

# **EAST OR WEST? THE FUTURE OF DEMOCRACY IN MOLDOVA**



**SEPTEMBER 24, 2008**

**Briefing of the  
Commission on Security and Cooperation in Europe**

---

**Washington: 2011**

**Commission on Security and Cooperation in Europe**  
**234 Ford House Office Building**  
**Washington, DC 20515**  
**202-225-1901**  
**csce@mail.house.gov**  
**http://www.csce.gov**

**Legislative Branch Commissioners**

**HOUSE**

ALCEE L. HASTINGS, FLORIDA,  
*Chairman*  
LOUISE McINTOSH SLAUGHTER,  
NEW YORK  
MIKE McINTYRE, NORTH CAROLINA  
HILDA L. SOLIS, CALIFORNIA  
G.K. BUTTERFIELD, NORTH CAROLINA  
CHRISTOPHER H. SMITH, NEW JERSEY  
ROBERT B. ADERHOLT, ALABAMA  
JOSEPH R. PITTS, PENNSYLVANIA  
MIKE PENCE, INDIANA

**SENATE**

BENJAMIN L. CARDIN, MARYLAND,  
*Co-Chairman*  
RUSSELL D. FEINGOLD, WISCONSIN  
CHRISTOPHER J. DODD, CONNECTICUT  
HILLARY RODHAM CLINTON, NEW YORK  
JOHN F. KERRY, MASSACHUSETTS  
SAM BROWNBACK, KANSAS  
GORDON SMITH, OREGON  
SAXBY CHAMBLISS, GEORGIA  
RICHARD BURR, NORTH CAROLINA

**Executive Branch Commissioners**

DAVID J. KRAMER, DEPARTMENT OF STATE  
MARY BETH LONG, DEPARTMENT OF DEFENSE  
DAVID BOHIGIAN, DEPARTMENT OF COMMERCE

## ABOUT THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE

The Helsinki process, formally titled the Conference on Security and Cooperation in Europe, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. As of January 1, 1995, the Helsinki process was renamed the Organization for Security and Cooperation in Europe (OSCE). The membership of the OSCE has expanded to 56 participating States, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia.

The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <[www.osce.org](http://www.osce.org)>.

## ABOUT THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The Commission on Security and Cooperation in Europe, also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance by the participating States with their OSCE commitments, with a particular emphasis on human rights.

The Commission consists of nine members from the United States Senate, nine members from the House of Representatives, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair rotate between the Senate and House every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

In fulfilling its mandate, the Commission gathers and disseminates relevant information to the U.S. Congress and the public by convening hearings, issuing reports that reflect the views of Members of the Commission and/or its staff, and providing details about the activities of the Helsinki process and developments in OSCE participating States.

The Commission also contributes to the formulation and execution of U.S. policy regarding the OSCE, including through Member and staff participation on U.S. Delegations to OSCE meetings. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from participating States. The website of the Commission is: <[www.csce.gov](http://www.csce.gov)>.

# **EAST OR WEST? THE FUTURE OF DEMOCRACY IN MOLDOVA**

SEPTMBER 24, 2008

## **PARTICIPANTS**

	Page
Amb. Clifford Bond, Senior State Department Advisor, Commission on Security and Cooperation in Europe, Commission on Security and Cooperation in Europe .....	1
Hon. Joseph R. Pitts, Commissioner, Commission on Security and Cooperation in Europe ....	1
H.E. Nicolae Chirtoaca, Ambassador of the Republic of Moldova to the United States .....	4
Vlad Lupan, Soros Foundation—Moldova, European Initiatives Program .....	7
William Hill, National Defense University, Former Head of the OSCE Mission to Moldova ..	13

## **APPENDIXES**

Prepared statement of Hon. Alcee L. Hastings, Chairman, Commission on Security and Cooperation in Europe .....	28
Prepared statement of H.E. Nicolae Chirtoaca .....	30
Prepared statement of Vlad Lupan .....	35
Prepared statement of William Hill .....	41

# **EAST OR WEST? THE FUTURE OF DEMOCRACY IN MOLDOVA**

---

**SEPTEMBER 24, 2008**

## **Commission on Security and Cooperation in Europe Washington, DC**

The briefing was held at 10:10 a.m. in room 1539 Longworth House Office Building, Washington, DC, Amb. Clifford Bond, Senior State Department Advisor, Commission on Security and Cooperation in Europe, moderating.

*Commissioner present:* Hon. Joseph R. Pitts, Commissioner, Commission on Security and Cooperation in Europe.

*Panalists present:* Amb. Clifford Bond, Senior State Department Advisor, Commission on Security and Cooperation in Europe; H.E. Nicolae Chirtoaca, Ambassador of the Republic of Moldova to the United States; Vlad Lupan, Soros Foundation—Moldova, European Initiatives Program; and William Hill, National Defense University, Former Head of the OSCE Mission to Moldova.

Amb. BOND. Ladies and gentlemen, welcome to today's briefing organized by the Helsinki Commission. The title of today's briefing is, "East or West? The Future of Democracy in Moldova."

My name is Cliff Bond. I am a State Department representative on the Helsinki Commission.

Chairman Hastings had planned to join us here today to share the meeting. Unfortunately, he was called away on House business. He may join us later on, but we are lucky to have Congressman Joseph Pitts with us who is a member of the Helsinki Commission.

And let me invite Congressman Pitts to say a few words.

Mr. PITTS. Thank you, Mr. Ambassador. Thank you for setting up this important briefing.

The issues currently facing Eastern Europe are of great concern and deserve priority consideration by the OSCE and the participating States.

This is a critical time for the region, and its next steps and future actions will send an important message to the rest of the world. Russia's recent invasion of the Republic of Georgia has shown its expansionist goals and raise questions about the future of Eastern Europe and the potential for the European Bloc.

Since its independence, the Republic of Moldova has faced many political challenges, in part due to the disputes over Transdnistria. Nonetheless, the country has taken steps

toward political and economic freedom. It has held free and fair elections, it's opened its markets, it's engaged in negotiations in efforts to resolve the situation in Transdniestra.

However, there are still concerns raised over issues in Moldova, and I particularly remain concerned that Moldova continues to be a major source and transit country for sex trafficking. Moldovan women have been trafficked to the Middle East, in Eastern Europe, in Western Europe, and girls, young women, have even been trafficked within the country from rural areas.

And so I'm very interested in hearing today's testimonies and hope the important issues will be addressed.

And I wanted to express my gratitude to Chairman Hastings for scheduling this important briefing to discuss the future of Moldova, and I look forward to learning from our distinguished panelists who are with us today.

Thank you.

Amb. BOND. Thank you very much, Mr. Congressman.

We have, as you said, several very distinguished presenters here with us today. They are the Moldovan Ambassador to the United States, Ambassador Nicolae Chirtoaca, as well as Vlad Lupan from the European Initiatives Program of the Soros Foundation, and Dr. William Hill, who's a former head of the OSCE mission in Moldova.

We'll begin with Ambassador Chirtoaca, and we'll follow through with the other two presenters, and then we'll open for questioning.

Mr. Ambassador?

Amb. CHIRTOACA. Thank you, Mr. Chairman, Congressman Pitts, [inaudible], ladies and gentlemen.

I would like to start my presentation by expressing my gratitude to the Helsinki Commission for organizing and hosting this event, and for the possibility to address the issue related to democracy development in my country, the Republic of Moldova, from the perspective of the approaching 2009 parliamentary elections and taking into consideration the changing geopolitical environment in Eastern Europe caused mostly by the recent Georgia crisis that has a direct impact on the settlement of so-called frozen conflicts in the ex-Soviet states.

Since the beginning of this century, Moldova has made visible progress, moving from a typically weak state [inaudible] confronted with multiple problems and obsessed by an identity crisis to relatively stable democratic institutions, functional government structures, growing economy—GDP growth is around 6, 7 percent per year—and an economy based on the private sector.

Throughout this period, [inaudible] limited internal capacities [inaudible] for change. The Republic of Moldova has remained committed to democratic reforms and [inaudible] of the society, providing security and stability in the region, mostly through efforts painted as peaceful resolution of the separatist crisis and the territorial reintegration of the state.

Following the 2005 parliamentary elections, the government continues its effort in order to improve democratic governance in the country. It's reducing corruption, pushing through economic reforms and welcoming foreign investments.

At the same time, President Voronin made clear his intentions that the Republic of Moldova follow in the path of other successful post-Communist countries and draw closer

to the European Union as well as develop partnership relations with NATO within the framework of the Individual Partnership Action Plan.

What I would like today—my presentation will be based mostly on the idea of how to measure democratic reforms, how deep are democratic changes, and what are criteria to approach this problem? And, of course, I will not—speaking as a representative of my country, I will rely mostly on the appreciation given to my country by the international organizations, first of all, by the Council of Europe who is monitoring very, very closely the democratic reforms in my country. The Organization for Security and Cooperation in Europe is engaged in this process, as well as the European Union.

I would like to remind you, Moldova just ended an entire period and implemented the 3-year action plan, and we have reports concerning the state of democracy in my country. I think it will help the participants just to see more clearly the picture without making quite a lot of publicity in the favor of one issue or another.

But I would like to start with the Millennium Challenge Account eligibility, and Moldova has been offered the chance to develop the compact in December 2006. This eligibility is the kind of—not reward—it's the appreciation of a partner country, a good policy performance and is based on scoring above the median, at least half of 17 indicators in each of three policy categories: Ruling justly, investing in people and economic freedom.

The first category contains indicators that mirror the quality of democratic governance: Country performance and freedom of expression and belief, association and organizational rights, the rule of law, respect of human and civil rights and independence of judiciary.

The conditionality—I underline—the conditionality of the assistance provided within the framework of cooperation with the Millennium Challenge Corporation help my government and improve the governance in accordance with the recommended norms and good practices. First of all, the gradual reduction of corruption and state bureaucracy, and this way is making irreversible the market and democratic reforms in Moldova.

But what are the appeals of the leading [inaudible] European organizations? First of all, I would like to start with the recent European Commission progress state report on the implementation of the European Neighborhood Policy in 2007 made public on April 2008. During the reporting period, the Republic of Moldova, it said in this report, “made good progress in most areas, including democracy and rule of law. The 2007 local elections were generally well administered, and voters were offered a genuine choice.” I'm quoting from the report, it's not my interpretation of this paper.

Other [inaudible] during the reporting period were substantial progress in improving the institutional framework and procedures on control and certification of origin, which allows EU to grant the Republic of Moldova additional economic state preferences.

[Inaudible] on visa facilitation and the admission and the positive cooperation with EU Border Assistance Mission, known as the EUBAM. The Republic of Moldova also cooperated closely with the EU in all questions related to the Transdnistria settlement effort, and work is ongoing to put into practice the proposals of the president of the Republic of Moldova on confidence-building measures.

A look at self-government and [inaudible] legislative acts, including on administrative decentralization, local public administration, regional development were adopted in December 2006. This brought national legislation closer to the recommendation of the Congress of Local and Regional Authorities in Europe.

The Republic of Moldova adopted a comprehensive strategy and implementation plan for reforming its judicial system. It's the capacity of the Supreme Council of Magistrates, the body in charge of judicial self-administration, were consolidated, and the Department of Judicial Administration subordinated as the Ministry of Justice was created and started operating in January 2008.

The code of ethics for judges was approved in November 2006 and judicial [inaudible] under the [inaudible] of Supreme Council. It was introduced by law in 2007.

My country also [inaudible] accepting activities in the fields of combating corruption and raising awareness on corruption in light of phenomenon, as well took steps in the area to adjust its legislative framework to international standards and to [inaudible] institutional framework. I would like also to remind you that we take part in the Threshold Millennium Challenge Corporation Program since 2006, and it's also focused on reducing and combating corruption.

The National Human Rights Action Plan 2004–2008 is under implementation in the context of ongoing efforts to battle human trafficking, [inaudible] for victims of human trafficking while it's establishing five pilot regions. The National Action Plan of Anti-Trafficking 2007–2009 was set up with National Committee of Anti-Trafficking ensuring full implementation.

In February 2008, the European Convention for Human Trafficking [inaudible], and the Republic of Moldova has been the first country to ratify this convention.

The broadcasting role, the mass media freedom is one of the issue of concerns, and the opposition is not really happy how it functions. In 2006, a new law that has been adopted by the parliament provides a good legislative basis to ensure respect for the freedom of expression. The correct implementation in a manner which promotes the plurality of the media has to be ensured.

The biggest problem of Moldova, and especially the current media and written press, is the fact that they are not financially free, and the financial freedom of this mass media goes together with economic reforms and is good competition and the moneys that are paid to a newspaper and to give radio stations just to ensure this independence. The next parliamentary elections I expect to be called in mid-March 2009, so the parliament will decide.

The parliament of Moldova, because we are a parliamentarian republic, will form the new government, will elect the President, as the second and last tenure of President Vladimir Voronin comes to an end next year. The parliament has passed a number of amendments to the electoral code that dates back to '97. According to the OSCE, I quote, "It provides an adequate basis for the conduct of democratic elections if implemented in good faith," the end of the quote.

In 2007, a new law of political parties—I would like to remind you that we have, according to the last report of Freedom House, 28 political parties and organizations, because it's quite a lot for small Moldova. Sorry, I'm saying that. Maybe, who knows how many parties we need?

But there are a lot of political parties [inaudible] of the electoral code and was adopted and submitted to Venice Commission. Adopted in December 21, 2007, the law aims to regulate legislation functioning, financing of political parties [inaudible] electoral system, all transparent and less prone to abuse.

However, it also creates a number of restrictions that can be explained by the need to weigh the efficiency of the current party system as well as the national security concerns. For example, the threshold was increased from 4 to 6 percent. The electoral blocs were prohibited and certain restrictions to persons holding dual citizenship were introduced.

It is worth to be mentioned that Venice Commission recommended 5 percent of this threshold [inaudible]. It is also worth mentioning that electoral blocs are prohibited to participate at elections in such European countries with long-lasting democratic traditions, like Germany, Austria, [inaudible], Hungary, and Finland. At the same time, according to the Moldovan legislature, the parties enjoy the right to create post-electoral colleges.

