

## Ilko Kucheriv Democracy Fellowship Programme

### Policy Paper

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# THE SOURCES OF THE POST-SOVIET DE FACTO STATES' SUSTAINABILITY: THE CASE OF TRANSNISTRIA

By Ruslan Kermach

### Abstract

The *policy paper*<sup>1</sup> is aimed at studying the main factors contributing to the sustainability of the unrecognized post-Soviet de facto state of Transnistria (TMR). Scrutinizing the key parameters of state- and nation-building process in Transnistria the author first evaluates the overall institutional functionality of Transnistria as a de facto state and then analyzes the underneath sources providing for the very functionality of the unrecognized republic. The analysis done in the paper clearly indicates to the factors of the direct and indirect Russian patronage of the Transnistrian regime. Besides, an important role played out by Chisinau in maintaining the Tiraspol regime which seems to be at odds with the official political line of Moldova with regard to the breakaway republic is also identified. The possible rationale behind such an ambiguous 'soft policy approach' of Moldova regarding Transnistria is presented in the last section of policy paper and is supported by the in-depth interview-based expert opinion and clarifications on the issue. Finally, the conclusion and general recommendations for the Moldovan government aimed at reinforcing its already functioning 'soft approach' regarding the breakaway unrecognized republic are presented in the paper.

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## **Introduction**

For already more than 20 years on the left bank of the Dniester River in the Republic of Moldova exists a fairly sustainable quasi-state entity, which is not recognized by any member-state of the UN.<sup>2</sup> Being from a legal standpoint an integral part of the Republic of Moldova, the "Transnistrian Moldovan Republic" (further - TMR) was able to approve on the de facto controlled territory most of the attributes inherent to the real state: the national flag, the government and other bodies, passports (citizenship), the police, army, customs service and even the national currency. In addition, there is a population that is quite loyal to local authorities in Transnistria, as evidenced by a long time of the republics' existence despite the international non-recognition status. Thus, Transnistria being illegitimate from the international legal standpoint has nonetheless managed to form itself as at least a *de facto state*.

According to the definition formulated by Scott Pegg (1998) a *de facto state* "exists where there is an organized political leadership which has risen to power through some degree of indigenous capability; receives popular support; and has achieved sufficient capacity to provide governmental services to a given population in a defined territorial area, over which effective control is maintained for an extended period of time."<sup>3</sup> Generally the case of Transnistria seems to be corresponding to some of the basic criteria noted in the above presented definition of the de facto state. But in more detail the indicators related to the state-building and nation-building processes in this de facto state will be studied in this paper below.

Rather paradoxical as it may seem, even in an ambiguous position of the international non-recognition the very existence and functioning of the unrecognized institutions of the de facto state over a fairly long period of time is still possible under certain conditions. It is worth noting also that unrecognized Transnistria has rather ambiguous strategic objectives with regard to its future political status. While, on the one hand, seeking to consolidate its 'statehood' it simultaneously proclaims the irredentist strategic goal of unification with another state – that is Russia.<sup>4</sup>

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<sup>2</sup> Transnistria was recognized in 2006 only by three states with limited recognition – Abkhazia, South Ossetia and Nagorno-Karabakh republic. This fact does not give a reason to claim even about a partial recognition of Transnistria as it was not recognized by any UN member-state. See also: <http://www.newsru.com/russia/17nov2006/aup.html>

<sup>3</sup> Pegg, S. (1998). De Facto States in the International System. The University of British Columbia. Working Paper No.21, p.1. URL: <http://www.sirag.org.uk/defactostates-somaliland.pdf>

<sup>4</sup> For instance, on September 7, 2016 the so called president of the unrecognized "Transnistrian Moldovan Republic" Yevgeny Shevchuk signed a decree "On the implementation of the outcome of the national referendum held on

This paper is aimed at clarifying some aspects contributing to the functionality and stability of Transnistria as a de facto state in the post-Soviet space. Moreover, the objectives of this study are the identification of the key factors which somehow contribute to the sustainability of Transnistria under non-recognition status as well as the assessment of the Chisinau policy with regard to TMR and the impact of this policy on the political regime in Tiraspol. Finally, the general recommendations for the Moldovan government on how to deal with the Transnistrian issue will be presented in the concluding section of the publication.

## **Methodology**

Two main methodological tools have been used to achieve the main objectives of this paper. Firstly, the expert questionnaire survey among 20 Moldovan experts studying Transnistria was conducted. As part of the questionnaire survey interviewed experts evaluated on a quantitative scale (from 0 to 10), a number of parameters reflecting the state-building and nation-building processes as well as the general functionality of the TMR as a whole. The main evaluation parameters of the survey were based on the approach elaborated earlier by researchers P.Kolstoe and H.Blakkisrud (2008).<sup>5</sup> Also, within the questionnaire survey experts have generally rated the political regime in TMR (on the scale from 0 to 10), and identified the main factors which in their view hinder the possibility of reintegration of the breakaway territory in the Republic of Moldova.

