

Foreign Policy Association together with Friedrich-Ebert-Stiftung offer you a newsletter on foreign policy and European integration issues of the Republic of Moldova. The newsletter is part of the "Foreign Policy Dialogue" joint Project.

# NEWSLETTER

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## Synthesis and Foreign Policy Debates

The newsletter is developed by Mădălin Necșuțu, editor-coordinator

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### News in Brief



The new Foreign Minister, Mihai Popșoi, stated on January 30 that Moldova will take diplomatic steps and we will build international coalitions to convince the

Russian Federation to withdraw its illegal military presence from the territory of the Republic of Moldova. He stated that the authorities in Chisinau will insist that Russia withdraw its army and ammunition from the left bank of the Dniester, in accordance with the commitment made during the OSCE Summit in Istanbul in 1999. "The withdrawal of the Russian army is Russia's commitment at the Istanbul Summit in 1999. It is true, for over 20 years this has not happened. We will have to continue to insist, to take diplomatic steps, to build international coalitions that will convince the Russian Federation to give up this illegal military presence on the territory of the Republic of Moldova", said Mihai Popșoi in the "In context" TV show. Popșoi added that, with the establishment of the European Integration Bureau, the tasks of the two entities responsible for foreign policy will be clearly defined. Cristina Gherasimov will lead the negotiations regarding the country's accession to the European Union, while the good development of bilateral relations remains the priority of the Ministry of Foreign Affairs.



On January 30, the Republic of Moldova signed the application to join the Single Euro Payments Area (SEPA). The governor of the

National Bank of Moldova, Anca Dragu, said that the accession of Moldova to SEPA represents the commitment and contribution of the National Bank of Moldova in the process of accession to the European Union. "With this system a payment could be made within a horizon of about 24 hours and instead of paying 20, 30 or 50 Euros per transfer, with this system we will pay 1 or 2 Euros. This will be good news for Moldovans in the diaspora who transfer money to the Republic of Moldova. This system is a step for consolidation towards the single market, and for Moldova it is a commitment that it can be part of the EU single market. There are two stages: the first is the evaluation part that EPS will do and the second part is the connection", concluded the head of the BNM. SEPA includes 34 states in Europe, but also territories located outside the European Union, as a result of the conclusion of agreements aimed at the participation of financial institutions outside the EU in the SEPA scheme.



Three pro-European parties consolidated their forces and created on January 29 an electoral block in the perspective of the 2024 presidential elections and the 2025

parliamentary elections. More precisely, the Dignity and Truth Platform Party, the League of Communes and Cities and the Party of Change signed a collaboration agreement. In the statement issued by the Political Bureaus, it is mentioned that the electoral block is preparing for the two elections this year and next year. Moreover, the three parties would have already identified a common candidate who will be supported in the presidential elections. A common political and electoral programme will be developed and be subject to public consultations after which the political bloc will prepare for the parliamentary elections in 2025. Also, the three parties urged the civil society who can bring a contribution for the benefit of the Moldovan citizens to join forces.

## Transnistria face to face with the European realities of the Republic of Moldova



The building of the so-called Parliament of Transnistria. Photo credit: Madalin Necsutu

Much has been discussed about what should be the course of the Republic of Moldova in the EU - with or without the separatist Transnistrian region until 2030, when the authorities of the Republic of Moldova set out to achieve the desired

goal of integration into the EU.

The EU did not put any pressure on the Republic of Moldova, and even several high-ranking officials said that there would be no problem for Moldova to join the

EU even with this frozen conflict. However, it is hard to believe that the EU would want to integrate territories bundled with Russian soldiers.

Therefore, the Republic of Moldova is also

► in a new situation with the help of the West, which absorbed the financial shocks suffered by Chisinau in recent years and pumped money to avoid fatal crises in the Republic of Moldova. Moreover, after freeing itself from the burden of dependence on the Russian gas, Moldova obtained a dominant position in relation to Tiraspol, fully supported by Moscow. Things are no longer the same and Chisinau is silently implementing an economic plan for the reintegration of the Transnistrian region.

