The Economics of Transdniestrian Conflict Resolution:
Challenges and Opportunities

Lyndon Allin

Written Testimony for Helsinki Commission Public Briefing on
"Prospects for Unfreezing Moldova's Frozen Conflict in Transnistria"
June 14, 2011

I was invited to talk today about economic interactions within Transdniestria and between the region and several of the countries involved in conflict settlement talks. My goal is to outline several areas of economic activity – assistance from Russia, Transdniestrian and foreign business interests in the region, supply and infrastructure networks – and draw some conclusions about their significance to the conflict resolution process. These remarks are offered in a personal capacity and seek not to provide granular detail on specific actors involved or to provide a detailed legal analysis of the situation but rather to highlight the economic circumstances which must be addressed if we hope to move towards settling the Transdniestrian conflict.

First, I want to express my happiness that this briefing has been organized to discuss the possibility of a breakthrough in resolving the conflict. I do believe that there is reason for optimism based on, among other things, the geopolitical context and the internal political situations in right-bank Moldova and in Transdniestria.

While economic interactions surrounding Transdniestria constitute a complex web, the untangling of which will be a challenging component of any final settlement of the conflict, economic factors should also provide a powerful impetus to many of the parties involved to focus their efforts on arriving at a mutually acceptable resolution. Although there are many other dimensions of the conflict, the factors of economic assistance and business interests will be important ones in arriving at a durable resolution to the conflict.

Among the factors which led to Transdniestria's attempt to break away from Moldova, a desire on the part of Transdniestrian elites to preserve the economic privileges they enjoyed during the Soviet era played a large part. The region was the most heavily industrialized area of the Moldovan Soviet Socialist Republic and accounted for roughly 40% of the republic's GDP and 90% of the electricity produced in the republic, although it was home to only 17% of the population.

In spite of the expectations of some Transdniestrians that their rich industrial inheritance from the USSR would allow them to prosper separately from the rest of Moldova during the post-Soviet era, the region has generally shown similar levels of per capita GDP to those in right-bank Moldova and has relied in recent years on direct financial aid from the Russian state budget to meet certain expenses.

Economic assistance from Russia

Russia refers to the assistance it provides publicly to Transdniestria as humanitarian aid, and one of the principal public rationales for this assistance is that roughly 20% the region's residents hold Russian passports. In some cases assistance has been provided in response to one-time disasters such as floods or droughts, or budget crunches like the one precipitated in 2006 by

Ukraine's newfound cooperation with Chisinau in implementing a customs regime covering the region.[1] At that time, Russia reportedly provided $50 million in direct assistance and $150 million in loans.[2]

In recent years, more public attention is given to the supplement which the Russian government pays to the monthly pensions of all elderly Transdniestrian residents, whether they are Russian passport-holders or not. At $15 per month multiplied by approximately 140,000 pensioners, this adds up to roughly $25 million annually. In the past, some sources have claimed that Russia at one time provided as much as $10 million per month in direct financial assistance.

One constant has been Russia's use of its aid to motivate political figures in Transdniestria. In 2007, funding was cut off, reportedly to encourage Transdniestrian President Igor Smirnov to return to the negotiating table with Chisinau and to punish alleged misappropriation of aid.[3] Later that year, public deliveries of aid were resumed, but were no longer controlled by Smirnov's administration. The Transdniestrian Supreme Soviet, the region's parliament, was given the responsibility for administering the payments in 2008, which reportedly amounted to $27 million.[4]

Last summer an aid cutoff was again threatened amid Russian allegations that the aid was not reaching its intended recipients and was being diverted through a bank controlled by Igor Smirnov's son.[5] In recent years, the Supreme Soviet has taken care to provide at least an appearance of transparency by publishing on its website spreadsheets showing how the aid was spent.[6] This suggests that there has been some insistence from Russia that the Transdniestrian authorities demonstrate that the funds are in fact being used for social welfare purposes.