Along with the expert questionnaire survey revealing mainly quantitative parameters related to the issues studied, a series of in-depth interviews with experts have been carried out for the better understanding of the key aspects related to the stability and functionality of the TMR as a de facto state. In total 25 in-depth interviews were conducted (lasting each from 45 min to 1 hour on average) in order to obtain the qualitative data on the key issues addressed in this publication. The list of those interviewed includes, inter alia, academicians, diplomats, think tank based political and economic experts, and political commentators in Moldova who somehow deal with the Transnistrian issue or have the necessary expertise on the topic. The quantitative and qualitative data collected within this study has been summarized, analyzed and used in the preparation of this publication.

## **Key findings of the study**

The results obtained from the questionnaire surveys give some reasons to assert that there is a certain degree of functionality in the institutions of Transnistria as the unrecognized de facto state. Experts polled have estimated the overall level of state-building in Transnistria at slightly over 5 points on the 10-point scale. Thus it should be considered that this estimate reflects the averaged rate for a number of institutions and parameters determining the degree of statehood development in the unrecognized republic. Among these parameters the highest score gained the defense capability

September 17, 2006” that is “aimed at the realization of the people of Transnistria on the free accession to the Russian Federation”. URL: <http://president.gospmr.ru/ru/news/prezident-podpisal-ukaz-o-realizacii-itogov-respublikanskogo-referenduma-sostoyavshegosya-17>

<sup>5</sup> Kolstoe, P. and Blakkisrud, H. (2008), Living with Non-Recognition: State- and Nation-Building in South Caucasian Quasi-States. Published in DUO with Permission from Taylor & Francis, *Europe-Asia Studies* 60(3): 483–509.

and border/territory control (about 7.5 points on the 10-point scale). The development of this, probably, one of the key institutes is inherent to the set of de facto state entities that is caused by the need of the respective unrecognized political regimes to rely solely on themselves (in terms of security) under the conditions of a doubtful external legitimacy.<sup>6</sup> Economic indicators (GDP per capita, average income), social welfare system, healthcare and education system have been on average estimated at 3-4 points on a 10 point scale. Slightly higher has been estimated the transport infrastructure in the unrecognized TMR – on the average of 4.5 points. In general, these expert assessments of a number of parameters of state-building in Transnistria let us claim about a rather sufficient functionality of the unrecognized de facto states' institutions.

The findings of the expert surveys are also generally confirmed by the materials of in-depth interviews. So, one interviewed expert has noted the following: *«Transnistria is an unrecognized state but it couldn't be denied – it has all the basic institutions that determine a state. The quasi-institutions but they do exist and perform the most necessary for the region functions»*.

*The average expert evaluation of state-building parameters in TMR (on a scale from 0 to 10)*<sup>7</sup>

The defense capability and border/territory control	<b>7.5</b>
Economic indicators (GDP per capita, average income)	3.4
social welfare system	3.7
Healthcare system	3.5
Education system	3.6
Transport infrastructure	4.5

It is noteworthy that the polled Moldovan experts have estimated most of the parameters that determine the degree of nation-building at even higher level compared to the parameters of state-building in TMR. These parameters are among other things related to how much the population residing on the territory of TMR sees themselves as part of a particular community and to what extent this population exhibits a loyalty to the authorities of the self-proclaimed "republic". For example, interviewed experts assessed the national self-identification or self-perception as a citizen of TMR among the residents of the region at the level of 7 point (on a 10-point scale). Meanwhile, one should mention that despite relatively high indicators of national self-identification in TMR (as the expert survey results show) the majority of residents in Transnistria are believed to have multiple citizenship as it is well-known that most of them hold simultaneously the passports of other legitimate states: mainly of Russia, Moldova and Ukraine.<sup>8</sup>

Approximately at the level of 6-8 points (on a 10-point scale) the polled experts rated the civil and electoral participation of the residents of Transnistria (in the parliamentary, presidential and local elections) as well as participation in the national referendums. However, interviewed experts rated the degree of public participation in civic and community initiatives, reflecting the degree of civil society institutions development in TMR, at an average of only 2.5 points (on a 10-point scale). At

<sup>6</sup> The norms of the international law cannot be applied with regard to the unrecognized by this international law state-like entities such as Transnistria (TMR)

<sup>7</sup> Presented in this tables parameters of state-building (as well as parameters of nation-building in the table below) are not exhaustive but at least reflect the most relevant elements.

<sup>8</sup> See: Freedom in the world 2014 – Transnistria\* // Freedom House. URL <https://freedomhouse.org/report/freedom-world/2014/transnistria>

the same time on the basis of expert evaluations, one can claim that the residents of Transnistria generally identify themselves with the unrecognized state they live in, as well as recognize the legitimacy of local authorities in the unrecognized republic, as evidenced by their participation in the electoral procedures and elections.<sup>9</sup> Being deprived of external international legitimacy, the authorities of self-proclaimed republics to be able to carry out their functions particularly need sufficient domestic legitimacy or recognition on the part of the population living in the respective territory. Obviously, for this very purpose, the authorities of the unrecognized de facto states replicate the integral inner elements that are inherent to the "normal" state: create national attributes, state symbols and institutions, as well as provide citizenship to the people residing on the territory under their control.