The separatist regime in Tiraspol realizes that things are moving towards

the reintegration of the two banks, rather than towards joining Russia, as Tiraspol wants in extremis. The population on the left bank of the Dniester, despite the daily media bombardment from the Kremlin, has finally understood that prosperity comes only from the West, and for this they only have to cross the Dniester, where the differences in living standards are already tangible. In addition, many residents of the region had the chance to travel to the EU states and realize that the Russian propaganda cannot replace the Western living standards.

Against this background, the reintegration scenario is closer than ever and ultimately depends on the involvement of the EU in this process, which must change its coordinates from the mediator inclined to provide Tiraspol with benefits in order not to risk security deviations in the region into an active player that wants to widen its borders, but also to secure them in time regarding the small pro-Russian separatist region in the east of Moldova. This game is not only played in Chisinau and Tiraspol, but also by the decision-makers in Brussels and Washington.

**Mădălin Necșuțu**

# The money from taxes on the Transnistrian goods will be spent on the Transnistrian region anyway

**D**eputy Prime Minister for Reintegration Oleg Serebrian spoke in an interview for the FES/APE foreign policy newsletter about the volatile situation in the breakaway Transnistrian region amid the taxing of goods entering and leaving Transnistria. We also discussed how Chisinau approaches these tensions and the challenges on the left bank of the Dniester as well as the measures taken by the Chisinau authorities to prevent the situation from escalating. We invite you to read about all these details in the following lines:

■ Mr. Serebrian, I would like to start by asking you about the situation in the Transnistrian region and how the talks with the separatist regime are going, because we have noticed a growing agitation in Tiraspol. What is the de facto situation?

■ It is a commotion caused, in large part, by the introduction of the



PHOTO: FACEBOOK/OLEG SEREBRIAN

provisions of the new Customs Code. All those who know a little about the economy and how this economic system works in the Transnistrian

region have realized that the agitation is more on the political side than on the economic one, because the economic impact is quite low.

We have shown both publicly and in the 1 + 1 discussions enough openness related to the way this money is spent and will be spent.

I have always said that this money will be spent anyway for the Transnistrian region - for the education system, scholarships, health or pensions. It is true that those from Tiraspol claim that we pay only 2,500 pensions for 2,500 of the citizens in the Transnistrian region.

I am waiting for the data from our relevant services to see what the situation actually is, because we know that sometimes, for propaganda purposes, somehow, certain numbers are truncated. And we know you can play quite well with the statistics.

Otherwise, these discussions in the 1 + 1 format, even if against a tense background, I think they were somehow meant to reduce the tensions that had accumulated during these seven months, which was a very long break. I think that it was not successful in all sectors, especially on this Customs Code, where I said that Chisinau remains firmly on its positions.

For its part, Tiraspol has announced countermeasures that it either withdraws or announces again. It is still unclear how they will operate and what they will do in the end, but we have prepared for the worst possible scenarios.

This is what I told the citizens of the Security Zone, first of all the farmers, but also the principals of schools in Latin script in the Transnistrian region. I told them that we will think about some measures. We are thinking about protective measures in case certain sanctions and restrictions will be applied by those from Tiraspol.

■ **Are there reasons for the Transnistrians to complain about the taxation of their goods, since experts calculate these taxes at MDL 300 million per year, which is not very much? Are they perhaps more afraid of the political decisions that Chisinau can take further regarding the Transnistrian region?**

■ These MDL 300 million annually are high estimates. That would be the most, because there are other estimates that say the taxes will account for MDL 100-120 million. Even in Tiraspol they mentioned about these figures publicly.

Even Mr Krasnoselski said that this amount can fluctuate from EUR 5 to 25 million, depending on the volume, the countries of destination of the goods, or whether or not they succeed in obtaining their preference certificates and so on.

### ***Fear of Chisinau's political approach***

■ **The question was whether the Transnistrian regime is more afraid of a further political decision on the part of Chisinau more than the economic part. In the sense that Chisinau has not taken unilateral decisions regarding taxation so far. I think that maybe they are more afraid of this political side where Chisinau comes out of this comfort zone, in which it has been until now, and tries more daring measures related to Tiraspol?**

■ Of course, as I said from the beginning, the disturbance does not come from the economic area. The disturbance has a political substratum without any doubts, in that they claim that we did not consult the opinion of Tiraspol when we introduced the amendments to the Customs Code.