In addition to this publicly declared humanitarian aid, Transdniestria has also been able to make up past budgetary shortfalls thanks to another form of assistance from Russia: natural gas delivered on favorable terms. Other issues related to gas delivery and pricing are discussed below, but it is important to note that as Transdniestria has accrued a substantial debt to Gazprom, it has reportedly used funds collected from local gas consumers and earmarked for Gazprom "for other budgetary purposes."[7]

Indeed, any discussion of Transdniestria's economy must highlight the fact that it would be sustainable under current conditions for "2 or 3 months at most" independent of Russian financial assistance and gas deliveries.[8] Transdniestrian politician Evgeny Shevchuk has pointed out that if the region paid salaries and pensions based only on its own tax collections it would have to cut the average pension by 40% and the average government employee salary by half; and that if the population's utility costs were based on the real (as opposed to the subsidized) cost of natural gas, they would have to be doubled.[9]

Because the advantages of Russian pension supplements and discounted gas and electricity for private citizens have been heavily publicized within Transdniestria,[10] should a conflict settlement draw near there is likely to be genuine public concern within the region about who will replace Russia in providing these subsidies.

Transdniestrian authorities and business elites acknowledge the need for more foreign investment, although they continue to focus on attracting investment from their Eastern neighbors.[11] Under current uncertain conditions it is difficult to imagine many Western investors taking on the political risk that comes with doing business in a disputed territory.

Transdniestrian business interests

Although the region's economy is dependent on Russia and its two largest industrial enterprises are owned by Russian investors, many important assets are controlled by local Transdniestrian interests. The most important of these is Sheriff, which has an "unchallenged monopoly on the region's economy" that includes wholesale and retail networks selling gasoline, food and consumer goods; the region's only new-car dealership; textile and other factories; broadcast and cable television; publishing and advertising; construction; production of liquor, bread, milk, meat and poultry; a soccer team and world-class soccer stadium; the region's only fixed and mobile telephone networks; and its own customs broker and logistics company.[12]

Sheriff's retail operations have become more advanced in recent years and provide a simulacrum of the Western supermarket shopping experience, allowing Transdniestrian residents to feel as though their region is not falling behind their modernizing neighbors. Sheriff performs a social function, for which it receives tax breaks, by discounting certain core goods for pensioners which also assists it in maintaining a competitive advantage. This also means that Sheriff effectively benefits from the Russian pension subsidy program. Sheriff uses its status as a large employer to encourage its employees to use affiliated banks for payroll. Its supermarkets are able to consistently beat the competition on price because Sheriff is often the wholesale supplier to its competition and charges wholesale prices for some goods greater than the retail prices at its own stores.[13]

Sheriff's business model depends on its relationships with Transdniestrian officials and on the market distortions present in the region because of the conflict. Thus, it is alleged that Sheriff is able to take advantage of its employees because they have so few alternatives, and that its retail operations can get away with selling expired and counterfeit goods because consumers have few other options.[14]

Some of Sheriff's businesses were built more or less from scratch. The most interesting of these is Interdnestercom ("IDC") which is the region's only provider of fixed and mobile phone and internet services. IDC has even made an effort to expand its business into Ukraine.[15] In mobile telephony and other areas, Transdniestria differs from other disputed territories which receive Russian support in that local interests remain in control of some key assets. In Abkhazia and South Ossetia, for example, the mobile telephone networks are owned by a major Russian company.

Other major Sheriff assets, including Kvint, the region's premier distillery, were acquired through the Transdniestrian government's privatization program. This program, another way for the region's authorities to cover budgetary shortfalls, was recently declared concluded after the privatization of 155 enterprises generating total revenue assessed at $219 million.[16]

The validity of sales under the privatization program has been called into question from the point of view of Moldovan and international law, as well as on the grounds that "[m]any of the deals were 'sweetheart deals' for those close to President Smirnov and his entourage."[17] For example, Tirotex, a large textile plant which employs thousands and exports its production worldwide, was acquired for about $23 million (plus a promise to invest $44 million in the plant),[18] whereas the factory's appraised value was $95 million[19] and it has generated over $100 million in revenues annually in recent years.[20] Tirotex has been one of the most successful Transdniestrian companies in taking advantage of Moldova's trade preferences with the European Union, an option available to all Transdniestrian exporters willing to register their businesses in Chisinau. In all, it is estimated that 35% of Transdniestrian exports go to the EU.[21]