The average expert evaluation of nation-building parameters in TMR (on a scale from 0 to 10)

National self-identification or self-perception as a “citizen of TMR”	6.7
Civil and electoral participation of the TMR residents (in the parliamentary, presidential and local elections)	6.2
Participation of the TMR residents in the national referendums	7.6
Participation of the TMR residents in civic and community initiatives (development of civil society institutions)	2.5

However, it is worth noting that the loyalty and the popular recognition of the legitimacy of unrecognized republic's authorities, which inter alia was evaluated within the expert questionnaire survey, would hardly be possible without the proper functionality of the state institutions (the parameters related to the state-building) headed by these authorities. Thus, the relatively high rates of nation-building in TMR might serve as an indirect indicator proving the presence of certain functionality of TMR’s ‘state’ institutions.

### **The functionality of the state as a derivative of its self-sufficiency**

The results of the expert survey questionnaire, as noted above, may indeed indicate a certain functionality of institutions in the unrecognized TMR. This functionality, apparently, is also a significant factor ensuring the internal legitimacy of the current political regime in Tiraspol. The latter polled experts have estimated on an average of 2.5 points on a scale of 0 to 10, where 0 - means the absolute absence of democracy (dictatorship), and 10 - the most democratic regime (absolute democracy). It means that the Transnistrian political regime is perceived as rather undemocratic by the experts. Such an assessment of the political regime in Transnistria generally corresponds with the assessments that have been given with regard to the breakaway republic by the international institutions and organizations which pointed in particular to the authoritarian character of the political regime, the problems with respect for human rights, media freedom and civil liberties in the TMR.<sup>10</sup> Generally according to the Freedom House rankings Transnistria is being steadily classified as “not free” country.

<sup>9</sup> The turnout was over 60% for the last presidential elections in 2016 and 47% for the elections of the Supreme Soviet of TMR (2015) // Central Election Commission of the TMR, 30.11.2015. URL:

<http://www.cikpmr.com/index.php/novosti/item/1131-pobedil-vadim-krasnoselskij>

<sup>10</sup> Freedom in the world 2015 – Transnistria\* // Freedom House. URL: <https://freedomhouse.org/report/freedom-world/2016/transnistria>

Along with that the very functionality as well as the very existence of the state institutions (including those of the de facto states) is provided primarily by the cash inflows from the state budget. This, in turn, means that the functionality and the efficient steady operation of state institutions is a direct derivative of the financial (fiscal) self-sufficiency of the state. In other words, in order to assess the real viability of the state mechanism, as well as its ability to carry out its key functions of protecting and providing citizens with certain services, it is essential to consider not only the visible functionality of various institutions, but also the sources providing this very functionality. How does the unrecognized Transnistria manage to ensure the sufficient for maintaining functionality of its institutions revenues?

Clarification with respect to the above stated question was a primary consideration in the course of conducting in-depth interviews with Moldovan experts. Most of them in the course of an interview called into serious doubt the ability of the unrecognized Transnistrian regime to maintain functionality of its institutions without the direct or indirect support provided by the Russian Federation to Tiraspol. In particular, experts have identified several basic channels of such a support (direct as well as indirect) provided to the Transnistria. First, the Russian Ministry of Finance provides the annual funding to the social needs of Transnistrian pensioners (so-called pension supplement) since 2008.<sup>11</sup> Such regular appropriations, although not fully cover the amount of required pension payments, certainly allow relieving to some extent the budgetary costs for Tiraspol in the social protection of its own population.

The second, and probably the crucial in maintaining the viability of the TMR, according to a number of experts, is an indirect subsidy of the regime through the provision by the Russian "Gazprom" of natural gas to the Transnistrian company "TiraspolTransGaz-Transnistria" de facto free of charge starting from 2009.<sup>12</sup> This company in turn sells the gas to the population and economic agents (companies) in Transnistria under the tariffs which are significantly below the market prices and lower than those on the right bank of the Republic of Moldova. The money obtained from the sale of natural gas (about \$ 270 million per year)<sup>13</sup> are accumulated on a separate bank account and used by the self-proclaimed authorities of TMR, in particular, to cover the enormous budget deficits.<sup>14</sup>

Besides, the natural gas sold out at subsidized prices allows the residents of TMR to spend considerably less money for housing and, on the other hand, provides the local economic agents with the hidden competitive advantages. In the breakaway republic where according to some data almost 1/3 of the whole population is employed in the industry sector these subsidies might be of utmost importance.<sup>15</sup>

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<sup>11</sup> By 2015, Russian pension supplement for the retirees residing in Transnistria, was about 15 USD for one person, but in 2015 it was reduced to 9 USD. See more: <https://republic.ru/posts/66931> ;  
See also: Russian surcharge // Information and news resource TMR <http://newspmr.com/novosti-pmr/obshhestvo/11822>;

<sup>12</sup> At the same time the debt for the supplied natural gas (that according to some sources already exceeds \$ 5 billion dollars) is assigned to official Chisinau.