According to the civil societies [inaudible] represented a vibrant aspect of Moldova's public space. As is mentioned in this year's Freedom House Nations in Transit report, which just appeared, by the way, I quote, "The number of active organizations is significant, and only certain NGOs have the capacity to contribute to public policies. [Inaudible] and activities are developing slowly but lack [inaudible]. At the same time, more reporting efforts did not bear the expected results.

Dependence on donor support leaves NGOs vulnerable and poses a key challenge to the sector's development. Until NGOs become transparent and are open to working with media, they will lack credibility in their mission to promote democratic matters. And, unfortunately, quite a lot of think tanks and NGOs are fully involved in the political processes, and, in this way, our citizens are liking alternative information [inaudible] democratization processes in my country.

Now, about Transdnistria conflict, our strategy in a conflict settlement, about how we approach this issue just now, especially after the August events in the South Caucasus region.

For about a year, Moldova has been vigorously pushing for resuming the discussion between the current international format known as "five plus two". I would like to remember this is an international format with participation of the Organization for Security and Cooperation in Europe, Russia, Ukraine, as mediators; European Union and United States of America as observers, as well as the Republic of Moldova and secessionist authorities.

The government strategy for conflict resolution is based on a complex package approach to all the issues related to the [inaudible] crisis: Political, economic, social, military, and humanitarian.

The package proposals includes the development and adoption of a special [inaudible] statute for Transdnistria region, while respecting the sovereignty and [inaudible] integrity of the Republic of Moldova. The consolidation of the neutrality studies, neutral studies, constitutional [inaudible] we call it, because it's written—our constitution of Moldova, it's a neutral state. [Inaudible] military troops from the national territory, a condition of ownership right and of certain special guarantees to the population of the eastern part of the country, currently under the control of separatist authorities.

These particular results were adopted in 2006 by Moldovan experts who tried to find a common denominator that would accommodate very small dollars and Russia interests without undermining the viability of a future reintegrated state or legalizing Russian military presence in Moldova.

The key elements of the negotiation process is a special [inaudible] status for Transdnistria region. Clear division of confidences in [inaudible], though it is functional central institutions. [Inaudible] of Transdnistria region under the Moldovan parliament. The last part is important because of the spring 2009 parliament elections, and [inaudible] the population from the eastern bank of Dniestr River will take part in this democratic exercise.

The separate [inaudible] of the region will be, in part, [inaudible] in the [inaudible] legislature, and the [inaudible] total population currently is estimated at 13 percent.

The European Union and the United States of America long ago welcomed the package proposal as a good foundation and platform for viable and long-lasting settlement. It is necessary to mention that before the Georgian crisis, Moldova has never formally—sorry, Moscow has never formally reacted to our proposals in spite of our government persistent attempts to elicit a positive response.

My country is currently observing the [inaudible] region while reiterating its firm belief of the exclusively political solutions of all of the disputes to be taken to the negotiations table. The same position is also reflected in the statement by the Government of the Republic of Moldova issued on August 29 regarding the situation in South Ossetia and Abkhazia. It's [inaudible] that Moldova does not see the international recognition of these provinces as a stabilizing factor of the situation.

At this point, we can clearly state that the [inaudible] mediators and observers [inaudible] still continue. Moldova insists on “five plus two” international format. At this time being, as far as we know, neither [inaudible] or Moscow does not have a different approach, accepting “five plus two” as a basic format for negotiations.

[Inaudible] the president of the Republic of Moldova and of the Russian affiliation from the [inaudible] this year. There is a decision of [inaudible] to stop so-called moratorium on [inaudible] and begin a meeting in the “three plus two” format [inaudible] Russia [inaudible] on September 8 [inaudible] are developments that bring assurance of an early resumption of the “five plus two” international negotiation format.

However, it will be wrong and premature to conclude that Moscow has fully abandoned hopes of achieving a settlement on its own terms. There are no indications that Russia is prepared to renounce its long-standing policy of using the end result of Transdnistria conflict as leverage to circumscribe Moldova's foreign policy options or to legalize its military presence in Moldova, at least during so-called post-conflict years. The main goal is contained in the famous Kozak memorandum from 2003.

At the same time, there are a few further concessions our government can make without compromising the future of the Moldovan state and the European integration strategy.

Despite the progress made, effective implementation of reforms remain a challenge. In order to advance democracy, peace and total integration of the country, Moldova has to be successful in its effort to end the transition from the Soviet past to the sustainable and durable democracy of market economy and efficient governance.

But I would like just to invite you to address the problem of the current state of democracy from the point of view of more sustainable and less politicized. We understand there are three different and distinct periods of transition, and we are now just in between the second and the third. [inaudible] liberalization we passed in '95-'94, then a

democracy stabilization that took us 7, 8 years, and now we are ending by democracy consolidation, very often, opposition and quite a lot of [inaudible].

They try to use an ideal model [inaudible], how it works in developed countries with maybe hundreds of years of experience, trying to compare with the model and criticizing [inaudible], which is basically not constructive and not a positive approach to [inaudible].

Moldova is still in transition. It's monitored very closely, it's given assistance. The biggest key problem is institutional deficiencies. The system works, but, of course, we need probably 3 or 5 years and the transition. Now, this transition is based on European and Western paradigm of development, and the Moldovan policy, to be integrated into the Union, is the biggest driving force and European model, which is basically the Western one, is taken as [inaudible] people like just this model for development of the country.

Concluding, I would like to mention that there's a large consensus in the country among the leading political parties, nine representatives of the developing [inaudible] and the socially visible and responsible civil society organization regarding the European future of Moldova.

There's a common understanding that only real and consistent democratic reforms can bring Moldova closer to the implementation of [inaudible] built around national strategy for development, to restore our historic and cultural ties to Europe that date back to the [inaudible] of Roman empire, an early Christian period of the modern Western civilization.

The integration of the countries of today's European institution, a leading organization, first of all, the European Union is understood as the main way of implementation of the vision and strategy.

Thank you very much for your attention, and I appreciate the opportunity to speak here today and welcome any questions that you may have.

Amb. BOND. Thank you.

Thank you very much, Mr. Ambassador.

We'll turn to Mr. Vlad Lupan of the Soros Foundation now.

Mr. LUPAN. Thank you, thank you, Mr. Chairman. Thanks for the opportunity to share my views about the democracy in Moldova, as well as, thank you for the concern that the Commission shows for my country. I hope this extremely encouraging attitude continues, and the Commission will organize a hearing on Moldovan matters ahead of 2009 elections.

I would also like to thank the Moldova Foundation based in Washington for assisting me in attending this session.

I don't intend to speak about the comparative success or successes of the current government, thus its existing problems, as the government has the opportunity to promote its point of view extensively through the existing network of officials, official visits and meetings.

The civil society has fewer possibilities; therefore, I will go to the point and focus mainly on those concrete shortcomings that present a serious concern for democracy in Moldova.

I think, first of all, three matters should be taken into account. 2008, we can agree, is an eventful year for Moldova. First of all, the country is approaching general and Presidential elections at the beginning of 2009. Second, 2008 is also the year when the action

plan signed between the European Union and the Republic of Moldova already expired formally. Third, as mentioned about 2000, it's also a year of changes with impact on Transdniestran conflict resolution and Russia's role in it, particularly after the war in Georgia.

The state of democracy in Moldova and the elections are matters of concern for people now. The state was admirable by regional standards at the beginning of its independence, and the country was the first from the countries of newly created CIS to be admitted into the Council of Europe.

The local assessment of the situation, the indicators of such international non-governmental organizations, as Freedom House, Amnesty International, and Transparency International, do not place now Moldova in a position of leader.

The Council of Europe announced this year that it does not intend to renounce its monitoring of Moldova since the country did not meet the democratic criteria that would allow for such an image-making decision.

The state of democracy is closely linked now with country's European aspirations. Moldova signed, in February 2005, a 3-year action plan with the European Union. This [inaudible] the step-by-step implementation of those democratic reforms that Moldova needs in order to come closer to the EU.

And by European rules, Moldova should abide by Copenhagen criteria: The stability of democratic institutions, the rule of law, human rights and the respect for minorities as well as a free and functioning market and the capacity to face the obligation of an EU member state.

The European action plan with Moldova left some question marks, some still unanswered. The EU, indeed, decided to encourage Moldova in 2008 due to the fact that it was already facing a difficult relationship with Russia on Transdniestran conflict resolution as well as due to the fact that the country already on the EU and NATO border still made some steps toward mostly legalistic reforms.

At the beginning of 2008, the Europeans took the decision to formally extend the action plan for a brief period of time, while in May 2008 they started—they took a decision to start a reflection process in the new agreement with Moldova.

Even though there are concerns in relations to Russia's intentions, the EU remains also concerned about the pace of reform in Moldova. In its country report that was mentioned of April 3, as well as during its May 2008 decision on the reflection process, it stated that the action plan implementation needs progress in five crucial areas. Those are exactly the areas that are mentioned as Copenhagen criteria.

Moldova also suggested that it has arrears in such fields as the independence of justice, fight against corruption, freedom of the media and investment climate and business environment.

One more warning came from the European Union along the May 2008 decision to support Moldova with a reflection process. The Moldovan Government was asked to ensure free and fair elections in 2009. Such a warning came as it is widely believed that there is a high temptation of the governing party to use state resources and their control over the public media [inaudible] on competition or fraud the election in less visible ways.

[Inaudible] one is of primary attention as it forms the base for a sustainable democracy and respect for human rights, the independence of justice. The government again declared the reform of the judiciary as its priority in 2008. This is indeed true, although

most of the so-called achievements meant presenting by the Minister of Justice a Council of Europe opinion to the prosecutor's office, creating a commission to draft a concept paper and other similar actions and achievements.

The Moldovan non-government organization, Lawyers for Human Rights, rightly assesses that the most relevant indicator of the state of judiciary in Moldova and about its independence is the number of cases that are directed to the European Court of Human Rights. And among the state members of the Council of Europe, Moldova holds the first place with the highest number of cases per capita—15 cases per 1 million citizens. Analyses, both governmental and non-governmental, show that of all the cases that Moldova was accused, about half are related to the faulty judiciary procedures and decisions.

Despite officially expressed concerns by the Prime Minister and the Minister of Justice, this reality is the result of the unofficial policies of the current governing party implemented since its accession to power in 2001.

The independence, of course, was affected in 2002 by mass dismissal of judges by the Moldovan President who is also the chairman of the Communist Party. He refused to extend the nomination period of the judges at that time without any written explanation. At the same time, there were cases of nominations of some other judges based on loyalty to the ruling party, as Freedom House reported yet in 2003.

Now, the civil society assesses that such a cleaning that started in 2002 led to an increased interference of the executive power in judiciary.

The U.S. State Department report on human rights practices in Moldova from this year, March 2008, confirms that in the case of judiciary, specifically stating that the official pressure and corruption remain the problem.

The problem with the procedure of the selection of judges is another point where the Moldovan NGOs agree with the findings of the U.S. State Department report. Thus, the initial phase of elimination is not uncommon. The judges are appointed upon suggestions of the Supreme Council on Magistrates by the President of the country. However, one of the NGO's tests is that under an informal [inaudible], such an appointment is done only after a hearing by the governing Communist Party faction of the parliament and not by the parliament's legal commission.

The prosecutor's office is also considered to be affected by the same weaknesses and pressures as the courts.

When we speak about reform in Moldova and the reforms, the local EU experts conclude that the adoption of documents regulation and legislation is not followed by their implementation in such a problem that is reported, basically, in all the areas. This is a problem that is not only specific to judiciary.

Thus, we are coming to another important element of a democratic society: Free media. Moldova dropped down, according to the Freedom House reports on that matter as well. Although media legislation legally embraces the European norms as rightly reported, still, the implementation, the matter that we have just mentioned, the implementation of those provisions is done in such a manner as to ensure governing party control over the only national TV, Moldova 1.

Despite promises of reform that the Moldovan President made in May after your meeting, real actions still do not meet the promises. The position parties have no access to the national TV, which is now, by law, a public station. The broadcasting code was pre-

viously edited to allow the governing party to preserve control over the Broadcasting Coordination Council. This body then distributed broadcasting frequencies to the politically loyal stations and operated arbitrary licenses [inaudible].

There were concrete cases of inappropriate treatment of foreign commentators, journalists or unwanted media by law enforcement, such as the cases of [inaudible] commentators, Romanian TV prohibition and contact [inaudible] with Russia [inaudible] to journalists. These are also raising concerns regarding the freedom of expression.

Even non-important and anti-governmental demonstrations, sometimes by singular people, were violently stopped by police despite the existing legislation.

Media outlets are not closed in Moldova. Their criticism of the governing party is quite often quoted by the Moldovan President as proof of media freedom. However, the impression is that these media are afloat only to be such examples of [inaudible] while obviously they are permanently pressured, and, as mentioned above, limited in distribution and broadcast just to minimize the competition to the government-controlled media.

Moldova is the poorest country in Europe, and this makes the investment climate as well as business environment important elements that the state should insure. Moldova's economy is growing this year, particularly when looking at the former USSR this is true. However, when compared with its European neighbors, it seriously lags behind.

Due to that, nearly one-third of the Moldovans have already left to find jobs in the EU and Russia. The supply in remittances is already near 50 percent of country's GDP and has provided the opportunities to grow. However, people leaving the country is not a sign of a growing economy. The money transfers cannot mean proper economic development as these are not reinvested into business.

The so-called tax amnesty, operated last year by the government, does not seem to be the best solution to manage the fiscal burden. The unconfirmed rumors of Presidential family involvement in taking over many lucrative businesses do not help the situation. Pressure over foreign investors seem to produce a negative effect regardless of the good intentions.