While Moldovan President Voronin initially took a very hard line on Transdniestrian privatization, conflict resolution proposals put forward by the Voronin Administration in 2007-08 acknowledged the need to reach an agreement regarding property rights of existing owners of assets in Transdniestria, and Voronin himself acknowledged that the property rights issue was "a very serious question. One of the most important on the [agenda] of conflict resolution."[22]

Foreign business interests

The major foreign participants in the Transdniestrian economy also acquired their holdings through privatization, albeit indirectly. I will focus on the Moldova Steel Works plant in Rybnitsa ("MMZ") and on the power station at Kuchurgan, both Soviet-era enterprises that are massive when compared to the rest of Moldova's economy. Both of these enterprises were resold to their current high-profile Russian owners after initially being privatized to less well known Russian-affiliated companies.

<u>MMZ</u>

MMZ is by far the largest enterprise anywhere in Moldova. It was built during the late Soviet period with equipment imported from the West and is therefore internationally competitive. Before the economic crisis, the factory was Transdniestria's largest exporter – when operating at its full capacity, it used to be Moldova's largest exporter[23] – and contributed a substantial amount to Transdniestria's budget. MMZ's managing shareholder is the Russian company Metalloinvest, and there are also substantial Ukrainian minority shareholders.[24] MMZ's production is currently being distributed by the Ukrainian company Metinvest, which plans to continue the past practice of selling to Western markets as well as to Russia and Ukraine. The neighboring Rybnitsa Cement Plant, also owned by Metalloinvest, was for a time supplying cement to Russia for construction projects related to the Sochi Olympics.

MMZ recently restarted production after a 10-month standstill which apparently resulted from a series of disputes about customs clearance for scrap metal imported from Moldova – first with the Moldovan authorities and then with the Transdniestrian authorities – and about repayment of loans made to MMZ by the Transdniestrian authorities during the downturn of 2009.[25] Transdniestria's President has announced that audits and investigations of the factory's finances by Transdniestrian authorities would continue even as the plant restarts production.[26] In the past, there have also been public misunderstandings between the Smirnov administration and the factory management. This highlights an important point, which is that the interests of local elites and foreign investors from Russia and Ukraine are not always aligned.

While there is no public information about right-bank Moldovan equity interests in MMZ, the factory has long been a purchaser of scrap metal from throughout Moldova. The monopoly on scrap-metal sales held by the Moldovan government-controlled company Metalferos has been the subject of some recent controversy in Chisinau.[27]

MGRES

The other regionally significant enterprise located in Transdniestria is the Moldovan State Regional Electric Station ("MGRES") located at Kuchurgan. The plant was designed to supply electricity to all of Moldova and large parts of Ukraine as well as to parts of Romania and Bulgaria. MGRES is owned by Inter RAO UES, a power generation company owned by several Russian state-owned companies.[28] MGRES currently operates below its maximum operating capacity but is nevertheless able to supply electricity throughout the region, including until recently[29] to Romania with agreement from the Chisinau authorities. MGRES also has direct power supply agreements with large customers, for example the Lafarge cement plant in right-bank Moldova.[30] The region's electricity market in general suffers from inefficiencies as a result of the Transdniestrian conflict. Negotiations over price and supply are "regularly mixed with political and legal questions."[31]

Both MMZ and MGRES run exclusively on Russian natural gas and according to some accounts have gas supply agreements with Gazprom that are separate from the agreement under which other gas consumers in Transdniestria are supplied. Other reports suggest that these enterprises pay the Transdniestrian authorities for their gas at discounted rates.

Ukrainian interests

Ukrainian business interests are also represented in Transdniestria. As mentioned above, MMZ has some Ukrainian shareholders, but there are also business ties based on cross-border trade networks. MMZ and MGRES compete with Ukrainian steel producers and power generation companies, respectively. Overall Ukrainian business involvement in Transdniestria, including such activities as trading and transportation companies distributing alcoholic beverages and other items produced in Transdniestria, was estimated by one expert analysis at $1bn per year in 2008.[32]

Supply and infrastructure networks

Supply and infrastructure networks within and around Moldova were designed to operate in a context of regional integration. Instead, they operate with considerable inefficiencies as a result of the Transdniestrian conflict. This divided infrastructure "reduces both opportunities of efficient use and attractiveness for investment" in Moldova.[33] It also prevents proper maintenance of essential networked infrastructure and results in a lower quality of life for all citizens of Moldova, "keeping everyone's economy down"[34] and holding the region's economic potential hostage to the unresolved conflict.

