

Briefing :: Prospects for Unfreezing Moldova's Frozen Conflict in Transnistria

BRIEFING

Commission on Security and Cooperation in Europe:
U.S. Helsinki Commission

Prospects for Unfreezing Moldova's Frozen Conflict in Transnistria

Welcome:

Mark Milosch,
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Introduction:

Winsome Packer,
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Witnesses:

Igor Munteanu,
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Vladimir Socor,
Senior Fellow,
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Vlad Spanu,
President,
Moldova Foundation

Lyndon K. Allin,
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MARK MILOSCH: Good morning. My name is Mark Milosch. I'm the staff director at the Helsinki Commission. And on behalf of Chairman Smith, I'd like to welcome Ambassador Munteanu, our other panelists and everyone joining us

today,
including those joining us on video.

This morning, we will examine the human cost of Moldova's frozen conflict with its breakaway region of Transnistria and the prospects for resolving this 20-year-old conflict. We say it's a frozen conflict because it was settled not by a peace agreement, but simply by agreeing to freeze each side's positions.

In Moldova, this happened immediately after the dissolution of the Soviet Union, in 1992, when armed conflict between Moldova and Russian-backed separatist forces was frozen by mutual consent. The Moldovan government had no reasonable alternative. Yet, it can hardly give away its territory. In the ensuing 18 years, almost nothing has been resolved.

The Moldovan government has not managed to reassert control over Transnistria, nor has Transnistria won recognition, even from Russia, as an independent state. As is generally the case in frozen conflicts, we're also dealing with grave human rights and humanitarian concerns. Let me quote briefly from the 2010 country reports on human rights practices for Moldova.

Quote, "In Transnistria, authorities restricted the ability of residents to freely change their government and interfered with the ability of Moldovan citizens living in Transnistria to vote in Moldovan elections. Torture, arbitrary arrests and unlawful detentions were regularly reported. Transnistrian authorities continued to harass independent media and opposition lawmakers, restrict freedom of association, movement and religion, and to discriminate against Romanian speakers.

Today, we'll examine two general questions. First, given the frozenness of the situation, how can we address the human rights and humanitarian concerns in Transnistria? Second, and more optimistically, can the conflict be unfrozen?

What should our policy be to promote the reintegration of Transnistria into Moldovan government? We are fortunate to have an impressive panel of experts, and I will now turn the microphone over to Winsome Packer, staff advisor at the commission, who will introduce them.

WINSOME PACKER: Thank you, Mark. I also would like to welcome our panelists and I'd like to also acknowledge my colleague, Kyle Parker, who has worked with me to put this briefing together. The panelists' full bios are available outside the hearing so I won't read them. We will hear first from Ambassador Munteanu, Moldova's representative to the United States, who also has a distinguished academic and think tank career.

Ambassador Munteanu will be followed by Mr. Vladimir Socor, a senior fellow at the Jamestown Foundation and former analyst with Radio Free Europe/Radio Liberty. Next, we will hear from Mr. Vlad Spanu, president of the Moldova Foundation and former senior diplomat of Moldova. And then we will hear from Mr. Lyndon Allin, a corporate lawyer and policy expert who has done extensive work on Transnistria.

We also have a written statement from Matthew Rojansky, deputy director of the Russia and Eurasia program at the Carnegie Endowment for International Peace, which will be included in the briefing record. Following the presentation of the panelists, we'll accommodate questions from the audience at the microphone at the far right of the podium. Thanks. Ambassador?

IGOR MUNTEANU: Yes, good morning, everyone. (Inaudible, off mic) - it's a privilege for me to be here and speak in front of such a distinguished audience. Allow me to state from the outset that the origins of this conflict - Transnistrian conflict, which is called frozen - were not ethnic, not racial, nor religious.

With its mixed population of religion, the region is not a state or a nation, being artificially separated from the Moldova proper following the military conflict in 1992. The trigger for secession was opposition, by 1991, 1992, of the Soviets to understand and acknowledge the independent statehood of Moldova.

And that was the major objective pursued by the largest share of the population of Moldova.

Military hostilities started in March, 1992, and lasted until July 21, 1992, when a ceasefire agreement was signed by the presidents of Russia and the Republic of Moldova introducing peacekeepers in the region with the aim to stop military hostilities and disengage hostile sites.

An OSCE mission has been established in Moldova after 1993 but it has been obstructed to perform its main tasks under constant objections, including from the separatist regime, as regards their requests to do military inspections, alleged arms production or accumulation of military illegal forces in the so-called demilitarization zone.

Unconstrained by international law, the separatist regime in Transnistria turned into a safe haven for criminal activities, smuggling and constant violations of the human rights, which, performed systematically, imposed a totalitarian control over the population of the region, business and mass

media. Movement of the population is hindered by multiple checkpoints.

People are put in jails and tortured physically or morally if they show dissent towards the official propaganda endorsed by the so-called Tiraspol authorities.

Of special target are people which oppose the regime, like the villages of the left bank, which remained loyal to the Moldovan statehood and Moldovan jurisdiction after the conflict - the military conflict - ended.

And the second were the Moldovan schools, whose teachers are harassed, whose parents are intimidated and whose licensing is suspended by the regime.

Just

to mention that in spite of the OSCE mission actions, situation of the Moldovan

schools remains unclear until today, and that was the main reason why the European Union introduced a visa ban for the leaders of the separatist regimes

after 2004, after the shutdown of some of these schools.

Of special concern for us in Moldova is the situation of the political prisoners arrested by the local KGB, which is an instrument of power for the administration in Tiraspol. In 2002, the European human rights court found Russia guilty of actions or inactions that led to the arrest of Ilascu group and imposed penalties to be paid, calling Tiraspol to release people that were jailed for 12 years.

In 2010, Ernest Vardanyan, a journalist from Moldova, was arrested under accusation of espionage for Moldova. He was jailed for more than one year. Other cases of illegal arrests used by the authorities of this region to claim,

afterwards, payments for the reliberations have been reported almost weekly by the watchdogs of the region.

In that same year of 2010, another Moldovan citizen, Ilya Kazak, was arrested

by the region's KGB and sentenced for 15 years of prison under accusation, again, of spying for Moldova. In April, 2011, Vardanyan was released, but several other people still remain in jail for alleged accusations, which, in some cases, seem to be an ordinary attempt to extort money from their families.

And this is documented by Amnesty International, by Helsinki Group, by Promolex, local watchdogs.

We want this situation to be changed, and by creating all necessary conditions

to reintegrate the region of Transnistria into the Moldovan state within its internationally recognized borders as of January 1st, 1990. We call the settlement of the Transnistrian completely exclusively by peaceful means through a transparent negotiations process in the framework of the existing five-plus-two format.

Today, we have a favorable international situation defined by an increased

attention to a viable settlement from Moldova's major partners: European Union, United States, Russia, Ukraine. As well, we've noticed a gradual intensification of political consultations in OSCE. In 2010, there were five unofficial meetings in the five-plus-two format; in 2011, there have been two meetings - first in February and second in April - testing the ground for official launch of talks, although the visions remain quite far distant.

We hope that the meeting scheduled for June 21st in Moscow will mark the resumption of the official five-plus-two format of negotiations with all five actors aiming to restore trust and respect international law. Once the official negotiations are relaunched, we will be able to see a clearer perspective in the settlement process and move towards identification of the status of the Transnistrian region.

Moldova's position is well-known. Transnistria should be an integral part of the Moldovan Republic or the Republic of Moldova. Within its sovereign constitutional space, it is supposed to enjoy a large degree of administrative, financial and political autonomy. Respect of democratic norms, values and practices should prevail, while national legislation should be applied in full throughout the territory of the country.

Resumption of negotiations shall not be done for the sake of resumption but on clear ideas related to the full and comprehensive settlement of this conflict, appropriate to consolidate a viable, democratic, independent and sovereign state of Moldova. We see this as a matter of exclusive internal power-sharing mechanisms and the emergence of territorial autonomy in Transnistria, similar to the Gagauz autonomy, which has been established in 1994, in December, in Moldova.

It is by default that, that special statehood will provide fundamental civil and political rights to the population without any discrimination and the basis of the international and the European conventions. In fact, national parliament of Moldova has adopted already, in 2005, a law on the principles of the conflict settlement in line with the international and European rules protecting the rights of local and regional governments.

And we want this sovereign law to be respected in full and acknowledged by the mediating parties. It is my pleasure to commend, in the same regard, the findings and conclusions of the Senate Committee on Foreign Relations report distributed on February 8th, 2011, under the name "Will Russia End Eastern Europe's Last Frozen Conflict?"