Last year, reduction of taxes, operated by the government, in an attempt to increase interest in investing in Moldova, was considered by International Monetary Organization as insufficient as to favor foreign direct investment. The FDI is proven by those organizations to grow in countries with predictable business climate and a stable judiciary—last one being a crucial problem reported about.

Now we can focus on the internal political climate where there are interconnected elements that need our attention.

The governing party made an internal analysis that prompted them to change the electoral legislation, as speculated, to ensure a greater electoral success in 2009. The communists changed the electoral threshold from 4 to 6 percent. They further prohibited pre-electoral critical alliances which are often voted by Moldovan people. And, finally, passed legislation that provides state funds only to those parties that will enter the parliament or local regional governments.

If seen separately, these steps, indeed, may raise minor questions. Since many of those principles are separately present on the European political scene. However, only 1 year ahead of the elections and taken in conjunction to another—one to another, they create a commutative effect that is actually anti-democratic.

It affects the right of a large part of the populous to unite, choose and ensure that they are properly represented in the political life. Moreover, the government used the state budget to distribute funds mainly to the Communist-led local governments. The Moldovan President himself publicly declared that those who did not vote for the Communist Party in local 2007 elections would have to pay the price and they receive no state funds, a promise that is now actually implemented. Using state resources to fine voters, in fact, the citizens of own country, is, in my opinion, undemocratic act.

A number of party has been affected as well directly. Signatories, for example, for one—or for the party's newly created, which started to have impact on Moldovan political life, were subject to excessive questioning by law enforcement bodies. People were called by law enforcement and questioned for hours as to why they want to become a member of that party, who are their relatives. They're asked to sign standing, sitting, with right hand, with left hand and so on.

In case of another parliamentary party that declared during this June Congress that the EU integration was transformed into unsupported political gain, the government Communists accused the party of being devoted to Russia's goals. As we already know, the Communists themselves are in negotiations with Russia.

Yes, there is a matter of a new, assertive Russia. European integration, in case of Moldova, was declared the strategic irreversible goal of the country. The Moldovan ruling party also insisted to bring forth the resolution of the Transdniestrian problems and relations with Russia, as the two top priorities of the country since 2006.

After almost unanimously adopting on July 22 of 2005 a law on the principles of the Transdniestrian conflict resolution by the Moldovan Parliament, the governing party unexpectedly launched direct, bilateral negotiations with Russia, which provoked an increased amount of concerns. These concerns came out of the previous experience of 2003 when the Kremlin pressed for an unacceptable settlement through a memorandum adopted by Russian Presidential [inaudible], Dmitry Kozak.

The unfortunate Kozak precedent made the civil society and political party suspicious of the new negotiations and [inaudible] pressures from national and particularly international [inaudible]. The governing party admitted that something that they initially called consultations is taking place and suggested that we prepare a package deal that would be based on the July 2005 law along with other documents that are in line with that law. The government also stated that the deal was drafted in such a way as to already include Russia's interests in it and, thus, make it interesting for Moscow while respecting the Moldovan law. In my opinion, this is in itself a contradiction.

Russia is a country that behaves in real political manner, projects power and believes in the controlled chaos of separatist region that it actually masters.

Russia is a country that strongly believes in tradeoffs on the international arena. This is a reality on the ground that contradicted assessments that we are not in the 19th century. Indeed, we are not but Russia is.

Moldova cannot negotiate on equal terms in a bilateral negotiation with a country such as Russia, because it cannot offer in tradeoff terms something that Moscow already has: The leverage of Moldova through the Transdniestrian conflict resolution, its military presence and the so-called mediator's role. It seems that the Moldovan officials in charge of the matter, who are the same people who negotiated a bad deal with Kozak in 2003,

did not presume that such negotiations meant offering something to Russia that Moldova did not have.

Affirming that Moldova will not yield to Kremlin pressure was unrealistic. It now transpired that Russia was not clearly responding to the Moldovan proposal, generating pressure and subsequent concessions, particularly in the economic sphere. The unilateral dependence on Russian gas was already a concern for the government due to a previous decision by that government to provide Russia the control package of shares to the Moldovan statement [inaudible] Moldova gas in exchange for eradicating the debts.

However, when faced with lack of Russian response to the governmental package deal on Transdnistria, the government recently followed up with a contradictory move that strengthens Moldovan dependency. The state decided to cede the local distribution network to [inaudible] as well.

Russian companies that border [inaudible] Transdnistrian region without governmental approval were ensured that their new property rights will be recognized. Experts were encouraged to Russia lately while there was not the same level of official visible encouragement to the experts to the EU, at least through diversified markets and ensuring economic security goals.

These unilateral concessions made in hope to sweeten, sorry to say, Russia did not yield the results. And, contrary, it was rumored that Russia was warning Moldova, Moldovan officials to be more flexible, and that the reason for such a warning will be seen during 2008. It was exactly before the August war in Georgia.

By no coincidence, Moldovan President Voronin was called to meet the Russian President on the day when Dmitry Medvedev announced the decision to recognize South Ossetia and Abkhazia.

The next troubling step was an announcement made by the Russian Minister of Foreign Affairs that deciding Moldovan conflict will return to the 2003 Kozak memorandum. This is the very memorandum that was rejected by Moldova as unacceptable and which comes against the Moldovan law of July 2005, which cannot be violated by the Moldovan negotiators.

A number of Moldovan experts believe that further Russian pressure to either implement such a memorandum or to simply promote its interest in Moldova will follow with certainty during 2008, with possible negative repercussions over its populous. Certain political parties might be supported by Moscow. Transdnistrian leadership will be used to put more pressure over Chisinau, particularly through the newly instituted two plus one format of negotiations that is outside the "five plus two" format and which is not a good format for Moldova, as Chisinau recognizes correctly.

This effort is so the autonomous region of Gagauzia in the south of Moldova will be, and already is, reignited. Eventually, some do not even exclude gas cuts in this winter, which happened before, all leading to, if not a social event or a political crisis.

Russian pressure is detrimental for a democratic future of Moldova. [inaudible] is insistently promoting the concept of a future Moldova with a Transdnistria veto over most important foreign policy decisions but also internal decisions, such as EU membership. Basically, it's a [inaudible] right over democratic reforms and the Transdnistrian leadership has shown that it is against such reforms. The Transdnistria itself is a dictatorship, and it is against such concepts when it is actually supporting such concepts as the sov-

foreign democracy it is promoting in Russia and the vertical of power, which allow for an unlimited and uncontrolled leadership that declare each of its decisions as democratic.

In conclusion, I would like to state that there is, of course—there are several dilemmas in Moldova. Indeed, the Russian pressure is real and important factor in Moldova. Indeed, we can expect negative developments, possibly even before December 2008.

However, the geopolitical determinism is not the way to ensure that Moldova should receive unconditional support without seriously implementing democratic reforms.

The Moldovan Communists have been responsible for the current situation of Moldova, which is, indeed, deteriorating since they have been, by the way, democratically elected to power. It does seem that they are now trying to avoid yielding to the Russian pressure. They would like the Moldovan civil society and political parties to help them out through statements that reject the Russian proposal, as it seems, so that the President can save face.

The problem is that it is believed that the Communists will use the blame game, not only to avoid complications with Russia before elections. As in 2003, they will presumably blame the civil society for not being active enough for the political parties or for the fact that they have deteriorated the relations with Russia, thus place responsibility ahead of the elections on other shoulders.

The dilemma of the civil society, and particularly of the political parties unaffiliated with the government, is how they can help a Communist Party in government that is prosecuting them and does not genuinely implement democratic reforms in a sufficient manner [inaudible] free political competition.

We believe that support for Moldova should be and should exist and should be from now on conditional on reforms.

Thank you very much for your attention.

Amb. BOND. Thank you.

And now we'll turn to Dr. William Hill of the National War College, currently of the National War College, formerly Head of the OSCE Mission to Moldova.

Mr. HILL. Thank you, Thank you very much, Ambassadors, ladies and gentlemen, and friends.

First of all, I have to state that the remarks I offer here are in my personal capacity and do not necessarily represent the views or position of the National War College or the Department of Defense.

I've distributed, or made available, to the Commission a short article that may or may not appear in the print soon, which addresses some of the issues involved in the status of the Transdnestr settlement negotiations going on right now.

This briefing does, indeed, come at a sensitive time with much attention on other crucial areas of the former Soviet Union following last month's war in Georgia. In Moldova, the good news out of all of this, first and foremost, I'd presume, is that nobody really seems to be preparing or wishes to fight each other from one position or another, and, therefore, any movement toward a settlement is, frankly, likely to be peaceful.

The "five plus two" negotiations are on the cusp of renewing after some 2½ years without a negotiating round. You may well see a formal session very soon, and attempts

have been ongoing to generate work on portions—or begin expert work on portions of the comprehensive Moldovan package that has been on the table for quite some time.

The Russian Federation has also been more active, in particular, Russian activities were probably instrumental in bringing about a meeting of President Voronin and the Transdnianstran leader, Igor Smirnov, last spring, the first time the two had seen each other in almost 7 years.

The prospects for further movement or success are mixed. Partially, the positions of Chisinau and Tiraspol are pretty far apart. The positions of those who are involved in the process as mediators or observers also are not particularly close together on some issues, and these differences have to be reconciled, and commonalities need to be found before real progress can be made.

I would point out one thing that's not generally mentioned but I found during my time there, and I think it's still a phenomenon: There is a potential, an unrealized and perhaps paradoxical potential, for progress in the Left Bank, in particular in the Transdnianstran business community where leaders and representatives of a number of enterprises have made considerable headway for a decade or more in penetrating the Western European and North American markets. And these businessmen, entrepreneurs from the Left Bank are actually oriented toward integration and further operation in Western markets, and this may be a potential for finding common ground that could lead to an acceptable settlement for all parties involved. It doesn't mean that it will happen, but it's something that one might look at.

The real question with the increased activity of the Russian Federation now is whether Russia will work within or outside the generally accepted negotiating framework. In this sense, in my informal conversations with negotiators, both from the OSCE and then particularly U.S. representatives, what I hear from them is generally that we are open to greater Russian activity and constructive Russian initiatives, but these initiatives should contribute then to progress within the "five plus two" format. In other words, there's nothing wrong with an individual country being active, but it should lead back to the general framework within which we consider an acceptable settlement has to be reached.

I also think that after what I've seen, as after especially the events of August, the United States is more active and more supportive of constructive progress and just more active in support in Moldova, and that's probably a good thing.

The other note I'd put to all of this is that a settlement of the Transdnianstran conflict, in my view, would be a good thing, but it's not a sine qua non for progress in everything else in Moldova. In other words, I'd like to reiterate what you'll see if you read through my article. With respect to Moldova in 2008, the absence of a solution to the Transdnianstran question will be better than a bad solution that cripples the country's chances for reform and integration into Europe as a whole. For any settlement to succeed, Russia must be a part, but so must the rest of Europe and the North Atlantic community, that is, the EU and the United States.

I'd say commenting on U.S. actions elsewhere in the globe, my Russian colleagues have often said that unilateralism and unilateral solutions are generally not a good thing. The conflict areas in the periphery of the former USSR, like Moldova, are places where I think Moscow would do well to listen to its own counsel, its own advice.

Very briefly, in terms of other elements that have been raised today, the status of Moldovan electoral democracy, this is a classic case of, is the glass half full or half empty? On the half full category, opposition parties generally are allowed—are able to register and conduct activity in Moldova. There's considerable freedom of advocacy, organization, and campaigning, and opposition parties have won significant victories in elections and garnered a considerable percentage of the vote. For example, municipal elections in 2007, the opposition won a resounding victory and defeated the Communist candidates in Chisinau. So that's the good part.

On the half empty side, indeed, the 2007 law on political parties is worrisome, because it allows the basis for government interference and regulation of all political parties, including opposition political parties, not necessarily a desirable thing. The new 6 percent threshold and the prohibition of electoral blocs are generally aimed, or in Moldovan circumstances, will probably work against diversity and freedom or the success of opposition parties or a multitude parties in electoral competition.

And there's still problems with the use of administrative resources, administrative restrictions on political parties or political prosecutions and investigations of opposition figures or opposition parties.

Now, if you look at the situation in Moldova leading up to the elections in 2009, it leads to a couple of observations. First of all, the ruling party, the PCRM, or Party of Communists, has considerable popular support, and partisans or supporters of this party really don't need to engage in some of the chicanery and administrative juggling in order to promote electoral success of the party. The party does have a base, so why do this if you want to have free and fair elections?

The other thing is that some of the opposition's problems are of their own making. The opposition, broad right, right center opposition consistently draws over 40 percent of the electorate in Moldova. The problem is, this is split among some 10 to 15 opposition parties where every political leader wishes to be king of his little faction rather than a part of a broad coalition within the rules that would have a chance of electoral success, considerable representation in Parliament and perhaps even control. It remains—it was a problem in the 1990s, it remains a problem late into this decade in Moldova. The opposition does have legitimate complaints about the status of the playing field, rules of the game, but they also have to stop shooting themselves in the foot if they want to be successful.

Overall, I'd say, what we from outside really should encourage is that the United States, EU, OSCE, Council of Europe, and other international organizations and bodies that engage in electoral monitoring, in human rights monitoring, should remain very active and communicate early to all participants in the Moldovan electoral process, that irrespective of who wins, we expect a clean election, and this is the best way to ensure continued and broad support.

On human rights, in general, we've heard things—I second what I've heard about difficulties with freedom of expression, in particular, broadcasting is—long since the authorities in Moldova have had the benefit of the good advice of the Council of Europe, EU, OSCE, and in many respects having to do with public broadcasting, they failed to listen.

Anti-trafficking, this has been a big disappointment. Now, Moldova has done enough recently to get themselves raised back from tier three up to tier two, but since I began working with the Moldovan Government in 1999, 2000 to help them draft legislation

against trafficking in persons, more needs to be done on this. It's a problem on both sides of the river. It's sort of been, sort of, like squeezing balloons. First, the traffic went toward Western Europe and the Balkans. As the international community and authorities got a handle on that, it moved toward the east and south. But it's something where clearly the authorities can and should, must do much more.