Conflict-driven uncertainties surrounding what should be routine business interactions create "opportunities for 'grey' business activity and corruptive links"[35] for elites on all sides.[36] Moreover, enterprising actors have created workarounds to evade (or cooperate with) the multiple sets of officials and borders, and over time these workarounds have hardened into selfperpetuating economic ties which take on their own logic and may be difficult to dislodge.[37] For Transdniestrian elites, the "parallel economy" has become the "most important bargaining tool"[38] in discussions with Chisinau, Moscow and Kyiv.

The networks affected by these dynamics include power generation and transmission, discussed above; telephony, where in spite of years of efforts[39] right-bank and left-bank systems are not integrated, which results in excess costs to users[40]; passenger railroad transit, which was partially reopened last fall only after considerable mediation efforts; and perhaps most importantly the natural gas supply network.

The complex relationship between Moldova and Gazprom is beyond the scope of these remarks, but it is important to note the impact of the Transdniestria factor on that relationship. Moldova is a relatively small market for Gazprom (although Gazprom is essential for Moldova as it supplies 100% of the country's gas needs[41]), but a significant portion of the gas sold to customers in Europe (10-20%) must pass through pipelines which cross Transdniestria.

> "Gazprom's dilemma is illustrated by the following example: it reportedly threatened to cut off supplies to Transdniestria on 1 July 2004 and not restart them until the region proposed a payment schedule. In September 2004 Gazprom reduced supplies, to which Transdniestria responded with unauthorised off-take from the transit pipeline. No complete cut-off followed, and the region's debt continued to grow."[42]

Efforts to disentangle Transdniestria's debt to Gazprom, which is now greater than $2 billion, from the substantially smaller arrears of right-bank Moldova, have been ongoing for years, and a separation of gas system assets along with debts was proposed earlier this year by the Moldovan government.[43] This proposal has not yet been agreed with Tiraspol, however, and has met with some criticism from the expert community in Chisinau.[44] Meanwhile, it is projected that deliveries to Transdniestria, which has less than one-fifth the population of right-bank Moldova, will account for 2.0 billion cubic meters (bcm) of the 3.3 bcm of natural gas to be delivered to Moldova in 2011.[45]

The Transdniestrian authorities have declared their intentions to conclude a separate gas supply agreement with Gazprom for future deliveries,[46] but because gas deliveries have hitherto been made under an agreement that is guaranteed by Moldova's internationally recognized authorities, Tiraspol's attitude in the past has been to suggest that Chisinau would be responsible for paying debts incurred for gas used on both sides of the Dniester.[47] Thus, gas supply issues, problematic at best for any former Soviet republic dependent on Russian gas, are made doubly problematic for Moldova by the unresolved conflict.[48]

Two other areas where the conflict creates inefficiencies bear mentioning. The first is labor migration flows, which are distorted because of the various citizenship and passport opportunities available to Moldovans on both sides of the Dniester.[49] The second, which would be a major challenge to any attempt at a structural reintegration of Transdniestria's economy with Moldova's, is the fact that Transdniestria has its own currency and central bank, which is accustomed to operating independently of Chisinau.

Conclusions

At the moment, "Moldova and Transdniestria find themselves in a state of permanent economic conflict with periodical escalations that generate economic losses for both parties."[50] In the event a settlement can be negotiated, many challenges will have to be overcome in the economic realm. Among these would be the need to overcome Transdniestrian public concern about the loss of Russian-funded social assistance funds; the treatment of enterprises privatized on the left bank; the uncertain viability of Transdniestrian economic actors whose business model depends on relationships with local authorities; desires on the part of corrupt regional elites to maintain arrangements which profit them personally; and the treatment of the gas debt.