Wrapping up my references to the basic principles of the Transnistrian

conflict
settlement, I would like to quote Vice President Joe Biden, who put them in
a
very eloquent way during his March visit to Chisinau. He said, they want a
solution that can be accepted is the solution which would ensure the respect
of
sovereignty and territorial integrity of the Republic of Moldova within its
borders recognized by the international community. The future of
Transnistria
is within the Republic of Moldova.

Dear colleagues, today, Moldova is a democratic state, which is proudly
advancing towards an (accession?) agreement with the European Union. It has
ratified and is effectively implementing the European Convention on Human
Rights. It is signatory of the most important international and the
European
human rights conventions. As a member of the Council of Europe, it is
regularly monitored by specialized committees, which constantly assess the
progress towards the rule of law.

Following the installation EUBAM in 2006 - the border-monitoring mission of
the
European Union - over 620 Transnistrian firms were registered by Moldovan
law,
which allowed them, now, to use their access to the European common market
with
no taxes paid for their exports. Population of the region receives all
social
benefits from the national social budget. Hundreds of fellowships are
provided
free of charge to the region's youth annually.

Over 350,000 of its half-a-million population holds Moldovan citizenship,
and
many of them are actively using their rights and freedoms protected by the
Moldovan constitution and support the reintegration process of the region
against the obstructions made by the separatist regime. Nevertheless,
conservation of the Russian troops and ammunitions and the territory of the
Republic of Moldova is a flagrant violation of our constitution, a violation
of
international obligations and a challenge to the legitimated authorities of
the
national government.

The political solution to the conflict should be consistent with the
strategic
vector of the European Union integration for Moldova. A response (built
of?)
more active participation of the United States and the European Union in the
conflict settlement is, of course, crucial, as it brings the impetus and the
resources necessary in reaching the positive result of this process.

Why should the Western community be interested in solving the problem, and
how
this conflict can affect the West? The region is simply 60 miles away from
the

border of NATO and the European Union. Therefore, this conflict is directly affecting the European Union security areas. And we are talking here about 60 miles - something comparable to the distance from here, where we are now, to Fredericksburg, Virginia - one-hour drive.

So the danger generated by the existence of a region of instability at the immediate proximity of the Euro-Atlantic community is obvious and it is also obvious that the price of solving the conflict is far lower than the price of instability and the risks of escalation. A civilian mission under international mandate would be of great value to the viable conflict settlement by taking stock of the ammunitions and troops concentrated in the security zone between the two banks of the Nistru River.

Today, there is not enough information about the heavy deployment of military equipment and arsenals. At the same time, efforts to change the existing so-called peacekeeping forces with the international mission under the mandate of international organizations should be intensified. Constant violations of the human rights must be stopped and innocent people ought to be released from the jails of the regime.

Moldovan authorities call international organizations to intensify their watching and monitoring activities on the region's situation and intensify collective efforts to stop the existing abuses, ensuring basic rights to be protected in a region that is not covered by international law today.

We (call to arms?) all states and actors that are involved in the five-plus-two format of negotiations to abstain from any sort of actions that directly or indirectly obstruct restoration of the Moldovan sovereignty over the region, focus attention to the three D-commandments that are indispensable for a (full?) settlement: democratization, demilitarization and decriminalization of the region. I think I will stop here to pass the floor to the next speakers and to leave more room for discussion during the session of questions and answers. Thank you very much.

REPRESENTATIVE PHIL GINGREY (R-GA): Ambassador, thank you very much for your testimony. We'll now hear from Vlad Spanu, president of the Moldova Foundation, a former senior diplomat of Moldova. And I'll turn it over to Mr. Spanu.

VLADIMIR SPANU: Thank you, Mr. Chairman. I would like to express gratitude to the U.S. Helsinki Commission members and staff for including in its agenda this important topic today. And a special thanks to Winsome Packer, Kyle Parker

and
Mark Milosch, who made this briefing today and other briefings and hearings
for
Moldova, in the past, possible.

I express this gratitude on behalf of those who suffer the most because of
this
externally imposed conflict - that is, the residents of the towns and
villages
east of the Nistru River in Moldova. Although they constitute the majority,
those people are not represented at the negotiation tables.

Their voice is not heard, not only in Moscow, Brussels, Vienna or
Washington,
but even in their own capital, Chisinau. They are not on the front pages.
They are not interviewed by public or private TV stations in the Republic of
Moldova, or elsewhere to say their painful story of living in ghetto-type
settings where residents have no rights.

What is happening today in the eastern part of Moldova is nothing else than
a
continuation of the Soviet Union geopolitical policies now, after 1991,
embraced by the Russian Federation. To understand better the conflict, one
should look back in history. There are several events that have to be
remembered when tackling the Transnistrian conflict.

First, the 1792 Treaty of Jassy, signed between the Ottoman Empire and the
Russian Empire, after which Russia, for the first time, reached the Nistru
border and became the neighbor of the principality of Moldova. Second is
the
1812 Treaty of Bucharest between the same two actors - resulted in the
partition of the principality of Moldova, the eastern half of which was
incorporated into Russia as Bessarabia until 1917 Bolshevik revolution.

Third, the creation, in 1924, within the Soviet Ukraine, of the Moldavian
autonomous Soviet republic on the eastern bank of Nistru, where the majority
of
population constituted ethnic Romanians. As beachhead to once again
successfully occupy Bessarabia in 1940 by the Red Army as an outcome of the
Hitler-Stalin Pact of 1939.

Finally, in 1990 and 1991, the same territory east of Nistru, with its main
city, Tiraspol, was once again used by the Kremlin's masterminds as an
outpost
to keep the Republic of Moldova - back then Soviet Moldavia - from getting
away
from the USSR control, and today, from Russia's control.

Today, Russia's minimum objective in Moldova is to create a second
Kaliningrad
in the south to keep the Republic of Moldova and Ukraine in check. Its
maximum
objective is to get full control of the Republic of Moldova through
federalization schemes imposed on Moldova where Transnistria is to play the
main role of holding veto power on the future of Moldova, its internal and
external policies.

As a bonus, by reaching these objectives, Russia will be able to encircle Ukraine, closing its only large window to the West, thus keeping Ukraine into its orbit. Focusing entirely on fruitless official negotiations to solve the conflict between Russia and Moldova is a big mistake. During 19 years of bilateral negotiation and multilateral negotiations, no result was achieved in ending the conflict.

Russian troops are still stationed in Moldova and Russia's support for separatist movement continues while local residents of this region suffer. These residents, who are nothing less than geopolitical hostages, are not allowed to have access to basic freedoms, including freedom of expression, of education in their native language and of assembly, among others.

Education in the Romanian language is viewed by those in charge of this separatist regime as their main threat. This is why, as soon as the legislative body in Chisinau, still within the Soviet Union back in 1989 adopted the language law that established the return of the Roman script to the republic's official language, the Soviet authorities in Moscow triggered the separatist movement in Transnistria. The alphabet issue became central to the secessionist movement and it developed into a school war against educational institutions that opted for Latin characters.

As a result of discrimination policies in the field of education, the majority of the population in Transnistria, Romanian ethnics, has only 88 schools that are authorized to teach in the native language, but only eight are permitted to use the Latin alphabet. The several Romanian language schools made headlines in international media when, in July, 2004, the Tiraspol militia seized the orphanage school in Tighina, and schools in Tiraspol, Ribnita and Corjova were closed.

The closing down for good of these schools was prevented only thanks to the international pressure. These days, the situation in the eight schools is worsening. Last week, on June 9th, in an open letter to the Moldovan parliament and to Prime Minister Vlad Filat, Eleonora Cercavschi, chairwoman of the Lumina Association that represents teachers from Transnistria, asked for help.

She accuses Moldovan authorities of designing discriminatory policy against Romanian-language schools that use the Latin alphabet. Cercavschi argues that these students are put in tougher competition when applying to Moldovan universities than those schools controlled by Tiraspol. Those, along with the

Tiraspol regime's persecution and discrimination against pupils, their parents and teachers, are the major cause why these five high schools and three middle schools lose students.

An example: If, in 1989, the total number of students in five high schools was about 6,000, in 2011, this number was only about 2,000, three times less. The other 80 Romanian-language schools in the breakaway region continue to use the Russian, Slavonic alphabet in teaching of their language, dubbed "Moldovan," as it was imposed by the Soviet regime on all schools in Bessarabia in 1940.

More than that, today, these schools continue to use an outdated curriculum and use textbooks from the Soviet period. If the Russification of the Republic of Moldova largely stopped in 1991, when Moldova gained independence, it still flourishes in the Transnistrian region. Suffer mostly the Romanian-speaking population, but the Russification policy also affects other minorities, such as Ukrainians, Bulgarians, Jews and Gagauz.

This 21st-century soft genocide, called by the OSCE linguistic cleansing, mainly against the Romanian ethnic population resulted in sharp reduction of Romanian Moldovans, from 40 percent in 1989 to 31.9 percent in 2004, while Russian ethnics increased their presence in Transnistria from 24 percent in 1989 to 30.4 percent in 2004.