Corruption and the judicial system is still a big problem, despite a decade and a half of promises of reform from many administrations and work with many international organizations. Some things have been done but not as much has been done as needs to be. And until this is tackled, it's corrosive to the trust of citizens in government, and it prevents effective reform in many other areas.

On the economy and business climate, it's a patchy picture here. Moldova has gotten recently good remarks from the IMF and World Bank and is doing a number of things correct in the economy. However, the web of economic reforms is still patchy, and there are problems with implementation, especially in things that are important to the creation of a favorable business and investment climate and allowing small businesses to pop up, especially outside of the capital, and this needs to be implemented.

Given some of these difficulties, you saw Fitch where it recently downgraded the Moldovan economic outlook from positive to stable, because there are some fundamental weaknesses behind this good picture. The biggest one is that there are not enough domestic jobs, enough domestic business, enough domestic investment being created. The figure I had is about 33 percent of the Moldovan GDP comes from remittances from Moldovans who work abroad. The figure, according to the Moldovan press recently, hit \$1 billion submitted back to Moldova in remittances for 2008. That's before the end of the year, so it's going to be well over \$1 billion.

It's good to have the money coming in, but it's not stable. What if the people stop sending money home? What if their families go out to join them? The problem is getting someone to change this and put the Moldovan economy on a more stable basis, because the money comes back to Moldova, people use it for consumption, which means that Moldova has a highly unfavorable trade balance. The current account is highly disbalanced but offset by the remittances.

But the people pay taxes in Moldova so the government budget is more than filled, and so you go to either the executive branch or the legislative branch and they say, "What's the problem? We have a surplus in the government budget this year, and as far out as we can see if it stays the same. If it doesn't stay the same, the economic foundations could be worrisome."

Overall, looking at Moldova, much has been done that is good, and a lot needs to be encouraged. Things need to be corrected, to be sure, but this is by no means—by no means we wish to paint a dismal picture. What I would recommend, as an individual, simply for my own country, is, first of all, to provide continued and consistent high-level engagement and support with conditionality. I think the Millennium Challenge Account has been a good approach, it's been useful. Other elements of support and conditionality have been useful, and we can see positive results from this.

In particular, in Transdnistria, there needs to be sustained, high-level attention. This is not something that can come up in a meeting every once in a while, then we forget about it and low-level—working-level people deal with it and don't get any attention.

This is an important question for some of our interlocutors, and, therefore, it needs to be an issue that gets consistent attention from us at a level that can communicate authoritatively and take decisions.

Most particularly I would advocate including this issue regularly in high-level U.S.-Russian Federation dialogues. It's an important issue to Moscow, and we will not influence what Moscow thinks about it unless we raise it with Moscow at an appropriate level and conduct a dialogue at that level. Otherwise, we won't be taken seriously.

Thank you very much. Thank you for the opportunity.

Amb. BOND. Thank you so much, Dr. Hill.

I'm going to open it up to questions now, but I'd like to start by putting a question to our panelists.

It seems to me from what you said that it's going to be extraordinarily important to have an election this spring that shows the support of the Moldovan people for the government and the elected officials and strengthens their hand in dealing with the Transdnistria problem, as well as advancing reforms.

Dr. Hill mentioned monitoring, election monitoring, long and short term, as a way to influence the outcome of those elections so that they're free and fair. Do you have other ideas on things the United States, Europe, multilateral organizations, like the OSCE, can do to help assure that free and fair outcome?

Amb. CHIRTOACA. Definitely, the election from March 2009 will be a moment of truth for our democratic system, but I would like to remind you that since the beginning of our period of independent existence, Moldova always had a very good record concerning the organization of free and, more or less, fair elections and criticism from the international observers. I've been focused mostly on the use of administrative state power resources, which is, basically, we understand that this is raising awareness but since the beginning of the '90s.

So we always have been, as I mentioned, monitored [inaudible] special missions sent to Moldova by the OSCE, by the Council of Europe, by the European Union, even by Commonwealths of Independent States [CIS]. It always has been monitored very, very closely.

Definitely, this is already a part of Moldova. Even despite we are in transition, this is a part of our democratic culture. Moldovans are a civil society, one of the most maybe success story. I think it was the creation in 2005 of Association of Civil Society organizations that are taking—well, ensuring this kind of monitoring, not only the capital but all over Europe—sorry, Sigmund Freud [inaudible]—all over Moldova.

So from that point of view, I think everything will be OK. We understand how important. We are scrutinized very closely. The European [inaudible] of Moldova depends on the quality of democracy, and this is not political wrestling, this is a reality, and this is understood politically, responsible presenting of political class that has made really, really a big test for Moldova.

I have a feeling that we'll have already some changes in [inaudible] to conflict settlement even earlier, and we did not exclude that [inaudible] in December. That meeting will be kind of benchmark, it is a benchmark for Russian diplomacy in trying just to make some efforts in using the current situation as an argument in the dialogue with the best, but I will not collaborate too much on this topic. We'll see. Initiatives that we do, we are not inclined to any concession anymore.

This is a problem of the future of Moldovan state. The future of real sovereignty and independence. We'll see what the Russian Federation will propose, and a package approach is conceded as the main element of our strategy. But definitely take good democracy and efficient democracy can help us to solve our [inaudible] conflict.

Thank you.

Amb. BOND. Thank you.

Mr. LUPAN. Indeed, the 2009 elections are important in the view of the future of Moldova, because that is what the European Union actually said, that we will support Moldova, but we want to see free and fair elections. This is an important element for our future support as a country.

I think that we should look—and we are looking as the civil society and some experts from the civil society—are looking at the events of 2009 from the perspective—not from that perspective of negative problems that are existing, on which I have focused on parts, but from the perspective of the future of the country, independent of which political party wins the elections, this is the important thing.

The important thing is that these elections should be free and fair, and then we will speak about the developments, and then we can speak about the proper developments. This is a first step now that is necessary. The problem that we see here is that for the moment there are no sufficient signs that these will be free and fair elections, and these will be changed. And what and who can do for Moldova, what can be done for Moldova and who can do it?

Speaking about monitoring, the long-term monitoring of the OSCE starts 1 month ahead of elections, if I'm right, if I still remember from my previous OSCE—2 months, all right—from my previous OSCE experience. Because I was also working for the OSCE myself and monitored the elections in several countries.

Two months is not enough. Two months is not enough, because it is not a matter of time ahead of the elections, it's a matter of preparations for the elections at the beginning of the campaign, and the campaign will not start 2 months ahead of the elections. It will be well-prepared to have a lot—but there is one positive thing that we can and should look at.

There is an OIC mission in Moldova that is actually already monitoring the situation. There is an EU delegation in Moldova that is already monitoring the reforms and the elections. And these organisms, in conjunction with monitoring by the civil society and political parties, can be supported, you know, to monitor the pre-electoral campaign, on one hand.

On the other hand, what EU can do for Moldova, and why I am focusing that much on the EU, because, actually, as I said before, the reforms that are stipulated by the EU are the democratic reforms that Moldova needs. And we want to become a member of the EU.

The EU can support Moldova through a decision to start a negotiation process on the new agreement, and the United States can help Moldova in its bilateral discussions with the EU on that matter.

What is important here, however, as I said, is to have the necessary conditionality. When Moldova—if Moldova wants to receive such a support, then it still should implement a number of reforms, and they should be done in good faith.

This is the role that the United States can play in its relations with the EU and in its relations with Moldova, particularly, the United States can clearly state that there is—hopefully, there is—and I feel there is—there is a support for Moldova, but this support needs to be seen. There should be a feedback from Moldova as well. One should be a player, one should be a democratic player, one should show that we are a group of the same countries, that we believe in the same values as the EU and United States in democratic values. And that has to be proven.

Although, of course, it is difficult for Moldova to progress on its path to democracy, and it is indeed a matter of time, and it is indeed—nobody expects Moldova overnight to become a country but we do tend to better ourselves, and this is the message that the civil society is trying to send. And in this respect, the EU and the United States can help, and the OSCE already is helping us in the sense that it already monitors the elections.

What can be done by these organizations for countries is that it can start to, sort of, support this for the monitoring of the elections already from now, and also it should work closely with the government on the matters that are not considered to be sufficiently democratic.

Mr. HILL. I would just like to add that in my experience in working with the authorities in Moldova, including the present ones in this area, they do desire to meet their international commitments and international norms. They also want to win the election. The key is early involvement, engagement and feedback in the area from missions that are on the ground, because the problems arise, generally, in the campaign. Election day everything will look good, but it's the conditions of the campaign which are the primary concern and where the engagement can be most effective.

And I've found it can be effective, because my interlocutors were very often influenced, I thought positively, by international feedback.

Amb. BOND. OK. Thank you for all of that.

One remark and then I'm going to open it to the floor to questions, and I'm going to encourage people to come forward, use a microphone here, state your name and affiliation and pose a question to our speakers.

But my comment is the dependence on remittances is not—is a problem that other countries share. I know in Latin America, in a couple of cases, the countries have set up investment funds so that their foreign workers can actually invest in the funds as well as send money back to their families, which will be consumed. It's a way of saving for them, and it's a way of encouraging investment in the home country. I don't know if Moldova's considered that.

Now, if we have people who would like to pose a question?

Please?

QUESTIONER. My name is Vlad Spânu, and I'm the president of the Moldova Foundation here in Washington. And my question is regarding the topic of today's discussion, "Where Moldova Goes, East or West?"

So my organization, along with other organization partnerships, partnered and organized two events on post-elections Moldova. We did it [inaudible]; in 2005, after the parliamentary elections; in 2007, after the local elections.

Among the conclusion of experts I brought from Moldova, from the United States was one important statement. Moldova does conduct the free and fair elections on election day, and I think the speakers and Ambassador Hill actually mentioned. But the big problem

is before the elections. During this month, there are—the state institutions prevent the competition, both the parties and for independent media.

So the question is this to all speakers: Why Moldova behaves this way? If it wants to join the democratic society, the democratic family, if all Moldova wants to play both ways, to be a semi-authoritarian country within the CIS and at the same time to declare itself a democratic country and be part of the European Union. So it's very difficult to play this way.

So my question is, what way Moldova really wants to go? The current comments are it really wants to go to join the West or to stay outside of Western family. Thank you.

Amb. CHIRTOACA. To tell the truth, I was not really very happy with the topic of our discussion but just right, OK to just to stay open about it. There's no doubt about this, no question about the strategic orientation of Moldova. It's the problem how to address the threat of Transdnistria, the Russian intervention in the different area of Soviet space and this is a problem of Moldova specifically.

Moldova is still, let's say, trapped and looking at endless transition. The end of transition landed in Europe, and this is, again, I would like to state it, repeat it here, again, model of development, it's a functional democracy, efficient governance, freedom of mass media, rule of law and the [inaudible] judiciary system place a great, great values and principles. The problem is, at the institutional level, Moldova needs new capacity, [inaudible], strange people, educated people just to ensure the efficiency of functions of this democratic mechanism.

[Inaudible], and I think this is nothing more than speculations concerning their orientation as a foreign policy and long, long-term strategy of my country. It reminds me a little bit Mr. Lupan saying, "We have to do political parties and vibrant single society organization to move Moldova in the right place.

Moldova is not Milosevic Serbia with non-government organizations. Please get back to the natural functions. Please educate people, provide society with a clear vision, have more analytical and systemic approach. Do not make speculations, because we need professionals with clear strategies, and you can contribute in a very direct way unless you would like to be political fighters. Please organize 20 non-service political formations and struggle for democracy. If you'd like to be struggling for democracy, be a patriot outside Moldova and be freedom fighter inside Moldova. I think this is the best formula to be efficient and to help our country, which is still in an extraordinarily difficult situation, even now. Thank you.

Mr. LUPAN. The problem that we are facing now, as a country, is that we have this situation when the attitude of the government is changing according to its preferences on the international [inaudible], according to its international relations. The relations of Moldova should not—not in the past but especially not in the future—should not be those factors that should be influenced, the democratic development inside the country. These are the things that are clear.

I think that specificity is often quoted by many countries when they fail to implement certain reforms or to take certain steps. Specificity of each country is not in failing to implement certain reforms but to implement them in a different way, [inaudible].

I think this issue is where Moldova goes, East or West, was very much speculated in recent years, coming again to the matter of geopolitical determinants, the fact that if we have better relations with Russia, then we should give Russia what Russia wants. The

EU is a richer area, and we should go there, and that is why we want to be an EU member.

I think these sort of issues are now already going away and should be going away. I think that we should be moving to the West, and I think that the point is that if it comes to the political and geopolitical determinants, we can see that relations with Russia are not exactly progressing in the way they were planned. So that's why Moldova will be moving to West, and this is something encouraging.

But as I said again, it should not be a matter of international relations. It should be a matter of political will of the people. And that [inaudible], indeed, was already expressed in 2005 when both parties signed a joint paper on the European integration. I think this is the only way for the moment, at least. I think this is the only way we should look at it. The problems of relations with other countries, indeed, appear, and that's the role of all of us to correct our course in such a way as to ensure that European integration.

Mr. HILL. I think Ambassador Chirtoaca has given a good enumeration of the standards and values that go into what is perceived as European or, generally, broader European integration or orientation. Clearly, my experience is that most Moldovans that I had dealings with were broadly oriented toward becoming a part of the larger European community, specifically the European Union.

The problem is juxtaposing this with countries to the East or to the North, because I found on a personal level relatively little hostility among Moldovans to having good relations on a personal level with either Ukraine or the Russian Federation, although they might object to policies.

But I think it's very important to focus on these and focus on what you mean by East or West or European and non-European. I'm reminded by some of the very emotional debates of 2002, 2003 when representatives of various organizations said, "No, we want a European solution to the Transdnestr problem, we don't want Federalization." Well, my German colleagues were very puzzled to what respect a federation is not a European phenomenon. I mean, it was quite clear that what the people meant is they didn't want a certain kind of federation that left the country in a non-viable state. And so it's good to be very clear what you're talking about.