See: [http://www.infomarket.md/en/transdnier/Transnistria\\_has\\_a\\_significant\\_debt\\_for\\_the\\_Russian\\_natural\\_gas\\_in\\_t\\_he\\_short\\_term\\_and\\_in\\_10-20\\_years\\_the\\_region\\_will\\_be\\_not\\_able\\_to\\_pay\\_it\\_off- Yevgeny\\_Shevchiuc](http://www.infomarket.md/en/transdnier/Transnistria_has_a_significant_debt_for_the_Russian_natural_gas_in_t_he_short_term_and_in_10-20_years_the_region_will_be_not_able_to_pay_it_off- Yevgeny_Shevchiuc)

<sup>13</sup> Calus K. Transnistria's Economy Going from Bad to Worse// New Eastern Europe, 23.01.2015. URL:

<http://neweasterneurope.eu/articles-and-commentary/1462-transnistria-s-economy-going-from-bad-to-worse>

<sup>14</sup> According to the data provided in the Statistical Yearbook of TMR (2015), the budget deficit in 2014 was around 28%. See also: Calus K. An aided economy. The characteristics of the Transnistrian economic model // OSW Commentary, 2013. URL: <https://www.osw.waw.pl/en/publikacje/osw-commentary/2013-05-16/aided-economy-characteristics-transnistrian-economic-model>

<sup>15</sup> See: Statistical Yearbook of TMR – 2015 / - Tiraspol, 2015. 180 p. URL: <http://mer.gospmr.org/assets/files/pdf/stat-2015.pdf>

It is also worth mentioning that Transnistrian economy is highly dependent on the imports from neighboring countries. According to the official statistics of the breakaway republic the annual imports of the TMR exceed the respective exports for more than 2 times and almost the half of the total imports last year was provided by Russia.<sup>16</sup> The major part of this Russian imports apparently makes up the supply of energy (natural gas) to the region.

Thus one can speak of, at least, the triple benefit from the Russian direct and indirect subsidies for the Transnistrian regime: (1) unloading of the budget social spendings (pensions); (2) the actual revenues for the budget due to the sale and usage of natural gas; (3) the possibility for the citizens and the local economic agents in the country to save on the purchase of energy resources, which allows the latter to remain profitable and competitive on the external markets.<sup>17</sup> The covert maintaining of the profitability of companies in the region due to the subsidized rates (much lower than the market) allows local industrial enterprises of the energy and metallurgical sectors, forming the backbone of the Transnistrian economy<sup>18</sup>, to stay afloat and thus to be able to fill the budget of TMR with tax revenues. Furthermore, the region receives some tangible economic benefits at the expense of Russian interest-free loans<sup>19</sup>, due to the activities of social and humanitarian projects undertaken in the TMR with the support of not only Russia, but also of the European Bank for Reconstruction and Development (EBRD) and other institutions.<sup>20</sup>

Thus, there are some reasons to assert that Russia plays a crucial role in maintaining the viability of the Transnistrian region and the local political regime in particular. Without Russian support the capacity of this unrecognized quasi-state to have stable and functional institutions of the statehood seems rather doubtful. This, in turn, implies that the real viability of the TMR de facto state, despite the visible functionality of its major institutions, is largely fictitious as it is to a large extent conditioned by the Russian direct or indirect patronage.

### **What else besides the Russian factor?**

A more detailed analysis of the factors that ensure the sustainability and viability of the Transnistrian political regime, indicate that the support of the Russian Federation, although being a very important yet is far from being the only one in this context. For the sustainable operation of the economy the state one way or another has to conduct foreign trade activity. In terms of non-recognition, the opportunities of a state to perform legal foreign trade are severely limited because of the need for such a state to have an internationally recognized status. Since the TMR from the international legal standpoint is an integral part of the Republic of Moldova, then Tiraspol in order to export its products abroad needs customs certificates (certificates of origin) of the Republic of Moldova.

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<sup>16</sup> Ibid, p. 32.

<sup>17</sup> The natural gas provided by Russia is used as a fuel for producing electricity on the Kuchurgan Power Plant which is further exported to the right bank of Moldova. See more: <https://moldovanpolitics.com/tag/kuchurgan-power-plant/>

<sup>18</sup> The electricity sector (32.2%) and ferrous metallurgy (27.2%) in aggregate account for about half of total industrial production in the TMR according to statistics. See more: Statistical Yearbook of TMR - 2015 - Tiraspol, 2015. 180 p. URL: <http://mer.gospmr.org/assets/files/pdf/stat-2015.pdf>

<sup>19</sup> Farmers of Transnistria has received from Russia interest-free loans // Agro2b, 29.12.2015. URL: <http://agro2b.ru/en/news/26322-Farmers-Transnistria-has-received-from-Russia.html>

<sup>20</sup> Results of the year. Projects NGO "Eurasian Integration" // News of Transnistria, 21.12.2015 URL: <http://novostipmr.com/ru/news/15-12-21/itogi-goda-proekty-ano-evraziyskaya-integraciya>

See also: Document of the European Bank for Reconstruction and Development (EBRD) - Strategy for Moldova (2014). URL: <http://www.ebrd.com/downloads/country/strategy/moldova.pdf>

Paradoxically, as it may seem at the first glance, but the official Chisinau while not recognizing TMR officially, went for quite a serious concession with respect to the economic agents of the unrecognized republic. In fact, the official Moldovan authorities since 2006 allow the economic agents from the left bank of the Dniester River (territory of Transnistria), which re-registered in the Ministry of Justice of the Republic of Moldova, to implement the legal foreign trade (exports) on behalf of the Republic of Moldova.<sup>21</sup> And it is particularly remarkable in this context that Transnistrian companies re-registered in such way continue to pay taxes on exports to the budget of the self-proclaimed Transnistrian republic and not to the official budget of the Republic of Moldova. Thus, even being unrecognized, the TMR has gained a unique opportunity to carry out foreign trade operations through its economic agents which are de facto legalized in the Moldovan legal framework.