Schools are not the only target of the regime in Tiraspol. Free media cannot penetrate on the east bank of Nistru because of radio and TV jamming and prohibition of printed media. Local journalists are arrested and intimidated. The arrest, in 2010, of Ernest Vardanyan, an Armenian-born journalist, citizen of Moldova and a resident of Tiraspol, is the most notorious example of the KGB-style intimidation of free press.

He was accused by intelligence services of Transnistria, which are, in fact, the local office of the Russian FSB, of spying for Moldova. That is, he was accused for spying for his own country in his own country. In March, 2010, the Transnistrian intelligence services kidnapped Ilya Kazak, an employee of the Moldovan fiscal inspectorate in Tighina. He was kidnapped in the town of Varnita, controlled by the Chisinau central authorities.

Kazak was accused, also, of espionage. His parents have been on hunger strikes numerous times for weeks, protesting outside the Russian embassy in Chisinau, hoping, through their actions, to secure the release of their son, but in vain.

Last Sunday, June 12th, Kazak's mother approached U.S. Senator John McCain, who was visiting Moldova, and pleaded for help. What else a mother can do for her son?

The private property is another target of the separatist regime. From time to time, local farmers are prevented to cultivate their land or bring home crops from their own fields. Small business owners can also see their property confiscated through different schemes, including intimidation, arrest or worse, killing.

Why are these violations of basic freedoms allowed to continue to happen in the 21st century? Who is responsible for it? The right and obvious answer is the masterminds behind the separatist movement strategy in Moldova's eastern region. Somehow, identical elements of this strategy can also be seen in another ex-Soviet republic, Georgia, with two separatist regions, Abkhazia and South Ossetia, that launched a war against the central government in Tbilisi in 1991-'92, the same time when the war against the central government of Moldova happened.

In all these cases, Russia played the major factor in triggering the conflict and then supporting the separatist puppet governments. As in Georgia's Abkhazia and South Ossetia, in Moldova's Transnistria, leaders of the separatist regime are Russian citizens and reportedly on payroll of the Russian intelligence services and military. Blaming only Russia for the existence of Transnistria is just part of the story. There are other actors who benefit from the status quo, mainly in Kiev and in Chisinau.

Smuggling of arms and good, human trafficking and others are also associated with Transnistria, dubbed the "black hole of Europe." But the main responsibility has to be put on shoulders of the political leadership in Chisinau. After all, most residents of Transnistria are Moldovan citizens, although Moscow and Kiev rush in giving passports in expedite mode to everyone who asks, in order to later claim the need for protection of their citizens and, eventually, claiming the territory east of the Nistru River. Russia's actions in Moldova are as many and as reckless, as allowed by both the Moldovan government and by international community.

REP. GINGREY: Mr. Spanu, if you don't mind trying to finish up in the next 15 seconds or so, we have other panelists, but continue.

MR. SPANU: OK. Moldova's Western partners - United States and the European

Union, as well as other mediators like OSCE - should put more pressure on Moldova, but also offer support when it comes to provide basic services for residents in Transnistria.

When a Moldovan citizen from Transnistria comes to law-enforcement in Chisinau to ask for help, they usually are told that Transnistria has no - that they don't have jurisdiction over Transnistria, which is wrong because those people who order arrests, beatings and torture is the president of the self-named Transnistrian region but those who execute are those in prosecution office and militia and so forth.

And in all of the cases or most of the cases they are a citizen of Moldova, they need to be prosecuted and asked to respond for their unlawful actions.

REP. GINGREY: We'll go ahead and stop there with your oral presentation, and your written remarks will be part of the permanent record. And now we'll hear from our next panelist, Vladimir Socor. Vladimir is a senior fellow at the Jamestown Foundation and a former analyst with Radio Free Europe and Radio Liberty. Mr. Socor?

VLADIMIR SOCOR: Thank you. I have been asked to review the background of the Transnistria conflict and to provide an accounting of the current state of play. It is frequently observed that the conflict in Transnistria is comparatively easier to resolve than the conflicts over territories of Georgia or Azerbaijan because this particular conflict has neither an ethnic, nor a religious component. Therefore, the solution seems to be more reachable.

Why, then, the solution has not been reached during the past 20 years? It is, of course, because of the role of Russia. The conflict in Transnistria has been entered into the international diplomatic lexicon as a conflict between two parts of Moldova. This is the greatest success of Russian diplomacy in the last 20 years, in terms of approaching this conflict.

We are in the presence of an interstate conflict between Russia and Moldova. There is no inner conflict between two parts of Moldova. The conflict originated in the overt Russian military intervention of 1991-1992, when units of the Russian 14th army stationed in Transnistria occupied, in a piecemeal fashion, one-by-one in a low-level conflict operation, the seats of Moldovan authorities on the left bank of the Nistru River.

And in March, 1992, elements of the Russian 14th army crossed over onto the right bank of the Nistru River and established a large beachhead in the city of Bendery and around it. It was a clear case of foreign military intervention. It culminated with the shelling of the right bank of the Nistru River by the

14th army in 1992, resulting in a ceasefire agreement signed by the Russian Federation and the Republic of Moldova.

This was a ceasefire agreement between the Russian Federation and the Republic of Moldova, not between two parts of Moldova. The agreement was signed and ratified by then-President Boris Yeltsin and Mircea Snegur of Moldova. Transnistria was not a party to the conflict. Russian diplomacy subsequently introduced the fiction that Transnistria is a party to the conflict while Russia is a mediator, and this fiction is being accepted to the present day.

It will be very difficult to remove this approach from the five-plus-two negotiations, which are about to restart in Moscow on June 21. This frame of reference is officially accepted by international diplomacy. It will be very difficult to change it, and it is the main reason why the conflict remains unresolved - because it's misinterpreted as a civil conflict, which it is not.

Since 1992, Russian troops are stationed in the Transnistria region of Moldova in the role of peacekeepers. This peacekeeping operation lacks any international legitimacy. It is a purely bilateral arrangement imposed by Russia on a weak and incompetent Moldova back in 1992, which has never changed.

This arrangement is part of Russia's wider policy of obtaining international acceptance of Russia's role as a peacekeeper in the so-called former Soviet space.

Moldova, South Ossetia, Abkhazia, at one time Tajikistan, possibly at the present time Kyrgyzstan are examples of Russia's attempts to establish a peacekeeping monopoly on the former Soviet-ruled territories. The international community as never granted acceptance to Russia for this role but it has tolerated it in practice without any official acceptance.

A peacekeeping monopoly is one ingredient to rebuilding a sphere of influence, and this is what is happening, also, in Transnistria. Transnistria, as I mentioned earlier - and this is generally acknowledged - is not an ethnic conflict or an inter-ethnic conflict, however, it does have an unmistakable Russian dimension. Transnistria is a Russian-ruled territory.

Most of its officialdom are people born in Russia, part of the Russian hierarchy or chain of command, who are assigned to jobs or to administrative positions in Transnistria. It is an operation, so to speak, of holding the fort for Russia, pending a more active resurgence of Russia in Europe. Most of Transnistria's leaders are born in Russia and seconded to Russia on this mission.

Transnistria state security ministry is a branch of Russia's intelligence services. Its leader, from 1992 to the present day, General Vladimir

Antyufeyev, used to be a commander of the Russian special police in Riga, Latvia, and moved from there - he is from Russia - he moved from Riga, Latvia, to Transnistria in 1992 under a covert identity, which he soon thereafter revealed.

Negotiations to resolve the Transnistria conflict began almost as soon after the ceasefire agreement of 1992. The negotiations went through a lot of stages, and there is a lot of negotiating acquis and a lot of negotiating of documents that was generated by this negotiating process. And I'm going to skip most of these stages, but I want to explain the background to the current negotiations, which are about to resume in Moscow on June 21, after a five-year breakdown.

Negotiations were strictly a Russia-Moldova bilateral matter from 1992 until 1997. In 1997, Russia lent a semblance of internationalizing the negotiating format by co-opting the OSCE and Ukraine. The OSCE is the only international organization in charge of handling this conflict. The OSCE mission in Moldova, active since 1993, has, as the main part of its mandate since 1993, resolution of the Transnistria conflict.

The OSCE is very poorly equipped for this job because Russia has an internal veto power in the OSCE. Putting the OSCE in charge, either of negotiations or of a possible replacement peacekeeping operation, would be the worst solution.

It would provide a semblance of internationalization without the reality of internationalization due to Russia's veto power within the OSCE. The OSCE cannot speak, much less act, without prior consent by Russia in the internal deliberations of this organization.