So I come back to that basic set of values is I think broadly shared by most of the Moldovan public, and given a chance to work at it freely, that's the direction that Moldova will go.

Amb. BOND. I'd just note, before this session, I was doing some reading on Moldova, and on the 23rd of September, an association of sociologists and demographers, so-called Vox-Populi, took a referendum on Moldova's future, and 63 percent of the respondents said that they supported Moldova's eventual entry into the European Union. Only 12 percent of the country were against it.

Please, further questions? Any further questions from the audience? Please.

QUESTIONER. My name is Jonas Rolett from the Open Society institute.

You know, one of the things that is evident whenever there's a discussion of Moldova is that it lives in, kind of, a rough neighborhood, and a lot of issues which we've been discussing today relate directly, I think, to trying to survive in that zone.

I wanted to ask a little bit, given that there is consensus among the speakers about the direction of Moldova, a little bit about Western instruments that can, sort of, assist,

push, pull Moldova in its stated direction. We know, of course, that there's the prospect, at least, of EU membership, and there are lots of instruments that the European Union has at its disposal to, sort of, promote reform and to assist Moldova, generally, to move in that direction.

I'm wondering a little bit about, since we're here in Washington, what instruments the United States might have, particularly on issues related to energy, democratic consolidation, support within the spheres of international diplomacy, et cetera. Thank you.

Amb. BOND. Dr. Hill, you might want to address OSCE in particular in that, in terms of how we could use the OSCE.

Mr. HILL. Well, everybody turns—OK, sure thing—everybody turns to the American on the panel.

We've mentioned the Millennium Challenge Account, which is a way in which the current administration in Washington has found to address providing assistance based upon conditionality and rewarding performance. That is one area.

One other area that has been, I think, recently both Washington and the embassy have done is to make efforts to treat Moldova as a whole country and to try to find ways without providing any basis for legal recognition of the Transdnestrans entity to provide assistance to people throughout the country, including on the Left Bank, which has been a way—to do it in a way that is reinforcing of the idea that this is one country, all of the population should benefit from—and should see—that the population on the Left Bank should see benefits from association with the broader outside community.

In terms of the OSCE, I mean, I could exhaust the rest of the time with recommendations, but with the OSCE and other international bodies, the first thing is for the United States to provide personnel and involvement, both financing and personnel. Unfortunately, recently, the United States has been understandably preoccupied with the Middle East and South Asia, and it's been to the great detriment of our involvement with organizations that work on the ground, not only in Moldova but elsewhere through a broad swathe of Eurasia. And this is invaluable. Organizations on the ground provide direct contact, direct information, daily day-to-day back and forth with officials, both support and feedback when they have something not terribly supportive to provide.

Yes, given the current economic situation, not only in the United States but worldwide, it's not a great time—it's never a great time to suggest that one needs to reverse—instead of declining contributions, raise them. But one needs to keep in mind—the United States needs to keep in mind the great necessity of maintaining American support and American personnel in these international operations that go out on the ground and provide a direct and less structured contact with governments, civil society, and people, less structured contact than you can get formally by doing it through formal, accredited, national diplomatic missions.

That's the very short list. I mean, there's undoubtedly more that I could cite.

Mr. LUPAN. Just a very brief mention. As I mentioned before, one of the main [inaudible] for Moldova and for the future of Moldova is a matter of accession to the European Union. That agreement that Moldova is supposed to sign with new agreement going beyond the partnership and cooperation agreement, this is something that Moldova really wants. This is the governmental position, but it is also the position of the civil society that issued a statement on these matters now in August with relation to the events in Georgia.

This is one of the things which I have mentioned before. There is need for Moldova to receive positive signals that it will receive—it will be treated as a European country. It will receive more attention, but it should be also conditional on reforms. And these reforms should be encouraged and supported.

When we think about the involvement of the United States, we, indeed, can speak about the involvement with the government and with preparation of the government or, let's say, training of the governmental officials for those tasks that they need to fulfill. Because as the Ambassador mentioned, there is a lack of capacity within the government, not only within the government but also within the civil society there is lack of capacities, because both are representing Moldova. Moldova, unfortunately, is underdeveloped, and that's why we cannot develop neither one nor another.

What I can add is that the civil society, at least, has some capacity, some limited capacity. It is coming out with policies and recommendations. This has been done on the 23rd of September with another opinion of the experts with regard to the Transdnestr problem. This was done in August when the civil society experts came out with their opinion on the events in Georgia and the impact on Moldova. They have called the government to cooperate on—eventually on a study for the Moldovans' future security. These are the methods that, unfortunately, cannot be done without support.

The training and the preparations, good advice would be sometimes very helpful.

With regard to energy worldwide, as I mentioned, there is a slight chance, but it does exist, that in winter Moldova could face energy cuts, particularly in gas. I don't know what would be the best solution for this problem, if it will happen at all. Last time, Moldova was supplied gas from Ukraine. I'm not sure this will happen this time. If it happens, Moldova needs to be prepared for contingencies, and in this respect perhaps we should look at other options and you're asking, look at other options to support Moldova in energy field through its neighbors, through Ukraine, through eventually Romania, although relations with Romania are not great.

But this probably can be U.S. support, this probably can be European support for Moldova, and, therefore, it might be under certain circumstances accepted evenly if it comes through Romania.

And I think that one of the real instruments that already exists in the field of democracy but encourages Moldova and that makes Moldova move ahead with all sorts of reforms is the Council of Europe. I think this instrument should be used continuously for further monitoring and, of course, advice for Moldova with regard to those reforms that I have mentioned that are necessary for Moldova. And OSCE here, as well, has necessary instruments. United States is present in this organization, in OSCE, I mean. It can support such projects for Moldova, as Moldova would need.

Amb. CHIRTOACA. I would just briefly about the conditionality as one of the tools and driving force behind democratic reforms in the transitional countries. Definitely, there is a big difference between central European countries. I mean, [inaudible] Baltic for Baltic's union and Bulgaria, Romania. They've been promised a clear [inaudible] for new integration, which is not the case of Moldova.

I agree with the idea, we are negotiating now, so since '98 we have partnership and cooperation agreements with EU, just as right that we conceded to sign another association and civilization agreement, and maybe and definitely for this negotiation we'll start after the 2009 new elections. That's why, again, this is so important to mention it.

And it's not [inaudible] of EU conditionality, so-called Copenhagen criteria, words because, again, the integration of Moldova's pursuit as a national idea with a large commitment, with reliable polls, even sociological polls, in terms of [inaudible] more than 70 percent of population. We have much more modest indicators [inaudible] around one set of population in favor with [inaudible]. This is all about to be neutral, to have a constitutional [inaudible] of public policy and debate inside the society.

We are dependent on natural gas 100 percent. This is our national security concern. I do not have very negative perception of winter problems. I do not think that there will be difficulties in the relationship with Ukraine and Russia ally provoked a couple of years ago. They, sort of, [inaudible] policy of Moscow.

Anyway, we have to be justified, and this is a very good sign, so we have good relations with Azerbaijan corporations, and we are looking at a good terminal. We invite the MCC American corporation to take part in the reconstruction of well terminal on [inaudible] to develop the infrastructure. It's all about MCC complex strategy. It's reconstruction of infrastructure roads, qualitative [inaudible] on public health, and we consider that here in the United States of America plays a great role, because this is roughly \$300 million to \$350 million will be granted to local and American corporations, and this is an economic and business platform for further development for some more, different involvement, and this is an [inaudible] for attracting investments and to ensure there are growing economic, stable, growing, economic development of my country.

And, of course, Transdnistria, this is a permanent, open and transparent dialogue with the Department of State with other bodies that are involved in a way [inaudible] in a frozen conflict. That means I can assure you this is the biggest part of our job [inaudible] diplomats [inaudible] in Washington, DC.

We understand that [inaudible] limited capacity for small countries. It has a clear geopolitical dimension, has a clear strategic [inaudible] who are witnessing the emerging new security world in Europe, and, of course, we would like to move closer to more stable zone, and we'd like to use this moment of opportunity, but, again, it's still very risky.

Of course, we need assistance, partnership and "five plus two" exactly for U.S. [inaudible] of European Union, especially after Nicolas Sarkozy mediation in Georgia crisis. This is a new fact that gives new dynamics, and we would like to use them in the most positive and constructive way just to get closer to the Transdnistria conflicts [inaudible]. Thank you.

Amb. BOND. Thank you very much, Mr. Ambassador.

I'd like to turn the floor over to John Finerty [Staff Advisor, Commission on Security and Cooperation in Europe], who is—and deserves the credit for organizing this session today and has done all the work to put this program together.

Mr. FINERTY. Thank you. I'll try to be brief here.

I was interested in something Ambassador Hill mentioned about the, sort of, business interests in the Left Bank of Transdnistria being more conciliatory, and I think this had a lot to do with EU borders, just the mission there and cutting down on some of the black marketing things like this. And some of us on the staff [inaudible].

It seems to me, though, that if you have the right coalition of forces where Russia decided for one reason or another to go along with the settlement, to get out of the way of a settlement, and if the suggestion is that your government has made, Mr. Ambassador, concessions, if you will, to resolve this situation, that could be done.

I don't have in front of me the legislation that goes back to 2005 on the principles of the Transdnierstra situation. It seems to me, though, there is little there that would—it leaves too much space for the folks who operate in Transdnierstra. Would that legislation have to be changed?

Amb. CHIRTOACA. This time I will start and we'll go right to the left.

No, the legislation will not be changed. We consider it will provoke or destabilize the situation, and this legislation has been voted on the basis large consensus among all the political parties in our Parliament. Nobody will revise or give back or just put under the impression it's basic, but this is the basic principles. So the problem is flexibility, and there's always a certain degree of flexibility will be thin interpretation.

But this is a package of [inaudible]. We are speaking about a large autonomy of Transdnierstra region populated mostly by ethnic Moldovans, and the rest of the Russian-speaking—but the biggest minority is the Ukrainian-speaking minority and then Bulgarian and Russian. So there is no basis for any kind of other approach. But this is a negotiated status—special status of the region all about. That's why this is a main element I mentioned in my presentation of the future negotiations.

Regarding the OSCE [inaudible] Left Bank [inaudible], this is a [inaudible] all a perception of a confidence—consolidating the future confidence measures. And when Transdnierstra business, this is the kind of [inaudible] in eastern part of Moldova. So we'll be involved in [inaudible] projects financed by MCC. It was involved in the U.S. Government. This is [inaudible] create and form new channels of communication. And the EU result of that is supportive. The EU would like also an opinion and would like also just to assist financially and to take part in this project and communication.

[Inaudible] before all these events. Now, this is a little bit—well, it's a different situation, but these principles remain as the basic elements of our conflict settlement.

Mr. LUPAN. With business interests in 2005 law, hypothetically speaking, indeed, they do not contradict each other, in my personal opinion. The point is that this law clearly states that it was for certain business interests. What does it actually mean by that? It means that what Moldova already started to implement, the return of the Transdnierstran enterprise under its control within the economics has yielded some posted results in the sense that there is less, at least, speculation about what and who does in Transdnierstran region and with business interests. They have been reduced.

There is a certain reduction of illegal business in Transdnierstra, and that is the point. The point is, legally or illegally, legal or illegal business. It does not block, basically, the development of business. That's what we should aim for, and I think this is the point where we should come and we are coming to the development of business in Moldova, as a whole. The development of business in Moldova as a whole should set some standards that would allow for both Moldovan and Transdnierstran business to develop freely without harm and actually promote business, because that would be, of course, helpful for the whole country, and it would provide more taxes and better incomes and so on and more tax.

Mr. HILL. OK. I told the Moldovan Government in 2005, when they were considering the law, that I thought it restricted their flexibility in negotiating unduly, and I still think that, but it's not a fatal restriction. And, you know, laws can be amended if situations change and if circumstances change.

Business on the Left Bank, I didn't say the businessmen were good guys. I did say they were interested in the Western European, North American market and had been more successful than left bank—or right bank, excuse me, western Moldovan enterprises, which are still oriented largely toward the Russian and Ukrainian market. But the point here is that the interest of many of the entrepreneurs on the Left Bank is pointing toward being able to conduct commerce in the greater European market, and this offers an opportunity for creating conditions that would encourage them to integrate politically into a Moldovan community.

As a matter of fact, following the 2005 law, the negotiations and the package, all significant Transdniestrian enterprises have registered as economic agents of the Republic of Moldova. They receive Moldovan seal stamps, documentation for trade with the European Union. They even receive preferences, EU preferences operating as economic agents of the Republic of Moldova. Integration here on the economic side has proceeded far in advance of any political integration within the country.

What worries the businessmen, what is right now the—they don't trust the political institutions in Moldova, and what has been given by Moldovan authorities, they say, "Well, the Moldovan authorities could take away again with the stroke of a pen," and they want a political guarantee and some sort of political system or autonomy or something that guarantees their ability to defend these preferences. And that's, basically, in very, very blunt terms what is one of the most fundamental issues in the negotiations. There are others.

My whole point in this was, though, that there is an element on the Left Bank that actually is favorably inclined toward integration in Moldova, and the Moldovan Government has been at times very skillful in using this phenomenon, and it's a phenomenon that I would encourage, both all to use because it's a way of narrowing the differences between the two banks rather than concentrating on what divides them. And there are other things in the historical memory that prove divisive.

I know we're reaching the end. I'd like to say one more thing, just to get back to the assistance and what outsiders can do and other things. We can give all sorts of advice as to what various authorities in Moldova, whether in Chisinau or Tiraspol, should do.

The thing that strikes me, though—something worth keeping in mind, because I'm not sure I have the ultimate answer to it—is when you give advice, then someone locally has to carry it out. And if what you have in the country is a population composed of elderly people in villages, pensioners and their grandchildren, with the adult working population working abroad and sending money back, you have the ultimate capacity problem, and it's one that I've seen increasingly and consistently going on in Moldova.