Apart it is also worth noting that the business of Transnistria, legalized in the Moldovan legal framework, enjoys all the benefits of trade preferences and free trade agreements which the Republic of Moldova has with the European Union (DCFTA and Autonomous Trade Preferences regime), as well as within the framework of the World Trade Organization (WTO) and other free trade agreements.<sup>22</sup> Such state of affairs seems to capitalize in the sustainability of the Transnistrian economy and 'statehood' no less than the Russian support itself. After all the revenues from foreign economic activity of Transnistria allow local economic agents to fill the budget of the "republic". The latter ensures the functioning of all institutions of the unrecognized state, ranging from defense to the social, healthcare and education systems of the TMR.

Moreover, it is the Republic of Moldova (the right bank of the Dniester) according to the official statistics of TMR that is a major market for more than a third of all products manufactured by the Transnistrian economy.<sup>23</sup> The above stated data clearly indicates that the official Chisinau itself, despite its official position of non-recognition of TMR, actually serves as a key sponsor of this de facto state's further existence and sustainability along with Russia. How the Moldovan officials and interviewed experts might justify such an ambiguous state of affairs? As it seems that the official political line of the Republic of Moldova with respect to the breakaway republic appears substantially at odds with the policy carried out with regard to the TMR in the economic sphere, the expert view on the current state of affairs might be of high relevance here.

### **Soft policy of Chisinau regarding Transnistria: an important prerequisite for the future reintegration or political short-sightedness?**

As acknowledged by a number of experts interviewed, including, in particular, the representatives of the governmental segment, Chisinau policy on the breakaway Transnistria is highly soft and liberal. Some of the experts interviewed characterize the policy of Chisinau as a form of using "soft power" with respect to the uncontrolled republic on the left bank of the Dniester. Indeed, the

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<sup>21</sup> See: Calus K. An aided economy. The characteristics of the Transnistrian economic model // OSW Commentary, 2013. URL: <https://www.osw.waw.pl/en/publikacje/osw-commentary/2013-05-16/aided-economy-characteristics-transnistrian-economic-model>

<sup>22</sup> See: European Commission – Export Helpdesk – Free trade agreements: Moldova. URL: [http://exporthelp.europa.eu/thdapp/display.htm?page=cd%2Fcd\\_Moldova.html&docType=main&languageId=en](http://exporthelp.europa.eu/thdapp/display.htm?page=cd%2Fcd_Moldova.html&docType=main&languageId=en) See also: Council Regulation (EC) No 55/2009 of 21 January 2009 introducing autonomous trade preferences (ATP) for the Republic of Moldova and amending Regulation (EC) No 980/2005 and Commission Decision 2005/924/EC. URL: [http://exporthelp.europa.eu/thdapp/display.htm?page=cd%2Fcd\\_Moldova.html&docType=main&languageId=en](http://exporthelp.europa.eu/thdapp/display.htm?page=cd%2Fcd_Moldova.html&docType=main&languageId=en)

<sup>23</sup> See: Statistical Yearbook of TMR - 2015 - Tiraspol, 2015. 180c. URL: <http://mer.gospmr.org/assets/files/pdf/stat-2015.pdf>

economic agents of TMR enjoy preferences in foreign trade (without paying taxes to the Moldovan budget), have access to the Moldovan market, the population of the region does not experience substantial obstacles in visiting the right bank of the Dniester, and the Transnistrian holders of Moldovan biometric passports (75, 000 people) are actively using the possibilities of visa-free travel to EU countries for already several years.<sup>24</sup>

In general, with respect to such a soft policy of Chisinau to Transnistria a number of significant reasons have been voiced. First of all, many experts in Chisinau express the conviction that the policy of most favored (or vice versa – of the lowest impediment) with regard to Transnistria can create important preconditions for rapprochement, confidence building and even the possibility of reintegration of the region into the Republic of Moldova in the long run. Maintaining and deepening economic relations, the actual retraction of different business entities (and ordinary residents of the Transnistrian region) into the legal framework of the Republic of Moldova, creation of certain ‘threads’ of TMR’s depending on Chisinau (customs certificates, free trade agreements, energy supply contracts, visa-free regime with the EU etc.) – all this according to some experts supposedly strengthens the hidden levers of influence on Tiraspol and its policies, creates a space for ongoing dialogue and confidence-building between the parties.

In addition, as claimed by many interviewed experts, such a policy reduces the tension and potential for the possible conflict escalation between the parties. It is rightly expressed conviction in Chisinau that under the conditions of such a continuous dialogue and openness between the parties the possibility to reach agreement with the appearance of a real ‘window of opportunity’ for the reintegration will be significantly higher than under conditions of hostile confrontation and of the economic blockade of Transnistria.

At that, it is obvious that for the reintegration of the TMR the readiness for such a process should be demonstrated by the citizens living on both banks of the Dniester. Without implementing trust-building measures between the parties it is difficult to imagine the attainability of such an ambitious goal as stapling the state - the Republic of Moldova - in its full internationally recognized borders. *"We cannot return Transnistria in the Republic of Moldova quickly, easily and comprehensively. It is obvious. There is resistance, they (Transnistrians – auth.) got used to their independence (...) although we are gradually creating the preconditions for this (reunification – auth.), we can gradually achieve It."* – admits one of the senior Moldovan diplomats during the interview.