In 2005, when Russian influence was at a low ebb in Europe and in Eastern Europe and U.S. influence at an all-time high - in 2005 - it was possible to internationalize in a genuine way the negotiating format. That was the origin of the five-plus-two format, which was joined in 2005 by the United States and the European Union in the capacity of observers. So the format consists of Russia, Ukraine, OSCE, United States, European Union, Chisinau and Tiraspol. This is the five-plus-two format established in 2005.

This format has had a life of five months, from October, 2005, until March, 2006. At that point, Russia and Tiraspol dropped out of the negotiations in response to a decision by the European Union to establish a border control mission on the eastern border of Moldova, EUBAM - the European Union Border Assistance Mission. In response to that, Russia and Tiraspol dropped out of the negotiations and blocked the negotiations until now - the official negotiations. Informal contacts were continued.

So this is the process that is about to restart in Moscow on June 21. What

has

led to the initiative to restore the negotiations - the official negotiations?

Primarily, a German initiative - the initiative agreed at the top level by Chancellor Angela Merkel and Russian President Dmitry Medvedev in June, 2009, in a document known as the Meseberg Memorandum, signed in the Meseberg Castle near Berlin.

It is an ideological tenet of German foreign policy to include Russia, in one way or another, in the decision-making processes of the European Union, and potentially down the road, in the decision-making processes of NATO, as well.

The German chancellor's office has thought of a possible way of achieving this goal, and that would be for Russia to prove to the European Union that it can be a constructing partner in settling one European Security issue - Transnistria - because this is regarded, of the reasons already mentioned, as easier to solve, compared to other conflicts.

So Russia is asked, by Berlin, to be constructive in resolving the Transnistria issue, in return for which, under the Meseberg Memorandum, which is published, Russia and the European Union would establish a joint committee on European security affairs for joint decision-making on European security issues - a way for Russia to gain access to EU decision-making processes.

Russia's entrance ticket to this mechanism would be a constructive attitude on settling the Transnistria issue - a low price to pay, in my view, but these are the terms under which negotiations are resuming. There are a number of pitfalls -

REP. GINGREY: Mr. Socor, if I could ask you to conclude within the next minute, your remarks, thank you.

MR. SOCOR: OK, thank you. There are a couple of potential pitfalls in the negotiations that are about to resume on June 21 in Moscow. The first would be a starting document that would establish the principles of the new negotiating process that would contain ambiguities regarding the Transnistrian status in a reintegrated Republic of Moldova.

That might open the way for Transnistria to exercise decision-making powers in Chisinau's internal governance, not just local autonomy for Transnistria but a

role for Transnistria in the decision-making processes of the central Moldovan government. This is in the form of some sort of federalization.

This is one pitfall and the other pitfall would be pressure on Moldova to give up its law of 2005 about the basic principles of settlement of the Transnistria conflict. Those principles include democratization in Transnistria as part of the process of conflict settlement, going hand-in-hand with the process of conflict settlement and the political resolutions that would follow the withdrawal of Russian troops from Transnistria - following the withdrawal of Russian troops - and the internationalization of that peacekeeping operation.
Thank you.

REP. GINGREY: Thank you very much. And our final panelist, and I would ask him, respectfully, to keep it between five and seven minutes with you oral presentation, Lyndon Allin, a corporate attorney and policy expert, has done extensive work on Transnistria. Mr. Allin?

LYNDON K. ALLIN: Thank you very much, Mr. Chairman. Thank you to the commission for convening this meeting and for inviting me to talk today about economic interactions within and around Transnistria. I'm really happy that we're gathered and convened under such an optimistic idea of looking for a breakthrough in the conflict-resolution process.

I want to emphasize, first, that my remarks are offered in a personal capacity and I'm not going to try to provide a detailed legal or economic analysis of any of the issues that I discuss. What I'm going to try to do is highlight the economic circumstances that are going to have to be addressed if we hope to move towards settling the Transnistrian conflict.

Those issues are, principally, Russian economic assistance and Transnistrian and foreign business interests in the region. I'm also going to talk a little bit about the potential upside if the conflict can be, ultimately, resolved, resulting from reintegration of a number of regional networks, which are currently fractured by the conflict. So I'm not going to talk about other issues. Those have been quite well-handled by my colleagues. I'm not going to use the F-word - federalization. I'm going to just stick to economic issues.

So first, economic assistance from Russia. Russia subsidizes Transnistria's budgetary operations in two ways. First, Russia provides publicly declared subsidies of \$25 million a year, roughly, to assist the Transnistrian government in supplementing local pension payments. This assistance fosters a sense, among the Transnistrian public, of being part of Russia.

In fact, it undermines Russia's official position on Moldova's territorial

integrity, which is that Transnistria is a part of Moldova, and it means that residents of Transnistria are going to be concerned about who might provide them with such aid in the event of a conflict settlement. One of my interlocutors in Transnistria once said to me that the conflict boils down to the question of who pays for us.

So to a certain extent, there are going to be some welfare issues that have to be taken care of down the road. Russia also allows Transnistrian authorities to cover budgetary shortfalls using money that they collect locally for gas payments. Gazprom does not demand payment from Transnistria directly. And I'll deal with that a little bit later, also.

Transnistria's economy, according to some local experts, would be sustainable only for two to three months if these forms of Russian assistance were cut off.

So who are Transnistrian economic actors? I will focus on the most important one of those, which is Sheriff, which monopolizes trade in the region, including food, gasoline, wholesale and retail.

They have some production assets. They also run the local television network and the only local Internet and fixed-line and mobile telephone service. So they're a monopoly provider of a number of services to Transnistrian residents.

Sheriff's business model depends on relationships with Transnistrian officials and on market distortions created by the conflict.

For example, their supermarkets can get away with selling expired and counterfeit goods because consumers don't have a lot of options. Some of the assets owned by Sheriff and other economic actors in the region were acquired in the Transnistrian privatization program. This was another way that the government filled its economic shortfalls in recent years.

Those privatizations are not valid under Moldovan or international law; nevertheless, in the past, the Moldovan government in Chisinau has acknowledged the need to reach an agreement on property rights of existing owners in the event of a final settlement. So that's going to be a very important issue down the road.

This is also going to be an issue for the foreign property owners, principally Russian and Ukrainian, in the region. The two most valuable industrial assets in the region are foreign-owned. The first of those is MMZ, a modern and competitive steel mill that's located in Ribnita. It's the largest

enterprise
anywhere in Moldova and, in the past, has been the country's largest
exporter.

Interestingly, the interests of local elites in Transnistria and foreign
investors are not always aligned and MMZ's Russian and Ukraine owners have
had
some disputes with the Transnistrian authorities in the past, and that may
come
to the fore again in the future. The factory purchases scrap metal from
right-bank Moldova, which is an example of how interaction with Transnistria
can be profitable to Moldovan elites.

The second large industrial asset that's owned by Russian interests is the
power station at Kuchurgan, which was designed to supply Moldova, as well as
large parts of Ukraine and the Balkans, with electricity. It's owned by an
affiliate of Russian electricity provider RAO UES. Both of these industrial
plants run exclusively on Russian natural gas and their ability to pay
discounted rates on this gas is important to their profitability.
Nevertheless, they would likely be profitable under market conditions, as
well.

The region also has other viable production assets and Transnistrian
exporters
are able to take advantage of Moldova's trade preferences with the European
Union. Overall, it's estimated that 35 percent of Transnistrian exports go
to
the European Union. So the upside potential from resolution of this
conflict
would be the ability to knit back together some of these networks that have
been broken up by Transnistria. It's a shame we don't have a map.

Transnistria runs along most of Moldova's eastern border and, basically, it
breaks up a lot of transit routes that run eastward toward Ukraine and
Russia
supply and infrastructure networks within and around Moldova were designed
to
operate in the context of regional integration.

Instead, they're fractured and operate inefficiently as a result of this
conflict. Enterprising and corrupt actors have created workarounds to evade
or
cooperate with the multiple sets of officials and borders in the region and,
over time, these workarounds have hardened into self-perpetuating economic
ties, which are going to be very hard to dislodge.

Among the systems that are fractured are the telephone system - it's not
integrated between the two banks of the Nistru, which results in higher
costs
for callers on both sides; power generation and distribution, which suffers
from non-transparent and politically motivated pricing and corrupt transfer
pricing schemes; transit routes and railways, which are periodically blocked
off and held hostage to the political situation; natural gas, which is a
special case.

Gazprom has a single contract with Moldova, which has enabled the

Transnistrian
portion of Moldova to run up debts of over \$2 billion over the last 20 years
and to argue that the internationally recognized Moldovan authorities must
pay
them. Also, Transnistria has its own currency system and central bank,
which
will be a big challenge for reintegration.