And one of the things, whether authorities in Moldova or those that help from outside, need constantly to keep in mind is a way of encouraging the development of businesses, industries and jobs in Moldova that attract and keep talented young and middle-aged people in the country that provides the basic capacity base for doing all of the things that the country can do. It's not something that can be solved quickly, and it's not something that can be attacked directly through a single program, but it runs now as an undercurrent that affects, at least in my estimation and my experience in the country, it affects almost all initiatives that either domestic authorities or international bodies in other countries involved from the outside have to deal with. It's simply not that the people aren't talented but there just aren't enough of them, because too many are working abroad because there aren't the opportunities at home.

Thanks very much.

Amb. BOND. I mean, it's sort of circular, but by integrating into Europe and meeting conditions of European integration, you will create an environment in which people [inaudible]. But that's the direction the country obviously has to go.

Well, we are out of time, and I want to thank our speakers and their participation today. Also thank our audience for posing questions.

And all of this will be transcribed and available on our Web site in about 48 hours, I'm told, on our Helsinki Commission Web site. Thank you very much.

[Whereupon, at 11:58 a.m., the briefing was adjourned.]

# APPENDICES

## **PREPARED STATEMENT OF HON. ALCEE L. HASTINGS, CHAIRMAN, COMMISSION ON SECURITY AND COOPERATION IN EUROPE**

Thank you, fellow Members, honored guests, and ladies and gentlemen, and welcome to this briefing of the U.S. Helsinki Commission entitled “East or West: The Future of Moldovan Democracy.”

Today we turn our attention to a small nation that has been both a literal and figurative battleground since the achievement of independence after the collapse of the Soviet Union in 1991.

I say a literal battleground because, as we recall, the “Transdnistria” region seceded from Moldova via civil war in 1990–92. This self-proclaimed “Dniestr Moldovan Republic” is not recognized by the international community, but it enjoys strong economic and political support from Moscow.

The conflict between Russia and Georgia has also cast its shadow on the Transdnistria situation. Russian President Dmitry Medvedev recently warned Moldova against using force to seize back control of Transdnistria.

I doubt seriously the Moldovan government in Chisinau would make such an attempt, but I can easily believe that certain forces might try to create such an “attempt” in order to further their own political or economic interests.

Moldova has also been a figurative battleground of ideas. Many political activists have called for closer association with the West and its concepts of civil society, democratic governance, and rule of law as embodied in the documents of the OSCE. Others, regrettably in my opinion, find their inspiration in the Communist past.

As Chairman of the Helsinki Commission, I would note that the Commission has been, on occasion, critical of Moldova in some areas of human rights: for example 1) human trafficking, 2) government attempts to control the media, 3) questions of judicial procedure and police practices.

These are problems that should be faced and overcome, but Moldova is challenged not only by economic distress, but also a historic tradition that includes long periods of outside authoritarian control rather than national sovereignty and democratic traditions.

Moldova is preparing for parliamentary elections next spring. The European Union is on record as saying that “these elections are a good opportunity for the Republic of Moldova to achieve decisive, comprehensive and irreversible progress in view of implementing democratic electoral standards and practices.” I look forward to any thoughts our guests may have about these elections in the context of that statement.

I would also be interested in learning how Moldovans view the new militancy of the Putin/Medvedev government in Moscow. Do they see Russia as a threat to their country? If so, will this be reflected at the voting booth?

And how does Russia’s role as a traditional market for Moldovan agricultural products and a major energy supplier affect domestic politics in Moldova?

Our guests today are uniquely qualified to address these questions. We are honored that Ambassador Nicolae Chirtoaca, Moldova’s ambassador here in Washington, has been so kind as to join our discussion today.

We welcome also Mr. Vlad Lupan of the Soros Foundation program in Chisinau, Moldova.

And finally, we are pleased to see again our friend Bill Hill from the National Defense University and former head of the OSCE Moldova Mission.

Their bios are available on the table in the corridor. We will entertain questions from the floor after the presentations, and now I would invite Ambassador Chirtoaca to make the first statement.

## **PREPARED STATEMENT OF H.E. NICOLAE CHIRTOACA, AMBASSADOR OF THE REPUBLIC OF MOLDOVA TO THE UNITED STATES**

Chairman Hastings, Chairman Cardin, Members of the Committee, Ladies and Gentlemen,

It is an honor and a privilege to appear before you today to discuss the issues related to democracy development in my country the Republic of Moldova from the perspective of approaching 2009 parliamentary elections and taking into consideration the changing geopolitical environment in the East of Europe caused by the recent Georgia crisis that has a direct impact on the settlement of the so called “frozen conflicts” in the ex-Soviet space.

Since the beginning of this century Moldova has made visible progress moving from a typically weak state at the end of 90th, confronted with multiple problems and obsessed by the identity crisis, to relatively stable democratic institutions, functional governing structures, growing economy based on developing private sector. Throughout this period, despite the limited internal capacities and synergy for change, the Republic of Moldova has remained committed to democratic reforms and modernization of the society, providing security and stability in the region, mostly through efforts aimed at peaceful resolution of the separatist crisis and the territorial reintegration of the state.

Following the 2005 parliamentary election, the government continued its efforts in order to improve democratic governance in Moldova, reducing corruption, pushing through economic reforms, and welcoming foreign investment. At the same time, president Vladimir Voronin made clear his intention that the Republic of Moldova follows the path of other successful post-communist democracies and draw closer to the European Union, as well as develops partnership relations with NATO within the framework of the Individual Partnership Action Plan.

Moldova has successfully completed requirements that have moved the country through the “Threshold” process of Millennium Challenge benchmarks and in December 2006 has been approved to construct a Compact proposal for funding by the U.S. Millennium Challenge Corporation (MCC).

I would like to remind you that Millennium Challenge Account eligibility is a kind of reward to partner-states for good policy performance and is based on scoring above the median on at least half of 17 indicators in each of the three policy categories: Ruling Justly, Investing in People and Economic Freedom. The first category contains indicators that measure the quality of democratic governance, country performance on freedom of expression and belief, association and organizational rights, the rule of law; respect of human and civil rights, the independence of the judiciary.

These indicators also help to assess a country’s commitment to promote political pluralism, equality, to ensure the transparency and accountability of government; to combat corruption. Eligible Countries must maintain strong policy performance as measured by the indicators as a condition for continued eligibility.

The conditionality of the assistance provided within the framework of cooperation with Millennium Challenge Corporation helps our Government in improving the governance in accordance with the recommended norms and good practices, first of all through gradual reduction of corruption and state bureaucracy, and in this way is making irreversible the market and democratic reforms in Moldova.

There are many European multilateral organizations that monitor the democracy consolidation in Moldova. The annual reports made public by the Council of Europe (CoE) have the most serious impact on the evolution of democratic reforms in the member-states. The country reports are presented to the Parliamentary Assembly of CoE (PACE) that adopts a Resolution and a Recommendation to the Council of Ministers. The Organization for Security and Cooperation in Europe (OSCE) has the reputation of being efficient regional organization promoting human rights and democratic standards within its area of responsibility.

At the same time these reports serve as basis for the European Commission Progress Report on the implementation of the European Neighborhood Policy to assess the dynamics of the bilateral relations with Moldova within the EU-RM Action Plan. These reports deserve the special attention of the participants of today event mostly because it describes and suggests the ways of improvements for the shortcomings of the current institutional framework of the Moldovan democracy.

According to the recent European Commission Progress Report on the implementation of the European Neighborhood Policy 2007, made public on April 8, 2008, during the reporting period the Republic of Moldova made good progress in most areas, including democracy and rule of law. The 2007 local elections were generally well administered and voters were offered a genuine choice. Other major achievements during the reporting period were substantial progress in improving the institutional framework and procedures on control and certification of origin, which allowed the EU to grant the Republic of Moldova additional Autonomous Trade Preferences, the entry into force of agreements on visa facilitation and readmission, and the positive cooperation with the EU Border Assistance Mission (EUBAM).

The Republic of Moldova also co-operated closely with the EU on all questions related to the Transnistria settlement efforts and work is ongoing to put into practice the proposals of the President of the Republic of Moldova on confidence-building measures.

On local self-government a number of legislative acts, including on administrative decentralization, local public administration and regional development, were adopted in December 2006. This brought national legislation closer to the recommendations of the Congress of Local and Regional Authorities in Europe. A national training strategy was adopted in January 2007 to enhance professional standards for public servants and elected municipal officials, although the practical impact of these measures remains to be improved.

The Republic of Moldova adopted a comprehensive strategy and implementation plan for reforming its judicial system. The capacities of the Supreme Council of Magistracy, the body in charge of judicial self-administration, were consolidated and a Department for Judicial Administration, subordinated to the Ministry of Justice, was created and started operating in January 2008.

The code of ethics for judges was approved in November 2007 and a judicial inspection system under the aegis of the Supreme Council of Magistracy was introduced by law in July 2007. The further pursuit of Action Plan objectives in the area of judicial reform will require ensuring the full implementation of the above measures in practice as well as further enhancement of the capacities of the judicial administration. Training for judges and prosecutors, including in the field of human rights, requires further strengthening.

The Republic of Moldova also undertook certain activities in the fields of combating corruption and raising awareness on corruption-related phenomena, as well took steps in this area to adjust its legislative framework to international standards and to strengthen its institutional framework. The National Action Plan on fighting corruption 2007–2009 was adopted in December 2006 and amended at the end of 2007. Cooperation with civil society should be further intensified.

The National human rights action plan 2004–2008 is under implementation. In January 2008 the Republic of Moldova ratified the First Optional Protocol to the International Covenant on Civil and Political Rights. The Republic of Moldova has started work on comprehensive anti-discrimination legislation.

In the context of ongoing efforts to tackle human trafficking, a new national referral system for victims of human trafficking was established in five pilot regions. A national action plan on anti-trafficking (2007–2009) was set up with the National Committee on Anti-trafficking ensuring full implementation. Efforts were made to amend the Criminal code to reinforce sanctions and liability and to encourage the development of special law enforcement units. In February 2008, the European Convention for Combating Human Trafficking entered into force. The Republic of Moldova had been the first country to ratify the Convention in May 2006.

The broadcasting law that was adopted in July 2006 provides a good legislative basis to ensure respect for the freedom of expression. Its correct implementation in a manner which promotes the plurality of the media has to be ensured. The same goes for the existing law on access to information and existing defamation legislation which have been positively evaluated by the experts of the Council of Europe and the OSCE.

The next parliamentary elections are expected to be called in mid March 2009. The parliament will elect the new President as the second and last tenure of President Vl. Voronin comes to an end. The Parliament has passed a number of amendments to the Electoral Code that dates back to 1997. According to the OSCE, “it provides an adequate basis for the conduct of democratic elections, if implemented in good faith”.

In 2007, a new Law on Political Parties (28 parties and political organizations registered by the Ministry of Justice) complementing the electoral code was drafted and submitted to the Venice Commission. Adopted on December 21, 2007, the law aims to regulate the registration, functioning, and financing of political parties and seeks to make the electoral system more transparent and less prone to abuse.

However, it also creates a number of restrictions that can be explained by the need to raise the efficiency of the current party system as well as by the national security concerns. For example, the threshold was increased from 4% to 6%, pre-electoral blocs were prohibited and certain restrictions to persons holding dual citizenship were introduced. It deserves to be mentioned that the Venice Commission recommended 5% as an optimal electoral threshold for Moldova. It is also worth mentioning that electoral blocs are prohibited to participate at elections in such European countries with long lasting democratic traditions like Germany, Austria, Netherlands, Sweden, Hungary, and Finland. At the same time, according the Moldovan legislation the parties enjoy the right to create post-electoral coalitions.

Unfortunately, the civil society is far from representing a vibrant aspect of Moldova’s public space. As is mentioned in this year Freedom House “Nations in Transit” Report: “The number of non-active organizations is significant, and only certain NGOs have the

capacities to contribute to public policies. Lobbying and advocacy activities are developing slowly but lack impact. At the same time, monitoring efforts did not bear the expected results. Dependence on donor support makes NGOs vulnerable and poses the key challenge to the sector's development. Until NGOs become transparent and open to working with the media, they will lack credibility in their mission to promote democratic values".

For about a year, Moldova has been vigorously pushing for resuming the discussions within the current international format known as 5+2 (the Organization for Security and Cooperation in Europe (OSCE), Russia, and Ukraine, as mediators, and the European Union and the United States, as observers, as well as the Republic of Moldova and the secessionist authorities). The Government strategy for conflict resolution is based on a complex "package" approach to all of the issues related to the separatist crisis—political, economic, social and humanitarian.

The "package proposals" include the development and adoption of a special legal statute for the Transdnestr region while respecting the sovereignty and territorial integrity of the Republic of Moldova, the consolidation of the neutrality status and the withdrawal of foreign military troops from the national territory, the recognition of ownership rights and granting of certain special guarantees to the population of the eastern region of the country currently under the control of separatist authorities. These proposals were drafted in late 2006 by Moldovan experts who tried to find a common denominator that would accommodate both Moldova's and Russia's interests without undermining the viability of a future reintegrated state or legalizing Russia's military presence in Moldova.

The key element of the negotiation process is the special autonomous status for Transdnestr region; a clear division of competences between central and regional authorities; functional central institutions; and proportional representation of Transdnestr region in the Moldovan parliament. The last point is important because of the spring 2009 parliamentary elections and the perspective that the population from the eastern bank of the Dniester River will take part in this democratic exercise. As a separate electoral district, the region would be entitled to a number of seats in the supreme legislature institution proportional to its share of Moldova's total population currently estimated at 13 percent.

The European Union and the United States long ago welcomed the Package proposals as a good foundation for a viable and long lasting settlement. It is necessary to mention that before the Georgian crisis Moscow has never formally reacted to our proposals, in spite of our Government persistent attempts to elicit a positive response.

My country is carefully observing the events in the G.U.A.M. region while reiterating its strong belief for the exclusively political solutions of all of the disputes to be taken at the negotiations table. The same position is also reflected in the Statement by the Government of the Republic of Moldova issued on August 29 with regards to the situation in South Ossetia and Abkhazia, which stipulates that Moldova does not see the international recognition of these two provinces as a stabilizing factor of the situation.