And I noticed that some international partners somehow share this point of view that we should have announced earlier, which is not quite right because the draft law dates from 2021. It was published and announced in 2021. Yes, it's true that these changes were supposed to come into effect on 1 January 2023, but they were postponed, and probably in Tiraspol they thought we would postpone them once more, which did not happen.

If you remember, in 2020, when the notice was introduced for the trips abroad of representatives from Transnistria that upset them a lot. There came all kinds of threats then, that there would be counter measures. The incidents following that decision later, including the last one, with the head of the Tiraspol Court, Anna Mamei, naturally arouse some anger. These also translated into meetings and protest actions. According to our estimates, there were between 2,000 - 4,000 people at those protests.

### ***Detained journalists and human rights***

■ **We recently saw that the security forces in Tiraspol repeatedly violate human rights and detain Moldovan journalists who go to Tiraspol to do their work. How do you assess the recent episode with our fellow journalists Viorica Tataru and Andrei Captarenco?**

■ We took a stand immediately and we also signalled this to our external partners, but of course we did not rely only on them.

I also got in touch with Tiraspol right away. As a result, the two journalists were released and brought to Tighina. It is true that for some journalists it is very difficult. It's

very selective and some journalists manage to get through, and that probably gives hope that nothing will happen.

Others face problems. We do not understand what this mechanism is and how it works. Probably in this case we imagine that someone would have alerted the so-called security forces there, as if they were intruders asking uncomfortable questions, considering the sensitivity of the moment. This happened despite the fact that the protest was public.

We tried to interpret why in the case of some journalists, who go there and broadcast or report, nothing happens and in the case of others it does. Or is it because of previous actions or in this case there had been an on-site alert?

■ **These journalists were detained for about two and a half hours. During the interrogations, the two were separated, they were deprived of their phones and were searched. The Transnistrian security forces looked into the journalists' private messages and the journalists were intimidated into doing their jobs. How do you see these things?**

■ Without any doubts, I just think that these are some reprehensible practices in a country that is part of the Council of Europe, first of all. This is precisely why I pointed out to the office of the Council of Europe in Chisinau and the OSCE. We have also expected a reaction from them, especially since the OSCE is also a mediator in the negotiation process and is sensitive to the issues related to mass media and human rights. On these topics, we have been trying to convince them that it is especially important for both the OSCE and the Council of Europe to be more involved.

By the way, I recently had a discussion with Mr. Klaus Neukirch, the former head of the OSCE mission in the Republic of Moldova, who is now head of directorate at the Council of Europe, responsible for international cooperation, and I expressed my point of view that the Council of Europe should reactivate with regards to the press freedom in the Transnistrian region and the human rights, so that it is as present as in the 90s-2000s, when the Council of Europe was probably more active on these issues than the OSCE.

We remember Mrs. Josette Durieux, who was very involved in the release of the Ilaşcu group, but also in all the sensitive issues of that time.

I think that when it comes to the freedom of the press, the Council of Europe must also react to incidents like those that have happened recently. And that is not the only incident that has happened recently.

■ **Do you think that a more energetic reaction by the OSCE would have been necessary in this case of the journalists detained in Tiraspol, bearing in mind that this is one of its basic missions?**

■ We have been waiting for a reaction, as I said, from the OSCE and the Council of Europe. Ambassador Kelly Keiderling is away in Vienna. We will have a discussion after her return from Vienna, including with the new OSCE representative in the negotiation process.

We need a more vocal and emphatic message from the OSCE regarding these topics as well as the multitude of other topics related to human rights, political prisoners, the release of prisoners facing serious health problems,

■ **Mr Serebrian, what is the situation of farmers who work land in the Transnistrian region? Can the separatist regime in Tiraspol create tax problems for them? Maybe, for example, a solution for these taxes imposed by Tiraspol could come in the form of state aid?**

■ Yesterday [January 25], I had a rather long and complicated meeting with the farmers from the few localities of the Dubasari District and with the leadership of the District. The meeting was also attended by the state secretary of the Ministry of Agriculture, Mr. Şerban.

We completely understand their concerns. These actions may jeopardize their activity this year. This is not the first time this has happened. But this is the first time that the mechanism will be very different, and it's still not clear to us how it will work. Because previously Tiraspol, simply, did not allow them to pass to cultivate their lands.