As a further strong argument justifying the Chisinau approach regarding the breakaway republic interviewed experts and diplomats point to the fact that the uncontrolled by Moldovan authorities Transnistria is also a home to the many citizens of the Republic of Moldova.<sup>25</sup> This very fact also requires from Chisinau to apply a rather soft and balanced policy towards Transnistria, which would not significantly complicate the life of ordinary Moldovan citizens living on the territory of unrecognized "republic". *"We have to be open to these regions (Transnistria - auth.) in order not to create the perception of Moldova as an enemy for the population of those territories "* - said in an interview the diplomat dealing with the Transnistrian issue for many years.

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<sup>24</sup> Schwartz R. - Visa-free travel for Eastern Europe, but with a lot of question marks// Deutsche Welle, 26.12.2015. URL: <http://www.dw.com/en/visa-free-travel-for-eastern-europe-but-with-a-lot-of-question-marks/a-18933243>

<sup>25</sup> According to the unverified (and outdated) data of 2009 – at least 107,600 Transnistrians held the citizenship of the Republic of Moldova (that was about 19.4% of the then population in TMR). Since the introduction of the visa-free regime between the EU and the Republic of Moldova the general amount of those holding Moldovan citizenship in Transnistria could have increased. <http://www.e-democracy.md/en/monitoring/politics/comments/20090214/>

However, the above presented rationales behind the ‘soft policy’ of Chisinau with regard to the TMR do not purport to be exhaustive. Several interviewed experts also pointed out that certain political and economic circle in Chisinau might have a significant corrupt interest in preserving the Transnistrian enclave sustainable. Among other things, the experts illustrated their thesis with the example of the relatively recently signed contract for the supply of electricity to the right bank of Moldova (Moldovan state-owned company ‘Energocom’) from Kuchurgan Power Plant (located in Dnestrovsc, Transnistria), which is being carried out not directly but through the dubious intermediary company "Energocapital" registered in Tiraspol.<sup>26</sup> The latter has recently won the tender for the supply of electricity and the ultimate beneficiaries of this company with offshore roots may be, according to some reports, the representatives of the Moldovan and Transnistrian high ranking officials and businessmen.<sup>27</sup> By the corrupt motives and, as a result, the unwillingness of political elites to change the current approach in relations with the TMR one of the polled experts explains the fact that Moldova has not undertaken for all the years of its independence any serious steps towards the creation of alternative gas transporting and electricity networks, for example, with neighboring Romania. "*Therefore, at the official level Chisinau is trying to break out of this trap (the Transnistrian problem - auth.), and at the informal level – they are business-partners with the regime of Transnistria*" - sums up the expert in the interview. Besides, the contract on the electricity supply to Moldova, according to the Transnistrian Minister for economic development – “*made up 37% of all the export of TMR and if not signed for 2016 than for the Transnistrian economy it would be a disaster.*”<sup>28</sup>

At the same time one should not ignore the factor of Russia, as well as its impact, in the context of Transnistrian settlement process. As some interviewed experts noted, the Republic of Moldova simply avoids to implement a tougher policy with regard to Transnistria not least because such policy transformation would cause a natural counteraction on the part of Moscow. At the same time the range of possible leverages of pressure with regard to Chisinau which the Russian side has at its disposal is quite extensive: from economic sanctions (embargo) and manipulations with gas prices or supply up to the possibility of the direct military provocations of Transnistria with the support of the Russian Federation.<sup>29</sup> Given the prevailing military capabilities that Transnistria has, Chisinau might reasonably fear of the scenarios which could potentially lead to the escalation of tension on the line of the Dniester. "*Chisinau cannot or does not want to complicate the lives of Tiraspol, because it is risky from a security standpoint, it is fraught with certain risks that could come from the left bank (of Dniester – auth.)* – says one of the interviewed Moldovan experts.

Anyway, the current Moldovan *policy of most favored* with respect to Transnistria is actually rather ambiguous or even multifaceted. On the one hand, such a policy is justified by the strategic considerations of creating real prerequisites for confidence-building, bringing together the two

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<sup>26</sup> See more: Popșoi, M. Are Moldovan Consumers Financing Transnistrian Separatism? // Eurasian Daily Monitor 13:78, April 21, 2016. URL: <https://jamestown.org/program/are-moldovan-consumers-financing-transnistrian-separatism/>

<sup>27</sup> Energocapital vs. Energocom: a new postponed meeting // Crime Moldova. 1.06.2015. URL: <http://en.crimemoldova.com/news/social/energocapital-vs-energocom-a-new-postponed-meeting/> See also: Andreev, M. The head of Transnistria has been accused of involvement in the “theft” of 100 million USD // NewsMaker, 12.04.2016. URL: <http://newsmaker.md/rus/novosti/evgeniya-shevchuka-oblozhili-prokladkami-glavu-pridnestrovyia-obvinili-v-prichastno-24088>

<sup>28</sup> See: Not preserving electricity supplies to Moldova would threaten Transnistria with the disaster – Ministry of Economic Development // News Agency Infotag, 04.03.2016. URL: <http://www.infotag.md/rebellion/219664/>