So because of all these fractured networks, I would say that the region's
full
economic potential is also held hostage to this conflict. So what
conclusions
can we draw? There are going to be a lot of economic challenges to reaching
and implementing a stable, durable settlement. First among those is going
to
be treatment of the gas debt.

Additional ones will be guarantees or some kind of arrangement for current
holders of Transnistrian assets, dealing with Transnistrian public concern
about the loss of Russian-funded social assistance. Here, we have an
unfortunate example of the triumph of fear over hope among the Transnistrian
population. They know what they have and they are afraid of change.

We are going to have to deal with corrupt regional elites who want to
maintain
personally profitable arrangements. There are a lot of potential benefits,
I
would argue, to people on all side and parties on all side. First, Russia
could benefit if it no longer has to serve as Transnistria's economic
lifeline.

Russia's Gazprom could benefit from greater payment discipline.

Ukraine could benefit from better transit routes westward and less
corruption
on its western border. And the benefits to the entire population of
Moldova,
including Transnistria - more efficient markets, better work opportunities,
et
cetera - I think are obvious. Because of the setting of this briefing, I'd
like to make some recommendations about what U.S. policymakers can do.

First, the U.S. needs to give Moldovan products permanent normal trade
relations treatment and terminate the applicability of the Jackson-Vanik
Amendment to Moldova. Moldova should also be considered for a visa-waiver
program. This would help make right-bank Moldova economically more
attractive
to Transnistrians.

Second, the U.S. should promote regional cooperation on anticorruption
enforcement, to include Moldovan, Ukrainian and Russian authorities,
particularly as this issue has been a signature for Russian President
Medvedev.

This could be perhaps a part of an OSCE-administered resource center on
economic development, which is proposed in my colleague, Matt Rojansky's,
written remarks, which I encourage you to check out.

Hopefully, these remarks have made clear that the involvement of and difficult decisions from all sides will be required to resolve this conflict. Therefore, my final recommendation to the U.S. is that we should encourage our partners in Europe, Russia, Ukraine and Moldova to devote the necessary political will to pursuing a durable, comprehensive settlement of the Transnistrian conflict. Thank you.

REP. GINGREY: I want to thank all of our panelists for an excellent briefing on the situation and prospects for unfreezing Moldova's frozen conflict in Transnistria. Let me start off by asking a couple of questions and then I'll refer to the other staff members on the dais, including our staff director, who will follow me. And then we'll open it up for questions from any of you, and the mic here to your left and my right is where you'll come to present your questions.

And this really is for any of the panelists: What measures may be taken to effectively hold the Tiraspol regime accountable for its human rights violations? Were the recent trials by the Transnistrian authorities of Kazak - am I saying that correctly - and Ernest Vardanyan conducted fairly? What do you think motivated the Transnistrian leadership to try these men and sentence them to such long periods of imprisonment? Any of the - Mr. Ambassador?

AMB. MUNTEANU: Well, at this point, I don't see how the Transnistrian leaders can be motivated, personally, to respond to the claims from the human rights organizations or from the political institutions because they are not responsible to the population inside and they are not responsible to the international law. It is not applied in this region.

I think, however, that through OSCE and through the members of the negotiation format five-plus-two, to conduct a very comprehensive report on the situation of human rights and to have a common view on how to prevent violations of human rights in the region would be seen as an improvement in the situation of so many people which are still detained in Transnistria.

The second: Of course, in order to advance on this complicated issue of protecting human rights, there are some elements of democratization that need to be implemented in the region. And democratization means guarantees for free press, free movement of people, a kind of oversight of the security forces, which impede this process of the democratization and liberalization of the legal space. These kind of steps would generate a positive response from

the population of the region, which is, unfortunately, hostage to this current situation.

REP. GINGREY: Mr. Ambassador, thank you. Anyone else want to comment on that?

Yes, go ahead, Mr. Spanu.

MR. SPANU: Thank you, Mr. Chairman. In those 15 seconds, I couldn't answer because that was exactly what I was going to cover. I was trying to jump from one place to another. But in responding to that question, I think, besides what the ambassador mentioned - the international pressure - it's necessary to hold accountable those people who commit these unlawful arrests of Mr. Vardanyan and Kazak, their detention, and who set the system that is not based on the law.

There are two main people - and the speakers here talked, today, about them: Smirnov, who is the president of Transnistria, put by Russia in since '91, and Antyufeyev, who runs the intelligence services. Those lawyers and the human rights groups who examine all these cases, including Vardanyan's and Kazak's and many, many others - they see a pattern. They see orders from this Smirnov and Antyufeyev and there are executors down the line who do these concrete actions.

And as I tried to mention, those executors - some of them are Moldovan citizens. So they need to be filed cases against them by the Moldovan law enforcement and prosecutorial offices because these people freely travel to Chisinau - to Moldova - or Ukraine or to other places. They commit these crimes but they are not held accountable. So if they will know that they will stay, one day, in court for their actions, they will think twice about executing orders from Smirnov or Antyufeyev.

REP. GINGREY: Thank you very much. I want to ask one last question and then we'll quickly go to others for their questions. And I'll direct this question to Mr. Socor, who I went out of turn just a minute ago - but do you think that the current status quo is satisfactory to Moscow? And if so, what needs to change for Russia to be willing to negotiate seriously on Transnistria's status? What are the prospects for it to recognize Transnistria as an independent state?

MR. SOCOR: Russia has never pursued the goal of effecting Transnistria's final separation from Moldova. To the contrary, Russia wants Transnistria to remain, on paper, a part of Moldova in order to share political power with the central government in Chisinau and to act as an insurmountable obstacle to Moldova's

Euro-Atlantic integration. This has been Russia's goal since 1992 and remains Russia's goal.

Russia has a minimal and a maximal objective in Moldova. The minimal objective has been named by my colleague, Vlad Spanu: consolidating a Kaliningrad-type exclave on the border of the threshold to the Balkan Peninsula and on the southwestern border of Ukraine, forming a strategic chain of Russian military outposts, together with the Crimea. This is the minimal goal.

The maximal goal is to integrate Transnistria's political leadership with that in Chisinau by awarding Transnistria de facto veto or blocking power on the political decisions of the central government in Chisinau. And that was the main goal of the so-called federalization project of 2002-2004, which Russia and Berlin now seem on the verge of reviving.

REP. GINGREY: Well, thank you very much. And now, we'll turn to the staff director, Mark Milosch, for any questions that he might have.

MR. MILOSCH: Thank you very much, Congressman Gingrey. Thus far, we've been talking mostly about politics and security issues, which is entirely natural. I'd like to switch gears if we could for a moment and ask a question about human rights.

And I'm wondering specifically is there any prospect for putting human rights on the agenda at the five-plus-two talks. I can see naturally that Mr. Smirnoff or the Russians would presumably not be very eager for this. But it seems to me there are ways that this could be done by the OSCE or the EU and the U.S. that might be difficult to resist. I'm thinking particularly of trafficking.

When trafficking is out there on the table, it's something that the governments have a hard time walking away from. The Russian government has many people in it who've actually been quite helpful on the issue and if Russia wants it on the table, I think it will be on the table.

And that could be an issue perhaps in which Transnistria and Chisinau could work well, build bridges. There might be something there. So I'd like your thoughts on that. Secondly, in the Trafficking in Persons Report on Moldova, we have very little reporting on Transnistria probably because we don't have a lot of diplomatic coverage there.

But if any of you have heard anything about the trafficking situation or have

any perhaps man or woman in the street report on that, I would really appreciate hearing it. Thanks. I guess we'll start with Ambassador Munteanu.

AMB. MUNTEANU: To my knowledge, the issue of the human rights situation never
- was never put on the agenda of talks in the five-plus-two format, with the exceptional cases when some people were arrested and the people were citizens
of Moldova, of course the Moldovan side attempted to use the negotiation format
in order to create a getaway for those who were in jail.

It is not a pressing issue probably for Russians which want to see the negotiation of the special status for Transnistria if they would not get more.

And of course we want to relaunch negotiations in this five-plus-two in order
to settle some existential problems for the populations of this region - movement checkpoints which prohibit free movement of the population, even the
organization of elections in this region.

I just wanted to mention the fact that holding local elections in this region
and we have eight villages on the left bank of the Dniester under Moldovan jurisdiction - effective jurisdiction - and we have - constantly we are blocked
constantly by militia of Transnistria which tried to steal the ballots from the
electoral precincts. They tried to threaten the people that participate in elections. They tried to impose blocking posts for those who want to cross the
lines.

And generally speaking about the human rights situation, population of the region feel not only - how to say - constant pressures. They feel hard security threats because the demarcation lines which have to be by definition
free of military equipment and military forces they are full with Transnistrian
armory and munitions and hardware equipment particularly because of the Russian
peacekeepers do not fulfill their mandatory role. And this is one important issue.