Now, including within the 1 + 1 talks, we got the assurance that farmers will not be banned from working their land. Their ownership of these lands is not in question, but they will pay customs duties. These customs duties cannot be compensated a priori. They must be compensated later. On the other hand, we cannot recognize these charges to offset them. Because they do not represent any legal act. So, we would compensate for an illegality and encourage it in this way.

Thus, it's a legal, moral, and political issue of how we act in this case. We will see. We need to provide some compensation, but these compensations should not be treated as aid or as payment of those taxes.

Another mechanism we can think of is a fiscal one, more precisely, fiscal facilities for producers on the left side of the Dniester, which would be more elegant also from a legal point of view.

However, when it comes to the compensations, what I noticed yesterday, it's a different kind of problem. There are many leased lands, but also owners. If we give compensation to the leasers, what happens to those who leased the land out? So we force those to whom we gave the money, that is, who rent, to go further up the chain, to distribute the money downwards. It must be a very complex mechanism in this case.

What I said yesterday in Cosnita, and I think I can still keep the optimism that we will be able to convince Tiraspol to give up this type of actions which are not at all beneficial and will only lead to an escalation. Because in this way it may force us to take following measures. They will in turn reciprocate with others and at some point, we will reach a situation where we will have to either take a step back or apply some much more decisive measures from a political and economic point of view.

### **Uncertain energy future**

■ **The government in Kiev announced on January 24<sup>th</sup> that Ukraine does not intend to extend the contract for the transport of Russian natural gas to Europe after 2024. What are the scenarios for the region in this case: will they have to find other suppliers, but at the market price, and could we expect a crisis in this regard?**

■ We still haven't discussed the issue of gas, more precisely of the gas supplies for 2025. There is no

discussion platform. We proposed to create a working group for energy as early as the end of 2022, but this proposal was rejected by Tiraspol on the grounds that the discussions were traditionally held between the Ministry of Energy and the Cuciurgan MGRES Thermal Power Plant, the latter being the direct supplier of electricity.

Why do I mention electricity? Because it is a connection between the gas deliveries and the electricity production that we purchase. Currently, we have also seen a lot of speculation in the public space. I also heard expert suggestions about different situations, possibilities, scenarios that can happen.

It's hard to say, but I think that in a few months, things will be clearer, including the scenarios that will be followed. We see that the position of Kiev, at least from what the Slovak prime minister said, can change.

It is not clear whether it is all countries or specific countries. In any case, it is still premature to make some predictions for the energy dimension at the moment. I am convinced that the Minister of Energy, Victor Parlicov, who is a specialist and follows this area carefully, will make the announcements to the press when he has more certainty.

■ **Mr. Serebrian, in the factual reality in which Ukraine has already summoned the alleged head of diplomacy, Vitaly Ignatiev, for accusations of collaboration with Russia to the detriment of Ukraine's security, can the authorities in Chisinau still negotiate or discuss with him?**

■ We are discussing and Ukraine is discussing. Mr Ambassador Paun

Rohovei met with Mr Ignatiev when he was recently in Tiraspol, and the representative of Ukraine also participates in the meetings in the 1 + 1 format. We in Chisinau have not received any kind of signals that can be somehow interpreted from our Ukrainian partners.

Mr Rahovei will also come to Chisinau on Monday [January 20] and we will have a discussion with the press together. We want to give more answers to the media, because there were many questions related to Transnistria, starting with grain transit through the Transnistrian segment. Or the alleged incidents that the media from Tiraspol talked about, or what was circulated in a part of the media, or on social networks about the so-called terrorists that Chisinau would train, prepare them for actions in the Transnistrian region. These were denied by both Chisinau and Kiev, but it is curious that some of the residents of the Transnistrian region believed that. I was surprised yesterday to hear questions of this kind in the Dubasari district from Moldovan citizens.

■ **Do you see the summon of Ignatiev by the Ukrainian special services perhaps as a subliminal signal to Chisinau on what terms should be discussed with the leaders of the separatist regime in Tiraspol?**

■ Mr Ignatiev is not charged yet. I can be summoned, anyone can be summoned. He is summoned but we cannot give any interpretations, especially since the Ukrainian side did not provide more details than that. He was summoned in his capacity as a citizen of Ukraine.

