partnership, again after France's perseverance. Instead, Paris was more reluctant towards the new neighbors from Eastern Europe than to its former colonies in the Mediterranean basin.

Therefore, Voronin's quest for French support is a quite difficult exercise. Besides, the political relations with this major power within EU were not so intense as one would expect. Also the French businesses are underrepresented in Moldova. Except Orange and La Farge, no other big French companies have an interest in the country.

In turn, Germany, another influential member of EU has always shown quite a lot of interest in this part of Europe. The Stability Pact for South-eastern Europe is a German creation and Moldova's membership became possible only after German intervention. In the same vein, German officials always supported a European perspective for Moldova. Furthermore, it is well known that Germany is the paymaster in Europe and Berlin's voice weighs a lot in the EU. That is why it would be advisable to Moldovan leadership to consider viable options for its integration strategy. A closer interest for Germany, an enhanced political dialogue, educational and cultural exchanges should trigger a process whereby Germany will get more and more involved with Chisinau. Obviously, with such an advocate Moldovan hopes for integration will get more ground.

The third major player within EU is the United Kingdom. The relations with London are even less developed than those with France. Embassies have been opened few years ago and since then, the dialogue has been poorly developed. While London is not very fond of EU and its possible "federative" future, it always supported the enlargement, namely

in order to make the Union more diffuse and counter any possibility for becoming a federation. Whatever the reasons Great Britain has behind, the possibility to get its support has to be exploited at maximum. Hence, having the German and British consent, coupled with the positive attitude of the new EU members and Swedish-Polish initiative for an Eastern Partnership, Moldova should feel more confident about its European perspectives. That is why the focus should not be only on the country holding EU presidency, but on key players who do the politics within the Union and that is obviously Germany, France and Great Britain.

Prognosis

Overall, last month was important for the Moldovan-Romanian relations. Despite the fact that the visit of Foreign Minister Comanescu did not bring the long awaited reconciliation, at least it put a temporary end to the confrontation between the two states. The reason seems to be the approaching elections on both sides and the decision of the elites to take a break. The outcome of elections may suggest other ways to solve the problems of bilateral cooperation.

Given the same upcoming elections, Voronin tries to deprive the opposition of its only advantage – that of

advocating a true European integration for Moldova. In his opinion a rapprochement to France and opening of negotiations over the new contractual agreement prior to the elections will boost Communists' Party standings in the polls and eventually more seats in the future Parliament.

The expected visit of Ukrainian President Yushchenko did not take place most probably because of the floods, which affected Ukraine and had serious repercussions for Moldova and Romania. Hopefully, the visit will become possible early September.

The forecasts for August are poor given the fact the Parliament went on vacation as well as the President Voronin will do. The government has to deal with the destructions of the flood and most probably there will be less activity on the external arena.

The talks over the Transnistrian issue have not been resumed, though a new plan for settlement had been launched by Chisinau, a combination between Chisinau package and Kozak plan which obviously was dismissed by Tiraspol. Also the activity of joint commissions working for enhancing the trust is stalemated and there are no encouraging signs that soon they may resume their work.



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THE LONG SEARCH FOR THE TRANSNISTRIAN CONFLICT „CLOSE SETTLEMENT”

Summary

According to the statements of the Minister of Reintegration, V. Sova, made at the end of the month, the Chisinau central authorities are willing to give the transnistrian region the statute of Republic with the right to its own Constitution. The meeting of the mediators an observers with the Chisinau and Tiraspol authorities on July 22, as well as the informal meeting on July 23, of all the participants at the negotiation process in the 5+2 format, attracted the attention of the Moldavian society by such statements. In spite the illusion of the conflict “thawing”, the informal meeting ended up with general matter findings and statements, while the relations between the parts proved out to be conflicting and remained quite complex.

The cancel of A. Harlamenco’s election in the position of President of the Gagauz Popural Assembly by the Comrat Appeal Court on the fourth of July, as well as the strikes organized on July 19 in Comrat against the central communist authorities’ intromission in the sphere of region’s autonomy, generated new threats to the security and stability of the Republic of Moldova. The most exiting thing of all was the demand of transforming the statute of UTAG from autonomy to republic. During the discussions regarding the transnistrian conflict settlement, such evolutions are convenient to political forces that are willing to promote the federalization of the Republic of Moldova.

In spite of the fact that Russia has important means of influencing the situation in the region, as well as the commitment to contribute to the increase of confidence among the parts involved in the transnistrian conflict, Russian Federation demonstrated a moderate attitude towards recent initiatives of the Republic of Moldova, all this being admitted by President Voronin during

the press conference on July 23. The Gasprom’s request, company that is under the Kremlin control, for the Republic of Moldova to pay all the debts for the gas that was stolen by the separatist authorities during 2006, contributed to the worsening of the fragile dialogue between Chisinau and Tiraspol, and turned out to be a challenge to Chisinau authorities in the framework of the current discussions regarding the conflict.