Speaking about the trafficking situation, we know there are several networks of
trafficking which have been recently annihilated by the Moldovan prosecution and specialized forces. They have their roots and origins in the region.
But
how we can intervene into this situation, how we can - how the prosecution can
act into this region because it is over-militarized, it is protected by the Russian peacekeepers and our prosecution forces cannot act there.

And on a different note, if there will be in Chisinau in order to investigate some cases, the Transnistrians will say that, look, Moldovans they are staging a new war. So this situation is much more complex and more complicated than it could be seen from outside. Thank you.

MR. SOCOR: May I contribute an answer to that question? Introducing the issue of democracy and human rights into the negotiations would be a great innovation and as in all diplomatic processes it would take a long time to implement because it would almost revolutionize the existing routine five-plus-two negotiating process. So formally introducing this issue would be very difficult.

However, on the one hand, Moldova's law of 2005 on the principles of settling the Transnistria conflict stipulates that a settlement can only go hand-in-hand with democratization in Transnistria because otherwise a settlement negotiated with the incumbent leadership in Transnistria would consolidate the role of this Russian-installed dictatorship.

So a settlement cannot be concluded with this type of leadership. That's on the one hand. On the other hand, Moscow is aware of objections to the current leadership in Transnistria on democratic grounds.

Therefore, Russia is about to change the regime in Transnistria and so, so to speak, we won't have Smirnov and - (inaudible) - to kick around anymore pretty soon because the Kremlin administration chief Sergey Naryshkin and the Russian security council secretary Nikolai Patrushev recently in May summoned Smirnov to Moscow and asked him to depart from office.

One month later, Konstantin Kosachyov, chairman of the Duma's international affairs committee, attended a meeting of the Supreme Soviet in Tiraspol, making clear that Smirnov and - (inaudible) - have to go. So we will have a new leadership also installed by Russia in Transnistria but with less of a monstrous face than Smirnov's face.

Russia's candidate to succeed Smirnov - Russia's declared candidate to be the new leader of Transnistria in Tiraspol is a character named Anatoly Kaminski, who is an ethnic Ukrainian, a native of Bashkiria, who was assigned in Soviet times to a job in Moldova in right bank Moldova, not in left bank Moldova.

So this is another example of these sort of individuals with no ties whatsoever to Moldova or to Transnistria who are being assigned to hold the fort for Russia in Transnistria. So we'll have to be prepared for a regime change in Transnistria orchestrated directly from Moscow and changing the person of the leaders - Smirnov to Kaminski - and changing the name of Transnistria Supreme Soviet into Transnistrian Parliament. And this will pass for some kind of political reform.

REP. GINGREY: I think Mr. Spanu wanted to comment as well.

MR. SPANU: Yeah, thank you, Mr. Chairman. I think including in the five-plus-two form of human rights is not only good but it's a must if the settlement to be reached. And first of all, Moldovan government needs to push this forward as well as OSCE, European Union and the United States. Ukraine must be interested because Ukrainian citizens are deprived of their rights. So it is - Russia would not be willing to - and Transnistria of course not - but at the negotiation tables everyone comes with its item on the agenda.

So it must be pushed by all the parties. Regarding trafficking in person, we forget one simple thing. This person travel outside of the country through the airports and airports are in Chisinau and in Kiev and in Odessa. So you need to have land borders controlled as well as airport border control and to prevent this trafficking and then go and persecute these people.

Till now, most of the human rights cases like arrest of the mayor of Corjova which is under the - within the unification control commission which is set by Russia Ukraine Moldova jurisdiction, but these people are not efficient in terms of solving a concrete problem.

That arrest of mayor of Corjova. Therefore other mechanisms need to be put in place, as I said, internally in Moldova as well as it was suggested in the five-plus-two format to raise the importance of the human rights violations. Thank you.

MR. MILOSCH: Thank you.

REP. GINGREY: Any other questions from staff? Yes?

MS. PACKER: My first question is to Mr. Socor. The five-plus-two talks are supposed to resume on June 21st in Moscow and can you elaborate on what you think the German non-paper recently circulated, how that might impact the outcome of these negotiations?

The second question is to Mr. Allin. While your recommendations for addressing

the conflict are commendable and extending PNTR and retraction of Jackson-Vanik and addressing corruption are all commendable, I think that speaking of allowing Moldova in to the visa waiver program is premature.

As you all acknowledged, a central government does not effectively administer its borders or extend its control over its territory which are prerequisites for any country entering this program. So what I wanted to ask you is whether you think that extending economic sanctions or travel restrictions might affect the players in the monopolies in Transnistria and the parties outside of Moldova.

MR. SOCOR: Thank you for the question. The situation with the German non-paper is a very strange one. The European Union is a participant in the five-plus-two talks. It should have a position - a starting position in these talks. It does not. Instead, one member country of the European Union - Germany - has published its own position which does not have the endorsement of the European Union but neither has the European Union rejected the German paper.

And this very situation reflects the fact that the European Union plays a weak hand in its foreign security policies and on the other hand the bilateral German-Russian relationship is emerging to undercut any foreign policy that might be commonly agreed by the European Union.

The German non-paper pursues the goal of facilitating a Transnistria settlement, not necessarily on terms consistent with Moldova's sovereignty and territorial integrity but primarily on terms consistent with Russian interests so as to facilitate Russia's entry into the European Union bilateral mechanisms which I mentioned earlier, creating the appearance that Russia is being cooperative on the Transnistria settlement.

So therefore the German non-paper - the starting position in this negotiation - with remember, Germany not being a participant in the negotiation, being only a member of the European Union.

The starting position does not mention withdrawal of Russian troops, gives - opens the way for a role by the Transnistrian authorities in the central government of Moldova and is being accompanied by the - (inaudible) - of responsible German diplomats trying to persuade their Moldovan counterparts to accept, A, some kind of federalization formula and, B, to give up the Moldovan law of 2005 on the principles of a Transnistria settlement.

So we have a convergence of German and Russian views which if allowed to prevail on this issue might constitute the basis for a wider German-Russian partnership on settling European security affairs, circumventing the European Union, circumventing NATO and indirectly sidelining a role for the United States. And here I would like to complete my answer.

I'd like in just one sentence to add a recommendation for U.S. policy. Since 2007-2008, approximately - 2007, more or less - the United States has taken a back seat to the European Union in Transnistria-Moldova issues, allowing the EU to define the Western negotiating position with the United States supporting whatever the EU decides. Given the weakness of the EU role, it is time for the United States to advance from the backseat and to regain the front seat it once had in these negotiations.

MR. GINGREY: Did you have another question?

MR. ALLIN: Sure. Thanks for the question. I think - I don't think that economic sanctions from the U.S. would have any great impact on any of the players in the conflict. You know, the U.S. has from time to time been cited as a market for some of the Transnistrian exporters.

But I don't think it's significant enough to have a real impact, not to mention the fact that those companies have an ability to reorient their exports eastward if markets in the West are cutoff. I think actually that what such sanctions would do is just kind of feed the siege mentality that allows the current Transnistrian authorities to maintain some legitimacy in the eyes of their population.

And so I actually don't think that - I think they would probably do more harm than good. I would draw your attention to one of the items that I cited in my written remarks which is the FinCEN alert about a number of Transnistrian banks that was put out earlier this year. I think that's the kind of measure that the U.S. can take that's useful. I would also note that while I don't think it's related, what I mean to say is I don't - FinCEN was piggybacking on Russian complaints.

There were Russian complaints last year about - last summer about a Gazprom bank which strangely is not affiliated with Gazprom apparently but which is owned by a member of Smirnov's family and which was alleged by some in Moscow to be performing machinations with some of the humanitarian aid funds that Russia sent.

So again, I would emphasize I think I understand that it seems like a very bland recommendation to collaborate on anticorruption. But I think that if

that's done, that can be done with real teeth, it's something that Russian - the Russian government has certainly shown a lot of rhetorical interest in within its own country.

Certainly I would think they'd like to protect their taxpayer money, you know, during the time that it is still going to Transnistria and that's an area in which I think there may be room for some collaboration.

MR. MILOSCH: Yes, thank you, Lyndon. Now, we'll hear from Ambassador Munteanu.

AMB. MUNTEANU: Thank you very much. I just wanted to add my comment to the second part of your question related to the visa waiver. Well, you know, it is a matter of truth that Moldova cannot at this point control its borders because of what we have discussed so far.

But nevertheless, this is not an impediment for the European Union to work hard with the Moldovan authorities in visa liberalization regime. And we are advancing quite with speed towards the visa liberalization for Moldovan citizens. And this is really heavy incentive for the institutional framework in Moldova and also for the citizens of Moldova.

I think that it should be seen also as an incentive for the security sector reform in Moldova, which encompass minister of interior reform, border monitoring reform, biometrical passports which are introduced since January 1st, 2010.