There are obstacles to settlement within the economic realm, and concessions and adjustments to existing business arrangements will be required on all sides. Nevertheless, the potential economic benefits to all parties and to the entire population of Moldova from a sustainable settlement of the conflict would be substantial and should not be overlooked. Russia in particular could benefit if a settlement means that it no longer has to serve as Transdniestria's economic lifeline.

The setting of this briefing makes it appropriate to offer some recommendations about what U.S. policymakers can do to make sure that the positive momentum in Transdniestrian conflict resolution is not lost. My first recommendation would be to do whatever we can to make right-bank Moldova attractive economically to Transdniestrians. An obvious step which Congress can take in this direction would be to give Moldovan products permanent normal trade relations treatment and terminate the applicability of the Jackson-Vanik Amendment to Moldova.

Second, I would suggest enhancing existing capacity-building programs in the area of anti-corruption legislation and enforcement and perhaps encouraging regional cooperation in this area so that Moldovan, Ukrainian and Russian authorities can work together on this problem, particularly as it has been a signature issue for Russian President Medvedev.

The above analysis of economic factors underscores that involvement from all sides will be required to resolve this conflict. Therefore, my final recommendation to the U.S. is that we should continue to encourage our partners in Europe, Russia, Ukraine and Moldova to devote the necessary political will to pursuing a durable, comprehensive settlement of the Transdniestrian conflict.

---

[1] International Crisis Group, "Moldova's Uncertain Future," Aug. 17, 2006, *available online at* http://www.crisisgroup.org/en/regions/europe/moldova/175-moldovas-uncertain-future.aspx

[2] Daria Isachenko, "On the Political Economy of Unrecognised State-building Projects," *The International Spectator*, 2009, Vol. 44, No. 4, pp. 61-75, p. 66. See also Infotag, "Russia continues its support to Moldova's breakaway Transnistria," June 29, 2009, *available at* http://politicom.moldova.org/news/russia-continues-its-support-to-moldovas-breakaway-transnistria-202013-eng.html, stating that Russia's aid to Transdniestria in 2006 totalled $77 million and that $30 million was provided in 2007-08 to assist the region after a drought.

[3] Vladimir Soloviov, "Moscow's Hand is Tired of Giving: Transdniestrian Leader Abuses Russian Generosity," *Kommersant*, April 6, 2007, *available at* http://www.kommersant.com/p756473/r_1/Transdniestr,_Moldova,_Russia/

---

[4] EastWeek, "Russia to Restore Financial Aid to Transnistria," Jan. 9, 2008, *available at* http://www.osw.waw.pl/en/publikacje/eastweek/2008-01-09/russia-to-restore-financial-aid-to-transnistria

[5] Tom Balmforth, "Aiding and Abetting Conflict Resolution," *Russia Profile*, July 26, 2010, *available at* http://russiaprofile.org/international/a1280176833/print_edition/ ; Vladimir Soloviov & Dmitrii Butrin, "Рука Москвы давать устала: Россия заморозила финансовую помощь Приднестровью" ["Moscow's Hand is Tired of Giving: Russia has Frozen Financial Assistance to Transdniestria"], *Kommersant*, July 23, 2010, *available at* http://kommersant.ru/doc/1473776.

During last summer's dispute, Moscow alleged that Transdniestrian Gazprombank (which is according to some accounts not affiliated with Gazprom) was engaged in illicit financial operations and threatened to close the bank's correspondent accounts with Russian state banks. Moldovan authorities have also raised the issue of "unauthorized banking activities" of Transdniestrian banks, resulting in international warnings about these financial actors. "Guidance to Financial Institutions on Transactions Involving Banking Activities by Entities Originating in the Transnistria Region of Moldova," FinCEN Advisory FIN-2011-A008, April 15, 2011, *available at* http://www.fincen.gov/statutes_regs/guidance/html/FIN-2011-A008.html

[6] E.g., "Информация о расходовании средств российской гуманитарной помощи," ["Information on the Expenditure of Russian Humanitarian Assistance"], March 29, 2011, *available at* http://vspmr.org/News/?ID=4870

[7] Helge Blakkisrud & Pål Kolstø, "From Secessionist Conflict Toward a Functioning State: Processes of State- and Nation-Building in Transnistria," *Post-Soviet Affairs*, 2011,Vol. 27, No. 2, pp. 178–210, p. 190

[8] Center for Strategic Studies and Reforms (CISR), "Moldova's and Transnistria's Economies: From Conflict to Prospects of Peaceful Development. Foreign Trade: The Source of Growth and Contradictions," 2007, p. 7, *available at* http://www.cisr-md.org/pdf/2007 Transnis Report rus 2en.pdf.