<sup>29</sup> Russia has already imposed import duties on the 19 types of goods from Moldova in September 2014 after the country has signed the Association Agreement and DCFTA with the EU. URL: <http://newsmaker.md/rus/novosti/u-moldovy-i-rossii-vse-poydet-po-planu-chto-soderzhit-soglasovannyi-dokument-o-vos-28632>  
The Joint Group of Russian Forces (JGRF) that has around 1,300 soldiers is being stationed on the territory of Transnistria (Moldova).

banks of the Dniester which might be crucial and essential steps to reunify the Moldovan state. At the same time, a number of other experts pointed out that this policy of Chisinau might be dictated by the quite different reasons, which are far from strategic considerations of rapprochement and reintegration of uncontrolled territories. Among such reasons the experts most often indicated the corrupt interest of certain elites in Moldova in preserving the existing status quo (which means the sustainability of TMR), when Transnistria continues to exist as a "gray offshore zone". At the same time, it would be worth mentioning that since 2005 when the Mission of EU Border Assistance Mission (EUBAM) was launched and later on after some agreements have been reached between Moldova and Ukraine (since 2014) on strengthening common border control – the smuggling capabilities through Transnistria have been substantially limited.

Finally, another segment of the interviewed experts explains the soft policy of Chisinau as the product of a serious impact exerted by Russia on the Republic of Moldova. In the light of this interpretation the levers of Moscow's political and economic impact on the Chisinau does not allow the latter to take a tougher approach with regard to the uncontrolled political regime on the left bank of the Dniester.

However, regardless of the justifiability of the above named motivations, strategies and restrictions that may stand behind the current Chisinau policy on Transnistria, the practical impact of the current "soft policy" in the context of achieving the declared goal of the reintegration of Transnistria is rather questionable so far. As for a long period of its implementation there has been no any meaningful progress in terms of political dialogue between Chisinau and Tiraspol. There is an impression that the parties have different agendas and pursue completely different objectives within the framework of dialogue, for example, in "5+2" format.<sup>30</sup> The official Chisinau apparently might expect that its concessions and rather soft approach in the economic dimension will cause a kind of spill-over effect in terms of political dialogue with TMR, while Tiraspol rather uses the negotiation process solely to solve its current problems (social, economic, logistic etc.) and does not even intend to consider the issues from the security and political bloc.

If the above stated assumption is true, then one should not expect that the continuation of the current Moldovan policy of unilateral concessions can in the foreseeable future in any way induce Tiraspol to discuss political issues regarding the possibility of reunification with the Republic of Moldova. Chisinau has to somehow correct the current policy and to turn towards more active use of the already available levers of soft power with regard to Tiraspol. Otherwise, the consolidated and quite functional, as shown by the results of the study, political regime of Transnistria will focus exclusively on the pursuit of its own interests. However, will the authorities in Moldova be ready to take a tougher stance and demand from Tiraspol greater negotiability regarding issues of political settlement and reintegration? The answer to this question remains open especially given the fact that the newly elected president of the Republic of Moldova Igor Dodon has already voiced the controversial plan for Transnistrian settlement through federalization of the Republic of Moldova and probably providing Transnistria with a status of the federal unit within the state.<sup>31</sup> According to the opinion polls the absolute majority of citizens in the Republic of Moldova, on the contrary, believe that Transnistria should be the ordinary region of Moldova, without any autonomy.<sup>32</sup>

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<sup>30</sup> "5+2" is a special negotiation format on the settlement of the Transnistrian conflict which includes: Transnistria and Republic of Moldova (sides of the conflict), OSCE, Russia and Ukraine (mediators) and 2 observers (the United States and the European Union).

<sup>31</sup> See: Zabrodin, A, Baykova, T. Igor Dodon: "The meeting with Putin will happen in 2016" // Izvestia, 14.11.2016. URL: <http://izvestia.ru/news/644809#ixzz4QSk8VQ00>

<sup>32</sup> Public Opinion Survey – Residents of Moldova // International Republican Institute (2015), p.28. URL: [http://www.iri.org/sites/default/files/wysiwyg/2015-11-09\\_survey\\_of\\_moldovan\\_public\\_opinion\\_september\\_29-](http://www.iri.org/sites/default/files/wysiwyg/2015-11-09_survey_of_moldovan_public_opinion_september_29-)

## Conclusion and recommendations

The results of the study (mainly the expert questionnaire survey) indicate that Transnistria as a de facto state has fairly functional institutions which inter alia reflect the sufficient level of state-building in the breakaway republic. Moreover, some of the parameters of nation-building in TMR, evaluated in the framework of the questionnaire survey, let us claim a fairly high degree of internal legitimacy of the authorities in Transnistria, which also contributes to the sustainability of the local political regime. Meanwhile, from the interview materials, one might conclude that the functionality and sustainability of institutions of the Transnistrian state is not the result of economic (financial) self-sufficiency of the unrecognized state. The Russian patronage and support in the form of social subsidies, interest-free loans and free energy resources covers a significant part of the financial and economic needs of the breakaway republic. However, contrary to popular opinion about the pivotal role of Russia in the region, it was also found out through the in-depth interviews with experts that it is Chisinau which also substantially contributes to the sustainability of the current political regime in Tiraspol and the breakaway republic as such.