At this point we can clearly state that the dialogue with mediators and observers in the regulation process still continues. The meeting of the Presidents of the Republic of Moldova and of the Russian Federation from the end of August this year, the recent decision of the Tiraspol authorities to stop the so called "moratorium" on the dialogue with Moldova, and the Vienna Meeting in the 3+2 format (OSCE, Ukraine, Russia + EU, USA) on September 8, 2008, are developments that bring assurances of a early resumption of the 5+2 international negotiations format.

However, it would be wrong or at least premature to conclude that Moscow has fully abandoned hopes of achieving a settlement on its terms. There are no indications that Russia is prepared to renounce its long-standing policy of using the unresolved Transdnier conflict as leverage to circumscribe Moldova's foreign-policy options or to legalize its military presence in Moldova at least during the post conflict period, the main goals contained in the famous 2003 Kozak Memorandum. At the same time, there are few further concessions our Government can make without compromising the future of Moldovan state and the European Integration Strategy.

In spite of progress made, effective implementation of reforms remains a challenge. In order to advance democracy, peace and territorial reintegration of the country, Moldova has to be successful in its efforts to end the transition from the Soviet past to the sustainable and durable democracy of market economy and efficient governance. For the time being, old stie practices still exist alongside more democratic ones, as is the case in many transitional democracies. Moldovan democratic institutions have to be consolidated and much work needs to be done to consolidate the democratic institutions, to strengthen checks and balances, and continue economic reforms. But the most important is that these concerns are understood by the governance and there is a political will to address these issues in proper way.

There is a large consensus in the country among the leading political parties, main representatives of the developing private sector and the socially visible civil society organizations regarding the European future of Moldova. There is also a common understanding that only real and consistent democratic reforms can bring Moldova closer to the implementation of one of the main goals of the national strategy for development—to restore our historic and cultural ties to Europe that date back to the Latinity of Roman empire and early Christian period of the modern Western civilization. The integration of the country into today's European institutions and leading organizations, first of all the European Union, is understood as the main way of implementation of this vision and strategy.

Thank you very much for your attention. I appreciate the opportunity to speak here today and welcome any question that you may have.

## **PREPARED STATEMENT OF VLAD LUPAN, SOROS FOUNDATION—MOLDOVA, EUROPEAN INITIATIVES PROGRAM**

Thank you for the possibility to share my views about the democracy in Moldova, as well as for the concern that the Commission shows for my country. I hope this extremely encouraging attitude continues and the Commission will organize a hearing on Moldovan matters ahead of 2009 elections. I would also like to thank the Moldova Foundation based in Washington for assisting me in attending this session.

I do not intend to speak about the comparative successes of the current Government versus existing problems, as the Government has the opportunity to promote its point of view extensively through the existing network of official visits and meetings. The civil society has fewer possibilities. Therefore I will go to the point and focus mainly on those concrete shortcomings that present a serious concern for democracy in Moldova.

### **THREE MATTERS TO BE TAKEN INTO ACCOUNT**

The 2008 is an eventful year for the Republic of Moldova. First of all the country is approaching general and Presidential elections at the beginning of 2009. The Communist party in government continues to make promises of European integration and, at the same time, of resolution of the Transnistrian conflict along better relations with Russia. These electoral statements remained valid throughout the year, including after the war in Georgia.

The 2008 is also the year when the Action Plan signed between the European Union and the Republic of Moldova expired. Government's commitment on democratic reforms is lagging behind Plan's schedule. Moldova is encouraged by EU, in light of Russia's pressure along recent years. It is also warned by EU to stay on course of democracy. The Governing party is cautioned not to use State resources against political opponents in 2009 elections.

As mentioned above, the 2008 is also a year of changes with impact on Transnistrian conflict resolution and Russia's role in it, particularly after the war in Georgia.

### **THE STATE OF DEMOCRACY, EU AND THE 2009 ELECTIONS**

The state of democracy in Moldova was admirable by regional standards at the beginning of its independence and the country was the first from the countries of the newly created CIS to be admitted into the Council of Europe. The local assessment of the situation, the indicators of such international non-governmental organizations as Freedom House, Amnesty International and Transparency, do not place now Moldova in a position of leader. The Council of Europe announced this year that it does not intend to renounce to its monitoring of Moldova, since the country did not meet the democratic criteria that would allow for such an image-making decision.

The state of democracy is closely linked now with country's European aspirations. Moldova signed in February 2005 a three-year Action Plan with the European Union. This plan also foresees the step-by-step implementation of those democratic reforms that Moldova needs in order to come closer to the European Union. By European rules, Moldova should abide by Copenhagen Criteria that stipulate that any EU aspiring country should ensure in good faith the stability of democratic institutions, rule of law, human

rights and respect for minorities, as well as a free and functioning market, and the capacity to face the obligations of an EU member-state. This joint European-Moldovan Action Plan left some questions marks still unanswered.

The EU decided to encourage Moldova in 2008, due to the fact that it was already facing a difficult relationship with Russia on the Transnistrian conflict resolution, as well as due to the fact that this country, already on EU and NATO border, still made some steps towards mostly legal reforms. Thus, at the beginning of 2008 the Europeans took the decision to formally extend the Action Plan for a brief period of time, while in May 2008 they started a reflection process on a new Agreement with Moldova.

Even though there are concerns in relation to Russia's intentions, the EU remains concerned about the pace of reforms in Moldova. In its country report of April 3rd, as well as during its May 2008 decision on reflection, it stated that the Action Plan implementation needs progress in five crucial spheres—these are exactly from those five areas that form the Copenhagen Criteria of a candidate country. Moldova was suggested that it has arrears in such fields as the independence of justice, fight against corruption, freedom of the media, investment climate and business environment. One more warning came from the European Union along the May 2008 decision to support Moldova with the reflection process—the Moldovan government was asked to ensure free and fair elections in 2009. Such a warning came as it is widely believed that there is a high temptation of the governing communists to use State resources and their control over the public media to either clamp down on competition or fraud the elections in less visible ways.

Of all these issues, one is of primary attention, as it forms the base for a sustainable democracy and respect for human rights—the independence of justice. The Government again declared the reform of the judiciary as its priority in 2008. However, most of the so-called achievements meant resending by the Ministry of Justice a Council of Europe opinion to the Prosecutor's Office, creating a commission to draft a Concept paper, and other similar moves.

The Moldovan non-governmental organization “Lawyers for Human Rights” rightly assesses that the most relevant indicator of the state of judiciary and its independence in Moldova is the number of cases that is directed to the European Court of Human Rights. And among the states-members of the Council of Europe, Moldova holds the first place with the highest number of cases per capita—15 cases per 1,000,000 citizens. Various analyses, both governmental and non-governmental, show that of all the cases where Moldova was accused, about half are related to the faulty judiciary decisions. Despite officially expressed concerns by Prime-Minister and Minister of Justice, this reality is a result of the unofficial policies of the current governing party implemented since their accession to power in 2001. Thus, the independence of courts was affected by a 2002 mass-cleaning of judges by the Moldovan President, who is also the Chairman of the Communist Party. He refused to extend the nomination period of the judges, at that time without any (written) explanation. At the same time, there were cases of nominations of some other judges based on loyalty to the ruling party, as Freedom House reported in 2003. Now the civil society assesses that such a cleaning that started in 2002 lead to an increased interference of the executive power in judiciary. The US State Department Report on Human Rights Practices in Moldova, from March 2008, confirms that in judiciary “official pressure and corruption remained a problem”.<sup>1</sup> The problem with the procedure of selection of judges

---

<sup>1</sup> <http://www.state.gov/gfdrl/ris/hrrpt/2007/100573.htm>

is another point where Moldovan NGOs agree with the findings of the US State Department report. Thus, the initial phase of nomination is not uncommon—the judges are appointed, upon suggestions of the Supreme Council of Magistrates, by the President of the country. However, one NGO stresses that, under an informal practice, such an appointment is done after a hearing by the Governing Communist Party Faction of the Parliament, and not by the Parliament’s Legal Commission. The Prosecutor’s office is also considered to be affected by the same weaknesses and pressures as the courts.

When we speak about the reforms in Moldova, the local and EU experts conclude that the adoption of documents, regulations and legislation is not followed by their implementation, a problem that is reported in all areas, not only in judiciary.

Thus, we will come to another important element of a democratic society—a free media. Moldova dropped down several places on the ladder made in the Freedom House report that includes media freedom. Although media legislation legally embraces European norms, the implementation of those provisions is done in such a manner as to ensure governing party control over the only national TV “Moldova One”. Despite promises of reforms that the Moldovan President made in May, after EU meeting, the real actions still do not meet the promises. Opposition parties have no access to the national TV, which is now by law a public station. The broadcasting code was previously edited to allow the governing party to preserve control over the Broadcasting Coordination Council—this body then distributed broadcasting frequencies to the politically loyal stations, and operated arbitrary licenses annulments. There were cases of inappropriate treatment of forum commentators, journalists or unwanted media by law enforcement (such as juvenile Unimedia forum commentators, Romanian TV prohibition in context of relations with Russia, denial of access to journalists), also raising concerns regarding to the freedom of expression. Even non-important anti-governmental demonstrations, sometimes by singular people, were sometimes violently stopped by police, despite the existing legislation. Media outlets are not closed in Moldova—their criticism of the governing party is often quoted by the Moldovan President as a proof of the media freedom. However, the impression is that these media are afloat only to be such examples of pluralism, while in reality they are permanently pressured and, as mentioned above, limited in distribution and broadcast, as to minimize the competition to the government-controlled media.

Moldova is the poorest country in Europe and that makes the investment climate, as well as business environment important elements that the State should ensure. Moldova’s economy is growing each year, particularly when looking at the former-USSR. However when compared with its European neighbors, it seriously lags behind. Due to that, allegedly one third of the Moldovans have already left to find jobs in EU and Russia. They supply in remittances already near 50 per cent of country’s GDP and hence provide the opportunities to grow. However, people leaving the country is not a sign of a growing economy and the money transfers can not mean proper economic development, as these are not reinvested in businesses. The so-called tax amnesty operated last year by the Government does not seem to be the best solution to manage the fiscal burden. The unconfirmed rumors of Presidential family involvement in taking over many lucrative businesses do not help the situation. Pressure over foreign investors (best known examples are Lafarge from France and Union Fenosa from Spain) seem to produce a negative effect, regardless of declared intentions. Thus, the reduction of taxes, operated by the Government in an attempt to increase interest in investing in Moldova was considered by international monetary organizations insufficient as to favor Foreign Direct Investment

(FDI). The FDI is proven by those organizations to grow in countries with predictable business climate and a stable judiciary—last one being a crucial problem reported above and both being exactly on the EU list of Moldovan arrears.

And now we can focus on the internal political climate, where there are interconnected elements that need our attention—the governing party made an internal analysis that prompted them to change the electoral legislation, as speculated, to ensure a greater electoral success in 2009. The communists changed the electoral threshold from four to six per cent. They further prohibited pre-electoral political alliances, which are often voted by Moldovan people, and finally passed a legislation that provides State funds only to those parties that will enter the parliament or local, regional governments. If seen separately, these steps may raise minor questions, since many of those principles are separately present on the European political scene. However, only one year ahead of the elections and taken in conjunction to one another they create a cumulative effect that is anti-democratic. It affects the right of a large part of the populace to unite, chose and ensure that they are properly represented in the political life.

Moreover, the Government used the State budget to distribute funds mainly to Communist led local governments. The Moldovan President himself publicly declared that those who did not vote for the Communist party in local 2007 elections will have to pay the price when they receive no State funds, a promise that is now implemented. Using State resources to punish voters, in fact the citizens of own country, is a deeply undemocratic act, in our opinion. In case of local governments, he further opted for the dismissal of the freely and democratically elected Liberal Party Mayor of the Moldovan capital, a very important electoral district in Moldova, and speaking, in spring of 2008, the President particularly hinted that such a dismissal will be organized in autumn. That was exactly after he went to Brussels, and promised the EU free and fair elections in Moldova.

These goals remain valid even after Georgia events and raise further concerns about democracy in Moldova. Recently, the members of the Central Electoral Commission stated that the electoral legislation was already modified, that it can not be any longer changed as Moldovan laws prohibit such modifications six month ahead of the elections, and particularly mentioned that the recent changes also incorporated the initiative that allows for organizing a referendum to dismiss Chisinau's Mayor. Such a particular attention to that topic, unfortunately, continues to add to the concerns regarding the undemocratic political environment ahead of elections.

One should mention that harassment of the political parties was in place in Moldova during 2008. Thus, signatories for another, newly created party that starts to have impact on Moldovan political life, were a subject to excessive questioning by law enforcement bodies. People were called by law enforcement agencies and questioned for hours as to why they want to become a member of that party, who are their relatives, were asked to sign standing, seating, with right hand, with left hand and so on.

In case of another Parliamentary party that declared during its June congress that the EU integration was transformed into a unsupported political game, the governing communists accused that party of being devoted to Russia's goals, although, as we know, the Communists themselves are in negotiations with Russia.

THE ASSERTIVE RUSSIA, TRANSNISTRIAN RESOLUTION PROBLEM, AND FUTURE OF DEMOCRACY  
IN MOLDOVA

European integration was declared a strategic irreversible goal for the country. Moldovan ruling party also insisted to bring forth the resolution of the Transnistrian problem and relations with Russia as other two top priorities of the country since 2006. After almost unanimously adopting, on July 22, 2005, a Law on the principles of the Transnistrian conflict resolution by Moldovan Parliament, the governing party unexpectedly launched direct, bilateral negotiations with Russia, which provoked an increasing amount of concerns. These concerns came out of the previous experience of 2003, when the Kremlin pressed for an unacceptable settlement through a Memorandum, drafted by the Russian Presidential envoy Dimitri Kozak. The unfortunate Kozak precedent made the civil society and political parties suspicious of the new negotiations. After pressures from national and particularly international actors, the governing party admitted that something that it initially called “consultations” is taking place and suggested that it prepared a Package deal that would be based on the July 2005 law, along with other document that are in line with that Law. It also stated that the deal was drafted in such a way as to already include Russia’s interests and, thus, makes it interesting for Moscow, while respecting the Moldovan law. This, in itself is a contradiction, as many think—Russia is a country that behaves in a realpolitik manner, projects power, and believes in a controlled “chaos” of separatist regions that it masters. Russia is a country that strongly believes in trade-offs on international arena. This is a reality on the ground that contradicted assessments that we are not in the 19th century. Indeed, we are not—however, Russia is.