[9] Evgeny Shevchuk, "Приднестровский бюджет - это во многом показатель противоречий между нашими возможностями и амбициями" ["The Transdniestrian budget is in large part an indicator of the contradictions between our possibilities and our ambitions"], *Pridnestrov'e*, Dec. 22, 2009, *available at* http://pridnestrovie-daily.net/gazeta/articles/view.aspx?ArticleID=15862

[10] Survey data indicate that 21.5% of Transdniestrians believe the unresolved conflict has been to the advantage of Transdniestria and to the detriment of right-bank Moldova (56.1% of Transdniestrians believe the conflict has been detrimental to both banks of the Dniester, as opposed to 78.1% of right-bank Moldovans). One of the possible explanations for the responses of those 21.5% is the social safety net provided by Russian aid, which some Transdniestrians believe to be superior to the welfare programs provided by Chisinau on the right bank. This result is notwithstanding the fact that on both banks the "overwhelming majority (almost 90%) characterize the economic situation…as 'difficult' and 'unbearable.'" Elena Bobcova, "Development Patterns for Moldova and Transnistria in the Post-Conflict Period," Institute for Public Policy / Black Sea Peacebuilding Network, 2009, pp. 1-2, *available at* http://www.ipp.md/public/files/Proiecte/blacksee/eng/BobcovaENG.pdf

[11] Infotag, "MAE al Transnistriei va promova peste hotare interesele mediului de afaceri din regiune" ["Transdniestrian MFA to Promote Regional Business Interests Abroad"], June 8, 2011, *available at* http://www.azi.md/ro/story/18893

[12] Michael Bobick, "Profits of Disorder: Images of the Transnistrian Moldovan Republic," *Global Crime* 12(4) (forthcoming Fall 2011); Sheriff website, "Structure," http://www.sheriff.md/Structure/

[13] Michael Bobick, "In Transdniester, One Company Is a Law Unto Itself," *Transitions Online*, Sept. 30, 2010, *available at* http://naturaporia.blogspot.com/2010/10/in-transdniester-one-company-is-law.html

[14] Bobick, "Profits of Disorder."

[15] Roman Khimich, "Последний из Могикан" ["The Last of the Mohicans"] (referring to the dwindling number of CDMA operators, including IDC affiliate Intertelekom), *Vlast' Deneg*, Feb. 2008, *available at* http://www.vd.net.ua/rubrics-3/2501/

[16] Novyi Region, "За годы большой приватизации Приднестровье продало 155 госпредприятий" ["During the Years of Big Privatization Transdniestria Sold 155 State Enterprises"], June 8, 2011, *available at* http://www.nr2.ru/pmr/334798.html

[17] The Association of the Bar of the City of New York, *Thawing a Frozen Conflict: Legal Aspects of the Separatist Crisis in Moldova*, 2006 (on privatization, see pages 66-72, *available at* http://www.abcny.org/pdf/report/NYCity%20BarTransnistriaReport.pdf

[18] Reporter.md, "Tirotex Enterprise Was Sold," June 21, 2005, *available at* http://economie.moldova.org/news/tirotex-enterprise-was-sold-3481-eng.html

[19] Andrei Kapustin, "Переучет" ["Stock-taking"], *Novye Izvestiia*, Oct. 18, 2004, *available at* http://tribuna.com.ua/news/130755.htm.