On the one hand, Moldovan soft policy of the most favored might be aimed at constructing conditions for deepening cooperation and building sustainable trust between the left and the right banks of the Dniester. But without a certain adjustment of this policy and binding the perspective of its further implementation to the long-term political objectives of Chisinau it is naive to hope that it will lead to any meaningful result in terms of the political dialogue between the parties. At the current stage, when the economic situation in Transnistria has substantially worsened, not least due to the weakening Russian financial capabilities<sup>33</sup>, a nice ‘window of opportunity’ opens for Chisinau to softly impose ‘its own game’ in the context of the Transnistrian settlement process. But above all, the official Moldovan authorities need to be consistent in the implementation of their policy with regard to Transnistria. This policy must necessarily be subordinated to the clearly formulated strategic vision as to what should be the end result of this policy.

***In this context, if the Moldovan government is interested in creating the necessary preconditions for the future reintegration of the Transnistrian breakaway republic (applying the already functioning ‘soft approach’) it would be additionally recommended the following:***

- The implementation of the structural anticorruption and justice system reforms, building efficient state institutions which would significantly contribute to the economic development and the growth of investment attractiveness of the Republic of Moldova. These transformations, in turn, could make the country much more attractive for the residents of the left bank of Dniester which is fundamentally important prerequisite for the further rapprochement and future restoration of the territorial integrity of the Republic of Moldova.<sup>34</sup>
- In the context of the anti-corruption reform it is highly important for the Moldovan National Anti-Corruption Center to investigate all the facts of possible corruption at the highest level among the high-ranking officials (such as the case of ‘Energocapital’) who might receive improper benefits

[october\\_21\\_2015.pdf](#)

<sup>33</sup> Tishchenko, M. At the bottom of the barrel. How Russia is funding Transnistria in the time of crisis? // Republic, 20.04.2016. URL: <https://republic.ru/posts/66931>

<sup>34</sup> In the context of the anticorruption reform an indicator of a particular importance might be the transparent investigation and further prosecution with regard to all those involved in the resonant bank fraud in 2014 which led to the theft of 1 billion USD from three Moldovan banks (Banca de Economii, Banca Sociala и Unibank). Besides, the perspective of resuming funding for Moldova by the EU and international donors might depend on the successful investigation of the ‘theft of the century’. See more: <http://www.bbc.com/news/magazine-33166383>

from deals with the unrecognized authorities of Transnistria, and thus might have a direct interest in the current status quo (insolvability of the Transnistrian issue and sustainability of this unrecognized entity).

- There is a necessity to coordinate the efforts and work out a common with main partners (EU and Ukraine) approach with respect to the breakaway Transnistria. Elaboration of such a common integrated foreign policy approach might significantly strengthen the bargaining position of Chisinau in the context of the Transnistrian settlement process (in the “5+2” negotiation format). At the same time while searching for the common approach, Chisinau has to clearly delineate its ‘red lines’ that should not be crossed due to possible further legitimization of the unrecognized political regime in Tiraspol. The federalization of the country which is not supported by the majority of the Moldovan population might be defined as one of such ‘red lines’.
- While applying diverse confidence building measures between the residents and economic agents of the right and the left bank of Dniester, Chisinau should also more actively use the already available at its disposal levers of soft influence with regard to TMR in order to pursue from Tiraspol the unlocking of dialogue regarding the political and security aspects of the conflict settlement.
- Given the extremely high degree of dependency (economic, political, military etc.) of the Transnistrian authorities on Russia, it is advisable for Chisinau to further conduct a meaningful dialogue with Moscow regarding the Transnistrian conflict settlement. Financial difficulties currently faced by the Russian government<sup>35</sup> and as a result – the narrowed possibilities to further maintain the regime in Tiraspol – might open up a certain ‘window of opportunity’ to reach a mutually acceptable for Moscow and Chisinau compromise on the issue.<sup>36</sup>
- It is important for the policy of Chisinau regarding Transnistria to be not only agreed with key partners but also to be consistent and subordinated to the long-term strategic objectives of the Republic of Moldova itself. Having clear policy objectives on the issue (on what terms should reintegration occur, what should be the future status of territory etc.) is also a factor that strengthens the bargaining position of the country in the negotiation process.
- It is necessary for Chisinau within the negotiation process with partners and international organizations to systematically emphasize on the need for Russian military troops to be withdrawn from TMR and the necessity to replace the Russian troops with the mission having an international mandate.
- Implementing a strategy of reducing an extreme energy dependence on Russia through creating of a transparent energy market, the implementation of the energy efficiency programs, diversification of energy (gas, electricity) supply sources (constructing the gas pipeline with Romania).
- It is necessary to carry out the work aimed at protection of the information space of Moldova (in particular from the Russian media propaganda) and elaborating the strategy of information policy

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<sup>35</sup> Russian economy is in a recession since 2014 as international sanctions have been imposed in response to the Russian annexation of Crimea and the military aggression in the Donbas of Ukraine. Also the Russian economy is suffering substantially from the dropping of oil prices over the last years (since 2014).

<sup>36</sup> A favorable factor in this context might also be the election in November, 2016 of the new allegedly pro-Russian President of the Republic of Moldova Igor Dodon. The latter could play his role in rebooting the bilateral relations between Chisinau and Moscow and also could potentially achieve certain political concessions for the Republic of Moldova on the part of Russia.

focused among other things on promotion and creating a positive image of the Republic of Moldova both domestically and abroad.