Moldova can not negotiate on equal terms in a bilateral negotiation with a country such as Russia, because it can not offer, in Kremlin trade-off terms, something that Moscow already has—the leverage over Moldova through the Transnistrian conflict resolution, its military presence and the so-called mediator’s role. It seems that the Moldovan officials in charge of the matter, who are the same people who negotiated a bad deal with Kozak in 2003, did not presume that such negotiations meant offering something to Russia that Moldova did not have. Affirming that Moldova will not yield to Kremlin’s pressure was unrealistic.

It transpired that Russia was not clearly responding to Moldovan proposal, generating pressure and subsequent concessions in economic sphere. The unilateral dependency on Russian gas was already a concern for the Government, due to a previous decision to provide Russian Gazprom the control package of shares of the Moldovan State monopoly MoldovaGaz in exchange for eradicating the debts. However, when faced with the lack of Russian response the Government recently followed up with a contradictory move that strengthens Moldova’s dependency—the State decided to cede the local distribution network to Gazprom as well. Russian companies that bought assets in the Transnistrian region without governmental approval were ensured that their new property rights will be recognized. Exports were encouraged to Russia lately, while there was not the same level of official, visible encouragement to the exports to the EU, at least to diversify the markets and ensure economic security goals.

These unilateral concessions, made in a hope to sweeten Russia, did not yield results. On contrary, it was rumored that Russia was warning Moldovan officials to be more flexible, and that the reasons for such a warning will be seen during 2008. It was before

August war in Georgia. By no coincidence Moldovan President Voronin was called to meet the Russian President on the day when Dmitri Medvedev announced the decision to recognize South Ossetia and Abkhazia. The next troubling step was an announcement made by the Russian Minister of Foreign Affairs that the sides in Moldovan conflict will return to the 2003 Kozak Memorandum. This is the very Memorandum that was rejected by Moldova as unacceptable and which comes against the Moldovan Law on July 2005, which can not be violated by the Moldovan negotiators.

A number of Moldovan experts believe that further Russian pressure to either implement such a Memorandum or simply promote its interests in Moldova, will follow with certainty during 2008, with possible negative repercussions over populace. Certain political parties might be supported by Moscow, Transnistrian leadership will be used to put more pressure over Chisinau and make more concessions, the separatism of the Autonomous Region of Gagauzia will be reignited, eventually some do not exclude gas cuts in the winter, all leading to if not to a social then to a political crisis.

The Russian pressure is detrimental to the democratic future of Moldova. Kremlin is insistently promoting the concept of a future Moldova with a Transnistrian veto over most important foreign policy decisions, such as EU membership—hence a veto over democratic reforms. The Transnistria is a dictatorship, and it is against such concepts as “sovereign democracy” and the “vertical of power”, that allows for an unlimited and uncontrolled leadership that declare each of its decision as “democratic”.

#### THE DILEMMA AND NEXT STEPS

Indeed the Russian pressure is a real and important factor in Moldova. Indeed we can expect negative developments, possibly even before December 2008. However, the geopolitical determinism is not the way to ensure that Moldova should receive unconditional support, without seriously implementing democratic reforms.

The Moldovan communists have been responsible for the current situation of Moldova, which is indeed deteriorating since they have been, by the way, democratically elected to power. It does seem that they are now trying to avoid yielding to the Russian pressure. They would like the Moldovan civil society and political parties to help them out through statements that reject the Russian proposals, so that the President can save his face. The problem is that it is believed that the Communists will use this blame-game not only to avoid complications with Russia before elections. As in 2003, they will presumably blame the civil society, which they already criticize now for not being sufficiently patriotic (meaning that the civil society does not unconditionally supporting the communists), and in the same manner blame other political parties for setting barriers between Moldovan-Russian good relations or, if Russian sanctions follow, to place responsibility for that on those civil or on those political entities that are running against them in elections.

The dilemma of the civil society and particularly of the political parties unaffiliated with the Government is how they can help a Communist party in government that is prosecuting them and does not genuinely implement democratic reforms that would allow for a free political competition. We believe that support for Moldova should be, from now on, conditional on reforms.

## **PREPARED STATEMENT OF WILLIAM HILL, NATIONAL DEFENSE UNIVERSITY, FORMER HEAD OF THE OSCE MISSION TO MOLDOVA**

### **WHO'S NEXT? THE RUSSIAN INITIATIVE IN MOLDOVA**

After Russia's use of overwhelming force in Georgia, it is reasonable to worry that Moscow will mount similar military threats to other neighboring states and former Soviet republics. However, the next major Russian initiative in the "post-Soviet space" is likely to come in the miniscule Republic of Moldova and to cast Russian President Dmitri Medvedev in the role of sage peacemaker in an internal territorial dispute left over from the days of the Soviet collapse.

A small nation of some four million, predominantly Romanian-speaking people wedged between Ukraine and Romania, Moldova sought and won its independence as the USSR disintegrated in the late 1980s. A group of primarily Slavic Soviet political figures and enterprise managers on the east, or left bank of the Nistru (Dniestr) River in the Soviet Republic of Moldavia resisted Moldovan attempts to leave the USSR and proclaimed their small sliver of land a separate, Transnistrian Moldovan Republic. In 1992 Moldova and Transnistria fought a brief, bitter war which the separatists won, with the assistance of a contingent of locally-based Russian troops left over from the Soviet Red Army.

During the conflict in 1992 Moldova appealed for assistance to the UN, the Conference on Security and Cooperation in Europe (now the OSCE), and various western nations. Only Moscow heeded Chisinau's call for mediation and brokered a cease fire that left Russian troops in place as peacekeepers. Negotiations for a political settlement have dragged on since that time between Chisinau and Tiraspol (the separatist "capital"), with Russia, and then the OSCE and Ukraine serving as mediators. In 2005 the U.S. and European Union formally joined the negotiations as observers.

With a population roughly the size of Luxembourg, Transnistria's prospects as an independent state were always sketchy. The region supported itself partially through a heavy industrial base left over from Soviet times that enjoyed surprising success in penetrating the EU and North American markets. The left bank enclave received subsidies from Moscow, especially in the form of low-cost natural gas, running at least \$30 million per year. Finally, the region augmented its income and solidified its political position mostly by serving as a haven for smuggling and tax evasion, not only for its own residents, but also politicians and businessmen from all of the neighboring states. "A giant off-shore" is how one Moldovan political figure characterized the region to me.

No state, including Russia, has recognized Transnistria's independence. Moscow's stated policy has always been that Transnistria is a part of Moldova, and the two sides should agree voluntarily on peaceful unification of the country, with a special status for the left bank. However, backed by influential circles in Moscow, Transnistrian leaders have been reluctant to give up their lucrative status quo for an uncertain future. Moldova, by most statistical measurements the poorest country in Europe, has few material incentives to win over its breakaway region. Instead Chisinau has generally pinned its hopes on intervention by a large outside power—Russia, the U.S. or the EU—to coerce Tiraspol into the Republic of Moldova.

In 2003 Moldova and Transnistria almost reached a political settlement of their conflict. The proposed agreement, the so-called “Kozak Memorandum,” brokered by Deputy Head of the Russian Presidential Administration Dmitri Kozak, fell apart at the last minute, partially because of western objections to a provision calling for a long-term Russian troop presence. With Kozak as point man in 2003, Moscow bypassed the existing negotiating mechanism with its broader international participation. Swayed by promises that Moscow would overcome Transnistrian resistance and unite his country, Moldovan President Vladimir Voronin went along with the gambit until the last minute. With angry crowds gathering outside the Presidential Building and frantic calls from western leaders, only at the last moment did Voronin call Russian President Putin and tell him not to come to Chisinau to sign the Memorandum. Putin has reportedly nursed a grudge ever since.

Five years later events are in the works that may repeat this scenario. The leader of the only post-Soviet communist party in power, Voronin turned toward the West after 2003 and declared a policy of European integration. Russia retaliated by banning imports of Moldovan meat, fruit, and wine, placing grave economic pressure on the small country. Moscow also frustrated Moldovan attempts to use Ukrainian, EU, and U.S. support to press Transnistria into a political settlement.

In late 2006, while keeping western negotiators informed of his course of action, President Voronin began a process of repairing his relations with Russia and seeking Moscow’s cooperation in negotiating a settlement with Transnistria. There have been some modest gains from this process, but overall the results are disappointing for Chisinau.

As events in Kosovo and Georgia developed in 2008, Moldova sought to portray itself as more moderate and reasonable than Tbilisi. Moldova did not recognize Kosovo, declared itself a neutral country (already guaranteed in the 1994 Moldovan constitution), and ostentatiously announced that it had no need to seek NATO membership. Chisinau was rewarded in March, when after theatrical hearings the Russian Parliament advocated recognizing the independence of South Ossetia and Abkhazia, but recommended only a special status for Transnistria within Moldova. On August 25, one day before he announced Moscow’s recognition of Abkhazia and South Ossetia, Russian President Medvedev met with Voronin in Sochi and reaffirmed Russia’s dedication to seeking a peaceful resolution of the Transnistrian conflict.

The formal Transnistrian political settlement negotiation process goes on, although there has not been an official round of negotiations since February 28, 2006, when Moldovan negotiators walked out in protest of Transnistrian provocations. The mediators and observers in the so called “5+2” process—Russia, Ukraine, the OSCE, the EU, and the US—continue to call regularly for resumption of the negotiations. The latest meeting of mediators and observers took place September 8 at OSCE Headquarters in Vienna, ending with a hopeful statement.

Meanwhile Moscow has intensified contacts with Voronin and Transnistrian leader Igor Smimov. Russian Foreign Minister Sergei Lavrov brokered a one on one meeting between Voronin and Smimov in April; the two had not met in person since August 2001. Shortly after his Sochi conversation with Voronin, Medvedev also received Smimov. The blustery Transnistrian leader, whose line is usually that he has nothing to discuss with Voronin except bilateral relations between their two states, announced meekly after his talk with Medvedev that the two sides needed to meet to bring their positions closer together.

Expectations in Moldova and Russia are now widespread that Voronin and Smimov will get together once more in the near future, to be followed by a meeting of both of them with Medvedev. Lavrov has floated a trial balloon in the Russian press that revival of the Kozak Memorandum might be a good basis for reaching a solution in Moldova.

President Voronin is under great pressure to reach agreement now to unite his country, or give up on what has been the highest priority of his two terms in office. National elections must be held in Moldova no later than spring 2009, when Voronin's second and final term as president runs out. The sitting Moldovan Parliament must approve any settlement at least six months before the end of its term, so there are only a few weeks left before a Transnistrian settlement becomes impossible for the remainder of this legislative term. For Voronin, who was born and raised on the left bank during Soviet times, and who desperately wishes to see his country united, the pressure must be extreme.

Moscow will not go after Moldova with military means. The small contingent of Russian troops now stationed in the Transnistrian region (around 1400) is probably no match for either the Moldovan or the Transnistrian armed forces. Any Russian reinforcements need to come through or over Ukraine, not a realistic possibility in current political circumstances. Including their armies, special forces, militia, interior ministry and security troops, both Chisinau and Tiraspol can muster between 13000 to 18000 men under arms. This is enough to deter each other (and the Russians), but probably not enough to take and hold significant territory. In addition—as opposed to Georgia—no one on either side in Moldova wants to fight. The quarrel along the Nistru is between political and economic elites, and not inimical communities, ethnic, or national groups.

Russia has already established a public posture on Moldova that implies clearly: “Here is how we deal with friendly countries that don't join NATO and don't use violence to settle separatist conflicts.” Moldova has not yet received its reward from Russia, but Moscow is stringing Chisinau along with the hope of a pot of gold at the end of this rainbow. The crucial time will come, much as it did in 2003, if and when a solution presented to Chisinau in its separate 2008 track with Moscow turns out to have a crucial catch in it, such as a bilateral agreement with significant obligations, perhaps a long-term troop presence.

In 2003 western negotiators (I was one of them) repeatedly argued with our Russian counterparts that negotiating a political settlement in Moldova was not and should not be a zero sum game. We tried to convince Moscow that there were win-win solutions that protected and furthered the fundamental security interests of all parties in the region, indeed in the Euro-Atlantic area. Obviously we did not succeed; Russia apparently considered primacy in the region more important than cooperation. In 2008, with the strategic security environment much worse, Russia seems bent on pursuing the same myopic path.

With respect to Moldova in 2008, the absence of a solution to the Transnistrian question will be better than a bad solution that cripples the country's chances for reform and integration into Europe as a whole. For any settlement to succeed, Russia must be a part—but so must the rest of Europe and the North Atlantic community, i.e. the EU and US. Commenting on US actions elsewhere in the world, the Russians are fond of proclaiming that unilateral solutions do not work. The conflict areas on the periphery of the former USSR like Moldova are places where they ought to listen to their own advice.



This is an official publication of the **Commission on Security and Cooperation in Europe**.



This publication is intended to document developments and trends in participating States of the Organization for Security and Cooperation in Europe (OSCE).



All Commission publications may be freely reproduced, in any form, with appropriate credit. The Commission encourages the widest possible dissemination of its publications.



**<http://www.csce.gov>**

The Commission's Web site provides access to the latest press releases and reports, as well as hearings and briefings. Using the Commission's electronic subscription service, readers are able to receive press releases, articles, and other materials by topic or countries of particular interest.

Please subscribe today.