[20] Tirotex website, http://www.tirotex.com/index_en.htm

[21] Witold Rodkiewicz, "Economic crisis in Transnistria as a chance for the EU diplomacy," CES Commentary, Jan. 30, 2009, p. 4, *available at* http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?id=96499&lng=en

[22] *Komsomol'skaia Pravda*, "Vladimir Voronin: We guarantee the property rights for people from Transnistria!" interview with Vladimir Voronin, Oct. 24, 2007, English translation, *available at* http://www.experts.in.ua/baza/doc/download/DigestSpecial.pdf

[23] BASA-Press, "Ribnita Metallurgic Plant is exporter no.1 of Moldova, according to the top of biggest exporters published by a specialized magazine," May 12, 2008 (estimating the plant's 2007 exports at $400 million), *available at* http://economie.moldova.org/news/ribnita-metallurgic-plant-is-exporter-no1-of-moldova-according-to-the-top-of-biggest-exporters-published-by-a-specialized-magazine-118439-eng.html

[24] Rebecca Chamberlain-Creanga & Lyndon K. Allin, "Acquiring Assets, Debts and Citizens: Russia and the Micro-Foundations of Transnistria's Stalemated Conflict," *Demokratizatsiya*, Fall 2010, pp. 334-35.

[25] Oleg Dorozhkovets, "Молдоваломка" ["The Moldovan Puzzle"], Minprom Information Agency, June 7, 2011, *available at* http://minprom.ua/page2/news69313.html; Varvara Nikitina, "Приднестровский металлургический гигант возобновил работу" ["Transdniestrian Metallurgical Giant Resumed Work"], Novyi Region, May 25, 2011, *available at* http://www.nr2.ru/pmr/332972.html

[26] Infotag, "ММЗ назвал виновным в конфликте с таможней молдавский 'Металферос'" ["MMZ Blames Moldovan Company Metalferos for Customs Dispute"], May 16, 2011, *available at* http://www.infotag.md/news/589016/

[27] Aleksandr Vinogradov, "Экспорт металлолома вызвал разногласия внутри правящего альянса" ["Export of Scrap Metal Raises Disagreements Within Ruling Alliance"], *Komsomol'skaia Pravda*, *available at* http://www.kp.md/online/news/900827/

[28] "Capital Structure," Inter RAO UES website, http://www.interrao.ru/en/company/capital/

[29] Infotag, "Romania stopped buying electricity from Moldavskaya GRES," May 6, 2011, *available at* http://www.azi.md/en/story/18200

[30] Georg Zachmann & Alex Oprunenco, "Electricity Sector in Moldova: Evaluation of strategic options," German Economic Team in Moldova Policy Paper Series, September 2010, p. 8, *available at* http://www.get-moldova.de/download/policypapers/2010/GET%20Moldova_PP%2001%202010_en.pdf

[31] *Id.*, p. 4.

[32] Vitalii Kulik & Valentin Yakushik, "План Ющенко по урегулированию приднестровского конфликта и проблемы его реализации" ["The Yushchenko Plan for Settling the Transdniestrian Conflict and Problems of its Implementation"], in *Приднестровье в макрорегиональном контексте черноморского побережья [Transdniestria in the Macro-regional Context of the Black Sea Coast]*, Kimitaka Matsuzato, ed. (Slavic Research Center, 2008), p. 187, *available at* http://src-h.slav.hokudai.ac.jp/coe21/publish/no18_ses/contents.html. According to this analysis, Ukrainian business interests in the region prefer targeted behind-the-scenes lobbying while Russian investors are more openly involved in their government's policy decisions and directly sponsor humanitarian assistance projects in the region.

[33] CISR, "Moldova's and Transnistria's Economies," p. 11.

[34] Louis O'Neill, "Moldova: Recession hits a frozen conflict," OpenDemocracy, May 12, 2009, *available at* http://www.opendemocracy.net/article/email/moldova-recession-hits-a-frozen-conflict

[35] Rodkiewicz, "Economic crisis in Transnistria," p. 2; see also CISR, "Moldova's and Transnistria's Economies," p. 35.

[36] See also Claus Neukirch, "Managing the Crises – Restarting the Process: The OSCE Mission to Moldova in 2004/2005, in *OSCE Yearbook 2005*, p. 153, *available at* http://www.core-hamburg.de/documents/yearbook/english/05/Neukirch-en.pdf (Stating that "Leading political and particularly economic circles in the region appear to have grown accustomed to the status quo of a divided Moldova, with an unrecognized and unregulated region on the left bank. These circles have found ways to make money out of the current situation, and appear to fear that change…might threaten their continued economic well being.")