The Excess Of Optimism In The Framework Of The Dialogue With Monologue Elements

The first priority of the policy promoted by the communist authorities during July, as well as in the recent ones, represents the transnistrian conflict settlement. In order to fulfill this objective, communist authorities submitted the entire foreign policy, unfortunately not the domestic policy, to the promotion of real reforms and the increase of the Moldovan society’s activities. The most obvious example regarding foreign policy is the refusal to participate at the GUAM summit at the beginning of July. Such a situation generated deep discussions in Chisinau. According to some experts, communist authorities really pursue national interest elements and the real conflict settlement (even in their awkward way), while according to others, the communist authorities already started the 2009 electoral campaign, and the attention given to the transnistrian problem is a good strategy to manipulate the public opinion, a strategy used to distract the attention from other, not less important society problems.

According to the statements of the Republic of Moldova’s President, made on July 23 at a press conference, at the moment, there are all the pre-requisites to settle the transnistrian conflict, which could be solved by the end of 2008. The sequence of events, and the state of the

dialogue between Chisinau and Tiraspol shows lack of trust and deep conflict of interests or even incompatible interests, while the Russian Federation's attitude seems to disapprove the existence of all the pre-requisites.

Within the framework of the seminar "transnistrian dialogue", on June 28, 2008, the Moldovan Minister of Reintegration V. Sova, stated the Chisinau authorities disposal to recognize the statute of republic for Transnistria without recognizing the right to veto, including granting the right to property, the statute of neutrality of the Republic of Moldova, and others. According to the traditional policy of the Moldovan authorities regarding transnistrian problem, these offers fit perfectly in the model of permanent Chisinau yielding, which could be seen during the entire conflict. Summarized, such actions represent a process of "small victories" that encourage Tiraspol to pursue the objective of independence.

We have to mention that the intention to give the transnistrian region the statute of republic comes from the President of the Republic of Moldova, in spite the fact that the Constitution foresees that our state is a Parliamentary Republic. The lack of discussions with the Parliament (the main state institution) and the opposition regarding such an offer is opposite to the statements of conflict stable development and could generate new political crises in the Moldovan society. The statement of some UTAG officials during July about the possibility to ask for a new statute for the autonomous region, not less important than that of Transnistria, is a consequence of the central authorities' initiatives.

The Chisinau's raise of offer to the statute of Republic for Transnistria in the framework of a possible negotiations failure represents not a very good initiative. This could determine the strengthening of a minimum limit for the future offers, even in spite of a more positive international framework characterized by the ascending EU presence. As time passes, the role of EU is raising and this is in Republic of Moldova's favor, while the hasty actions of the state authorities are capable to compromise the chances of a real situation settlement.

Even if there was an offer to give Transnistria the statute of Republic, the Tiraspol authorities showed a deep lack of interest by all means. So, the miming of a sovereign state behavior by signing with the Georgian separatist authorities a range of judicial cooperation documents on the fourth of July, 2008, from which we

could distinguish the one that consist in mutual military assistance signed with South Ossetia, the opening in Tiraspol on July 17, 2008 of the Abkhaz separatist region's diplomatic mission, as well as other actions represent a clear message that the separatist authorities objective is the independence, or as they say "the equality of their statute with the one of the Republic of Moldova". In such conditions, in the opinion of the Tiraspol authorities, the separatist region's reintegration is possible only by having as base the federalization principle, intensely promoted by the Russian authorities. The above mentioned actions, as well as the toughness of the transnistrian's positions, pursue the compromise of the current negotiations.

The most evident action from the part of the transnistrian authorities that show the lack of interest regarding the current negotiations is the absence of I. Smirnov at the meeting with the mediators and observer's representatives on July 22, 2008 in Tiraspol, in spite of a previous set of agenda.

With such evolutions the Chisinau authority's statements gives the impression of a monologue, oriented more to the set up of an illusion and images on the eve of electoral campaign, than to pursuing a careful strategy of a lasting and democratic settlement of the transnistrian conflict and an honest information offered to the society about a problem of national importance.

The Return of Gagauz Region In The Political Game Of Transnistrian Settlement.

The prolonging of the election crises of the UTA Gagauzia president, analyzed in the previous number of PSS, emerged with new evolutions and statements and determined new threats to Republic of Moldova's security and stability. The demonstrations organized on July 18 in Comrat against the communist central authorities intromission, end up with the demand of modifying the statute of the region from autonomy into republic and the request of a representative quota in the Parliament. Concomitantly, the Appeal Court statement about the illegal election on the fourth of July of Ana Harlamenco as President of Gagauz AP, as well as the election of the presidents and vice-presidents for the permanent commissions, continues to block the normal function of AP, while the central authority's policy is not concentrated on dealing with this crises.