And I think you have also if you - United States- wants to be an active promoter of the settlement - conflict settlement - and will be not in the backseat but in the front seat of this car, I think visa waiver should be seen as incentive that citizens of both banks of the Dniester will see a real accomplishment that can be achieved. Thank you.

MR. MILOSCH: Thank you, Ambassador. Before we move to question from the audience, I'll invite Kyle Parker to ask the witnesses.

KYLE PAKER: Thank you, Mark. And I have a few questions kind of scattered. So pardon me. We're at a briefing and hopefully it's an interesting exchange of ideas. One, you know, it's interesting to me to, I guess, ask if the proximity of a few eastern chairmanships of the OSCE is any reason for hope.

Does this - you know, we recently had the Kazakh chairmanship and the Lithuanians are quite engaged. We'll skip a year with Ireland and then go back to Ukraine. Does this give us any reason for hope? Sort of developing that, how - how relevant is any success on this conflict to the other conflicts, the more acute conflicts? They are different situations to be sure.

But I know in terms of trying to get people interested here in Washington one of the issues is the prospect for success and also along those lines what is an appropriate yardstick of success? I think, you know, when you're looking towards total solution and resolution, you know, it seems right now at least that there's not a whole lot of reason to think that's happening any time soon.

At the same time, in these conflicts, you know, you do have the dogs that don't bark. And the notion that it simply - I mean, the status quo remains is - I hate to call that a success but in a sense it's also not a failure given what we've seen in some of the other conflicts.

Another question I'm wondering you know, Moldova has sort of the unfortunate - you know, it has a number of sort of unfortunate distinctions including the poorest country in Europe, more recently the World Health Organization largest consumption of alcohol in the world, high rates of multiple drug resistance TB and other things.

And as we look sort of towards the human face, the human cost, comprehensive security, how much of these types of indicators can be attributed to sort of a wound in the country or the conflict or the sore? Certainly that is, you know, obviously going to have an effect of deterring investment and certain things that could perhaps improve standards of living.

And on WTO, I'll just note that Moldova is a very interesting case of being an early WTO member, sort of a poster child for a lot of interesting reforms including land reform, you know, in the early '90s and still subject to Title IV of the Trade Act - a very interesting paradigm that has some relevance as we move towards looking at possibility of terminating Title IV to other countries.

And last, if you would pardon two last points, one is just a question. You know, recently the Holocaust Memorial Museum was able to work something out and this was thankfully agreed to Vice President Biden's visit on access to Holocaust-era archives in Moldova. This is a matter that's been of great interest to this commission over many years.

And you know, we know that some of the worst atrocities of the Holocaust were committed on Moldovan soil, and particularly on the area that is now called Transnistrian soil - but that part of the country. I would imagine a lot of

those sites are un-memorialized and unmarked.

And I'm just wondering is there perhaps an interesting opportunity for sort of a new type of confidence and security building measure in terms of collaboration on both sides on memorializing this important history. I say that that's something that would certainly have I think the interest of some in Washington.

It comes with interesting political, ideological baggage potentially but at the same time it's telling the truth and I would think that that should be something that all sides can get together on and look into. It would be interesting to know if that idea might have any legs.

And lastly, Lyndon, to your point on corruption and collaboration with Russia, I would just have to say, you know, while you do mention sort of rhetorical support, certainly by way of actions and the reality on the ground in Russia, it certainly doesn't match the rhetoric we've heard from some in the senior Russian leadership.

And in terms of being concerned about taxpayer money as it's going to Transnistria, I'm a little skeptical particularly when we have not seen a whole lot of concern to put it charitably about Russian taxpayer money to the tune of almost a half a billion dollars that was stolen by Russian tax authorities in the frauds uncovered by Sergey Magnitsky that have lately featured prominently in the news including on Russian television.

NTV just did a 20-minute spot a weekend back on national TV. So I'm I guess skeptical to put it mildly on where we can go with that in terms of, you know, moving beyond sort of simple rhetoric on anticorruption and also, Vlad, your idea of putting some teeth into this.

I'm wondering if anyone might comment on the wisdom or the ability of using tools like the Interpol red notice to sting some people. Moldova does have that ability to do that. It is an Interpol member. It's an easy enough thing to do and that is an awful thing to have in terms of cramping your style and ability to travel and caution around the world. Sorry for the million questions and -

MR. MILOSCH: Well, as usual, Kyle pitches them high and hard. I guess we'll start off with the ambassador.

AMB. MUNTEANU: Thank you very much for your questions. It is always very good to have a long list of questions because you can pick up what exactly you

prefer to respond. I will start with the last question which is very important
- the Holocaust Museum. We have a great respect for the efforts put by the Holocaust Museum and restoring the memory.

And we all know that the population of - the Jewish population of Moldova before the Second World War was very important, a considerable part of the urban population and the restoration of the leagues with their memories, their personal attributes, it is very important. We have a constructive cooperation with the Holocaust Museum.

Their leaders have to pay a visit by the end of June to Chisinau. We have adopted a delegation to the law which protect the personal data and this will allow the Holocaust Museum and their executive staffers to work in the archives which have been closed so far. And we understand very well that this is not an overnight effort. It will require a lot of institutional steps in order to reach the truth, I would say.

But I think that in what concerns and worries Transnistria in this equation - Transnistria is a space where hate speech is on the agenda of the day, I would say. It is anti-Semitic discouragement. It is anti-Moldova discourse.

It is anti-Western discourse. So when we try to understand how the Holocaust Museum will accomplish its mission, of course it is open and it can do its work in Chisinau and other cities which are in effective jurisdiction of Moldova, not to in the Transnistria.

They are not sensitive to the human rights violations. They are not sensitive to the issues that are part of our common memory. And of course as soon as we will come closer to a final settlement, we will have a solution favorable to the Holocaust Museum.

But of course, if the United States is interested, it should also put the leg in the door and also advance the idea of having an important dimension of the human rights and the five-plus-two format of negotiations and also the Holocaust Museum. You know, Moldova cannot be responsible for the crimes and atrocities committed in the Second World War - the Republic of Moldova.

It was too young a state. But we understand very well how important it is to cooperate with the institutions. The status of the poorest country in Europe -

just to put it bluntly, we have been deprived in 1991, 1992 by - (inaudible) -
of our economic potential which are located in Transnistria. This explains the level of deprivations of the population.

And the consecutive steps that were made in the last two decades to transform the ownership of the industry to create the basis for the economic growth. It mutated into a strength of the economy. By 1989 for instance, Moldova had reached only 45 percent of its 1989 GDP. And we try to accommodate - re-accommodate ourselves in these new international realities.

Now, we have 55 percent of our goods being exported to the European market, which is a significant change in the structure of the economy. We are benefiting from the automatic state preferences provided by the European Union.

And I've mentioned before that a large number of Transnistrian enterprises, they can export without paying border excises to the European markets - their goods.

They do not pay taxes to the state budget, which is not totally positive, not totally good. But this is an important incentive for the business community to develop own agenda in advancing and performing. I think that if Moldova will receive the normal trade regime with United States, this will also influence positively the way how the business community plans their life and their business.

This will create incentive for change in the minds of the Transnistrian population as well. And I think that coming closer to the - (inaudible) - decision agreement with the European Union and we are doing everything necessary in order to advance in this way.

We will see different results and a different Moldova for those who want to be part of European - a larger Europe - for those who want to remain loyal citizens of Moldovan state and for those who believe that our place in the Western community of democracies. Thank you.

MR. MILOSCH: Thank you. I guess we'll move next to Mr. Socor.

MR. SOCOR: I'd like to take up the question about the role of the OSCE chairmanships. Although the OSCE as an organization has been a complete failure in Moldova and in South Ossetia due to Russia's veto power within the organization, nevertheless the chairmanships are immune from Russian veto power. They have a far greater leeway for action.

What can we expect from the current Lithuanian chairmanship or from the Ukrainian chairmanship in 2013? Lithuania has changed its approach to policies

towards Eastern Europe in the last two years due to the unfavorable trends geopolitically and economically in Europe.

Lithuania has renounced its former role of a vanguard player in terms of extending NATO and EU influence eastwards. For the last two years, Lithuania has played a far more cautious role than it used to be. And this is reflected in the way in which Lithuania is exercising its chairmanship of the OSCE. The official approach of Lithuania is that even a millimeter of change would be a great positive success.

This is the Lithuanian approach. This official statement, possibly repeated, of Lithuania's officials, even a millimeter's worth of progress will be a great achievement, therefore nothing really to expect much. In 2013, Ukraine will be the OSCE chairman. Ukraine has never been able to clarify its policy towards a Transnistrian conflict, neither Kuchma nor under Yushchenko nor under the Yanukovich presidency.