[37] For an early account of this phenomenon across disputed territories in the post-Soviet space, see Charles King, "The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States," *World Politics*, Vol. 53, No. 4, July 2001, pp. 524-552.

[38] Angela Munteanu & Igor Munteanu, "Transnistria: A Paradise for Vested Interests," *South-East Europe Review*, 4/2007, pp. 51-66, p. 65.

[39] CISR, "Moldova's and Transnistria's Economies," pp. 28-30.

[40] Info-Prim Neo, "Plans for phone connection with Transnistria put off," March 11, 2011, *available at* http://www.azi.md/en/story/17073

[41] Moldova is making efforts to diversify its gas supply by constructing a link with Romania's pipeline system. Claudia Pirvoiu, "Vicepremierul moldovean: Proiectul gazoductului Ungheni-Iasi este sustinut atat de UE cat si de Rusia" ["Moldovan Vice-premier: Ungheni-Iasi Gas Pipeline Project Supported by Both EU and Russia"], Hotnews, June 2, 2011, *available at* http://economie.hotnews.ro/stiri-energie-8758814-vicepremierul-moldovean-proiectul-gazoductului-ungheni-iasi-este-sustinut-atat-cat-rusia.htm?cfat=

[42] Chloë Bruce & Katja Yafimava, "Moldova's Gas Sector," in *Russian and CIS Gas Markets and Their Impact on Europe*, Simon Pirani, ed. (Oxford University Press, 2009), pp. 174-75.

[43] Evgenii Markin, "Молдавия и Приднестровье разделят газовые активы и газовые долги" [Moldova and Transdniestria to Divide Gas Assets and Gas Debts"], Novyi Region, March 22, 2011, *available at* http://nr2.ru/kishinev/325233.html

[44] Ion Muntean, "Separarea Datoriilor si Activelor SA Moldovagaz – o Noua Abordare Superficiala a Unor Probleme Istorice" ["Separation of the Debts and Assets of SA Moldovagaz: Another Superficial Approach to Historical Problems"], IDIS Viitorul Policy Brief, 2011, *available at* http://www.viitorul.org/public/3367/ro/separare%20active%20si%20datorii.pdf

[45] Vladimir Socor, "Gazprom's Price Hike to Moldova has Political Ramifications," *Eurasia Daily Monitor*, Feb, 7, 2011, *available at* http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=37468&tx_ttnews[backPid]=512

[46] Radu Benea, "Reformă constituţională la Tiraspol: Fără reforme" ["Constitutional Reform in Tiraspol: Without Reforms"], interview with Transdniestrian journalist Natalia Scurtul, Radio Europa Liberă, May 30, 2011, *available at* http://www.europalibera.org/content/article/24209720.html

[47] Vitalii Kulik, "Приднестровье Продано?" ["Has Transdniestria Been Sold?"], Eurasian Home, April 5, 2007, *available at* http://www.eurasianhome.org/xml/t/expert.xml?lang=ru&nic=expert&pid=1034, quoting Igor Smirnov as saying "Transdniestria has no legal debt and has never signed an agreement with Gazprom."

[48] For more background, see Ion Preasca, "The Impact of the Nistru Conflict on the Energy Security of the Republic of Moldova," Institute for Public Policy / Black Sea Peacekeeping Network, 2009, *available at* http://www.ipp.md/public/files/Proiecte/blacksee/eng/Preasca_engl.pdf; see also Galina Shelari, "The Economy of Transnistria: view from the outside," Institute for Public Policy / Black Sea Peacekeeping Network, 2010, pp. 9-12, *available at* http://www.ipp.md/public/files/publication/Selari_EN.pdf

[49] Chamberlain-Creanga & Allin, pp. 339-42.

[50] Elena Gorelova, "Political Economy of Reintegration," in Denis Matveev et al., eds., *Moldova-Transdniestria: Working Together for a Prosperous Future: Economic Aspects* (Chisinau, 2009), p. 85, *available at* http://www.cisr-md.org/pdf/Economie%20EN%20v2.pdf