Initiated as a simple problem that related to the fight for political power inside the autonomy, the

crises degenerated in an action that determines additional risks to the Republic of Moldova's security and the so called transnistrian settlement initiative is capable to worsen the situation and to reduce the Chisinau authorities actions during the negotiation process.

The come back of Gagauzia in the discussion arena regarding the transnistrian conflict is convenient to those forces that pursue the federalization of the Republic of Moldova, with all the consequences of domestic and foreign policy that may follow. In such a situation, are not clear the reasons why the communist authorities allowed themselves to be involved in the worsening of the situation in the region. The awkward, undemocratic and inattentive behaviors of the communist authorities that don't seek a fast way of solving the crises, increase the state of conjecture of gagauz authorities, but also contribute to the lack of confidence emerged among the transnistrian society regarding the recent conflict settlement initiatives.

With such evolutions it is necessary to analyze the Russian official's visits in Gagauzia (one of them being Mironov's visit on May 21, 2008), considered by the Moldovan press as acts of courtesy, taking into consideration that such visits were not made in Transnistria. The attempts to bring again in discussion the judicial statute of Gagauzia throws Chisinau back to 1993 state of security, characterized by the experience of two separatist trends. Or, we assist to an attempt of some forces to set up a favorable conditions in order to promote the principle of federalization and the Kozak memorandum conception.

The Russian Federation Waiting For Elections

The meeting of mediators and observers with the Chisinau and Tiraspol authorities on July 22, as well as the informal meeting in the 5+2 format on July 23 at Vadul lui Voda created the impression of a consensus regarding the future evolutions of the negotiations. Thus, the moderate position of Russia towards the recent Chisinau offers along with the Transnistria's dissatisfactions imposes a pessimistic note concerning the negotiations perspectives.

The increase of the Western role in the process of transnistrian conflict settlement for sure bothers Russian Federation. The hardness with which it approached the Chisinau's offers is eloquent and expresses the differences of its geopolitical interests with the Moldovan authority's offers, that have are backed up by the West. So, in spite

of the commitment to contribute to the increase of confidence among parts, the Gasprom's demand made through the decision of the Republic of Moldova's International Commercial Arbitration to pay the sum of 42 million USD for the separatist authority's stolen gas may be considered a threat that had as objective to destabilize the situation, action that succeeded.

The moderate attitude of the Russian Federation expresses the distrust towards the communist authorities' loyalty. It seems that the intention of searching for international recognition of the neutrality, the loyalty shown at the last CIS meetings, the refusal of President Voronin to participate at the GUAM summit at the beginning of the month, are not appreciated as being sufficient in order to obtain the Russian support concerning the transnistrian settlement.

The recent statements of president Voronin regarding the drop up of the international recognition of neutrality represents a reaction to the moderate attitude of Russia and could set the bases of new contradictions in the moldo-russian relations. The abusive, bad organized and surprising change of the foreign and security policy made by the communist authorities raise the lack of confidence of the international partners, inclusively of Russia toward Republic of Moldova, and as consequence the state of instability of the Moldovan society. In this context, it seems that the major objective of the communist authorities is not to grant the security by implementing a long lasting strategy in the field, but to search for electorate for the 2009 elections.

Forecasts

Discussions concerning the transnistrian conflict seem not to abolish the differences regarding the political settlement of the conflict. In this way, we should expect that the discussions will concentrate on some problems that are dealing with the economic usefulness of the parties involved in the conflict. Thus, the deep political differences are capable to restrict the possibility of finding a consensus even on non-political issues, while the stability of the current discussion round is very fragile.

The continuous worsening of the relations between the communist authorities and the Gagauz ones will increase the dissatisfaction of the gagauz population. In this way, it is expected that the demands of transforming Gagauzia from autonomy into a republic will be used by some pro-russian political forces in the 2009 electoral

campaign. Concomitantly, the political crises from UTA Gagauzia is going to be used by this political forces in order to restrict the Chisinau and Western actions in the current round of transnistrian dialogue. This situation could increase the Gagauz and Republic of Moldova's political crises.

The moderate attitude of the Russian Federation represents the reaction to the increase of the Western's role at the current negotiation round. It is expected that it will take some actions in order to get the initiative and not let the transformation of the transnistrian conflict in a case of successful involvement of the west in conflict settlement, that could serve as an example for the separatist regions in Georgia. The issue that is going to be stressed

is the deepening of the political cooperation with the transnistrian authorities, and the preparing of a possible meeting between the Russian President and the separatist leader from Tiraspol is very eloquent. Thus, we should expect that the Russian Federation will try to increase the efforts of promoting its interests using the 2009 elections in the Republic of Moldova, when the Chisinau authorities will be more vulnerable at its pressure, inclusively by interference and intromission in the electoral process. In such a context, the hasty statements of the President Voronin concerning the organizations of elections in Transnistria in 2009 are sources of general insecurity to the Moldovan society and to the European integration course.

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