Ukraine does not want to add another contentious issue in its bilateral relationship with Russia. At the same time, Ukraine does not want to be encircled from the southwest. Ukraine was never able to resolve this dilemma in - the interest of the eastern Ukraine oligarchs in the bilateral relationship with Russia, usually trump the strategic interest of the country itself.

Let us, however, not underestimate the 2012 Irish chairmanship of the OSCE. And I know this firsthand from conversation with people from Dublin. Ireland is eager to share its own experience of conflict resolution in Northern Ireland. There is a proliferation of outfits in Ireland trying to share this experience on the international level and even trying to make a consultancy type of business out of this.

And so therefore for the Irish minister of foreign affairs approaching proactively the frozen conflicts in former Soviet territories will be a mark of the Irish chairmanship. This chairmanship will operate much less free from a Russian veto compared to the Kazakhstani chairmanship of one year ago or compared to the Ukrainian chairmanship of 2013.

So I think it will be possible to work with the Irish chairmanship of the OSCE constructively and proactively. Again, however what the chairmanship can achieve is not to resolve anything but to put the issue on the table and keep

it on the table, at least so that the issue is not relegated to oblivion.

And

to answer very briefly one of your other questions, what can be a measurable progress in the year ahead or in the months ahead or in this calendar year, what could be measurable progress.

Measurable progress would be to pressure Russia to comply with its commitments under conventional treaty - forces in Europe treaty to withdraw the troops from Moldova. The review conference of the CFE treaty is due to take place shortly.

The United States and NATO collectively would be remiss if they would not publicly raise the issue of Russia's unfulfilled commitments under the CFE treaty including the withdrawal of troops from Moldova from the occupied territories of Georgia and also in the CFE treaty, much neglected, the withdrawal of Armenian troops from the occupied territories of Azerbaijan. So these three issues need to be raised, not in the hope of affecting an immediate resolution this year, but to keep these in the public - this debate in the public eye.

MR. MILOSCH: Thank you, Mr. Socor. I'm going to have to ask the next two witnesses to - in order that we will have time for audience questions - to be very concise. Thank you.

MR. SPANU: Thank you, Mr. Chairman. I just would add a few words in addition to what Vlad said about OSCE chairmanship and I will focus on Ukraine. I think Ukraine's role in its chairmanship role in 2013 has a great potential but has a small probability that it will play a great role because among all these players who deal with the Transnistrian conflict, Ukraine has a good set of keys to solve the conflict because it's on its border, because it's control many, many elements of the conflict.

And if Ukraine fully cooperates and is fully committed for this resolution of the conflict, I think we have a chance to move forward. But looking back, what happened during the last two or three years comparative to what happened in 2004-2005, I think the probability is not so large.

Regarding all your other good ideas, it underlines that all these ideas should be put in a strategy or a roadmap and this strategy and roadmap should be initiated first of all by the Moldovans, by the Moldovan government. For the time being, Moldovan government for 19, 20 years didn't have any strategy how to deal with the Transnistrian conflict.

And to incorporate into all these ideas from the West, from the Moldovan experts in 2004 among the speakers three of us participated in co-authoring the treaty strategy that was mentioned. During the Communist Party leadership in Moldova, we were able to convince the opposition to the Communists in the West to be engaged in a new strategy.

Today there is none. Why? These are big questions for the current Moldovan government. And the second, why in the budget of Moldova of this year, of next year, of last year there is no put enough money to implement programs on confidence building measures, maybe because it's not a strategy. Maybe it's their things involved. These two things that Moldovans need to do if they are serious about resolution of the Transnistrian conflict. Thank you.

MR. MILOSCH: Thank you. Lyndon?

MR. ALLIN: Thanks. The question about corruption, of course I understand your skepticism. I just - the point that I would make is that there are bilateral gov-gov contacts on these issues. Regulators do talk to regulators.

There's no reason for it not to be raised. Perhaps it's another suitable topic for the five-plus-two, you know, as another format where it might be raised. I would also mention that there has been Russian public outcry, at least in the press and on the Internet, about the much larger sums of aid money but really funds probably pre-designated for embezzlement that were sent to South Ossetia in the past couple of years.

So there is the potential. I'm just proposing that there's a potential to get Russian civil society and, you know, you get somebody like - (inaudible) - to take up this issue and all of a sudden people will say, hey yeah why are we sending all this money to that place. And then it becomes something that's a little bit harder for the Russian government to sweep under the rug. So that's my only point about that.

Regarding your question about Moldova's unfortunate status as the poorest country and apparently hardest drinking country in Europe, I think a large part of my written testimony was intended to address specifically that question.

I do believe that the conflict has had a large impact on the economic

well-being of the country and of its citizens. I would note however that it's a poor country where one sees a lot of very nice automobiles in the capital city.

I saw a Bentley the last time I was in Chisinau.

So the elites, both in Chisinau and Tiraspol, seem to be doing OK, which of course is part of the problem with getting this - with getting some progress on conflict resolution.

Regarding the WHO alcohol consumption study, I confess that my first thought when I saw it was to wonder whether the methodology somehow involved imports or something that could have - where the anomaly could have resulted from somebody gaming customs stickers simply because that behavior is so common really on both sides of the Dniester. Thanks.

MR. MILOSCH: Thank you, Lyndon. Kyle mentioned in his question dogs that don't bark. I think he was referring to the famous Sherlock Holmes line about the strange thing the dog did in the night. Watson, the dog did nothing in the nighttime. That was the strange thing.

We have a lot of un-barked dogs here I think. In about 12 minutes - I don't think we've really mentioned Romania very much which is a striking thing. So I throw that out to you to take up or maybe you have some other dogs that you'd like to pursue here.

We have a microphone on the right and anybody in the audience who'd like to ask a question is welcome to come to the microphone. I guess turn it on right now.

I see the light. Introduce yourself and ask a question of our panelists. Please?

Q: Hi. I'm Richard Sola from Radio Free Europe. My question is directed to Ambassador Munteanu primarily. We've spoken about Russia quite extensively during this hearing. But I wanted to hear from you if you feel that - or you get the sense that the United States is raising the issue of Transnistria at a high enough level in the so-called reset that the Obama administration has made such a high goal of its foreign policy.

And even just kind of some basic information, how much contact do you have between kind of the architects of the reset and your own office on this issue - you know, how much is it being discussed with you and with the Russians as far

as you know, and how do you feel about the level, you know?

AMB. MUNTEANU: Thank you very much for your excellent question. Of course, we feel the arm of support from the United States in many areas, in particular to the negotiation format.

Just not to leave a wrong impression that Moldovan government is doing nothing, I would point out the fact that we have presented by the end of April a non-paper on the principles of the conflict settlement and this concept has been circulated towards all the interested parts - of course to the United States as well which commended the value and clarity of scope and principles which were proposed by the Moldovan government.

In addition to that, of course we have made great efforts to combine forces and to have a chain of friends behind us in setting up the target for this conflict settlement. And I think that this is quite an important advantage if we compare with five years ago when we were still under the consequences of the failed Kazakh memorandum.

Today, our friends in Europe do not question the legitimacy and the main principles which we see as major for the conflict settlement - indivisibility of the country, sovereignty and unitary state. We feel that this hand of support may do more work and the policy of reset create special gateways and windows for discussing strategic issues with the Russian Federation.

We mentioned several times the Russian Federation because it did not fulfill its commitments from 1999 and from Istanbul Summit declaration, and it also failed to commit itself with the reduction of arms. And I think that there are many doors to be opened in this strategic dialogue with Russians.

But I truly share the concerns that the human rights violations create frustration among the population of the region, which feel itself alienated from the political process in Moldova and from the benefits that our proximity with the European Union extends to the whole society of the Republic of Moldova.

I remain positive and my colleagues in the Moldovan government remain positive that more things have to be achieved this year in 2011 irrespective of the name of the chairman of the OSCE and irrespective to the bumps in the road which we know there are many. Thank you.

MR. MILOSCH: Thank you, Ambassador. Do we have any more questions? Mr. Spenu?

MR. SPENU: Yeah, I want to add on the reset issue - I hope that the reset

setting is a good frame for the opportunity to solve the Transnistrian conflict at the level of the Russia-U.S. relationship and it's not an impediment, not a distraction from this. Thank you.

MR. MILOSCH: Thank you. Any more questions? OK, well I think it will be extremely difficult for me to summarize what was said today.

I did see two themes that the optimism that we've heard recently about the push on the part of the EU and the U.S. government for settlement in Transnistria has been challenged today and yet we've heard a lot of comments about the necessity of pushing forward with this.

I would like to thank Winsome Packer for organizing this briefing, Josh Shapiro for administratively organizing it. And thanks to all of you for coming today.

With that, we're adjourned. (Applause.)

(END)