Thank you very much!

*Interview taken by  
Madalin Necsutu*

## Editorial

# Perpetuation of Transnistria and the mirage of the “Fata Morgana”

*Editorial by Madalin Necșutu, journalist with Balkan Insight and TVR Moldova*

**T**he international context, as well as the domestic one, have brought about new realities and paradigm changes regarding the balance of forces in the negotiation of the Transnistrian file between Chisinau and Tiraspol. The public opinion, but also the opinion of the decision-makers and experts, is somewhat divided regarding the ways to solve this problem.

Tiraspol is no longer in the same position of strength from before the outbreak of the Russian military invasion in Ukraine in February 2022, while Chisinau has more leverage as well as the political will to resolve this situation not only through the lens of international mediators, but also through internal solutions.

Although announced as early as last summer, the tax measure on Transnistrian goods entering and leaving the breakaway Transnistrian region has sparked strong reactions in Tiraspol, which is stirring up waves again. This beginning of bringing the Transnistrian region into the legal economic field of the Republic of Moldova by taxing imports and exports is only a first step and a small one, considering, for example, that the payment of the 20% VAT on such goods nor related excise duties have been introduced.

At this moment, the financial effort of economic agents in the Transnistrian region is not so big, accounting only for about a maximum of 5% of the value of the goods. From an economic point of view, this is not such a big effort. The biggest problem of Tiraspol, however, is that the Chisinau authorities have started the process of



reintegration of the region with decisions that are not only economic, but also political.

For more than three decades, the Moscow-backed Tiraspol has done its best to avoid talks about the political basket of the settlement process. Everything was played only on socio-economic advantages that Transnistria obtained under the spectre of maintaining a peaceful situation in which Tiraspol also possessed superior military advantages.

With the investments in the security and defence of Chisinau in recent years and against the backdrop of the weakening of Russia's military deterrence force, due to the Ukrainian resistance, especially in the Odesa area, the separatist regime from Tiraspol could no longer threaten Moldova so strongly militarily. Also, Ukraine's verbal intentions to put an end to the Transnistrian threat put Tiraspol in a lower position of strength than it was

used to. With the gradual suppression of this advantage, Tiraspol is no longer able to dictate at the negotiation table with Chisinau.

### Changing markets

The fact that 70 percent of the Transnistrian exports now go to the European Union, compared to about 50 percent in 2019, but also the exports to the right bank that have grown considerably, leaves Transnistria without a commercial economic link with the Russian Federation. However, the almost free Russian gas continues to flow into Transnistria and add to that historic debt to Gazprom that has already reached around USD10 billion.

Moreover, Ukraine has already declared that at the end of this year it will no longer allow gas deliveries to Transnistria, which will put the Tiraspol regime in an unprecedented situation. Either Russia finds alternative gas supply routes to the

region through the same scheme applied previously, or the separatist regime and companies subservient to it in one form or another - the Rabnița Metallurgical Plant and the Cuciurgan Thermo-Electric Plant - will pay the gas price at the market price.

This could put Tiraspol in a new paradigm of functionality, namely being able to be competitive on equal market terms with other regional players on the energy and metallurgical products market.

All this will bring the separatist regime close to collapse, and it is possible that, like in the case of a hunted animal, Tiraspol will attempt security challenges in relation to Chisinau. From this point of view, the days of this regime seem rather numbered, and these gradual economic measures applied by Chisinau only lead to such an outcome, since the standard of living in Transnistria has reached about half of that on the right bank of the Dniester. This results in an unattractive pattern of living standards on the left bank of the Dniester, and people cannot be endlessly fed only pro-Russian and anti-Chisinau Transnistrian patriotic propaganda.

### **Manipulations and disinformation**

At the same time, there are more and more debates in the public space about whether these measures are correct in relation to Tiraspol or not. Not only the classic lobbyists from Chisinau for the regime in Tiraspol are now the problem, but also the social networks and certain media that push the narrative that the Chisinau authorities should abandon the taxation measures on Tiraspol under various pretexts.

Also, Tiraspol is trying to create the impression of social discontent and popular protests across the Dniester, actions that can be seen with the naked eye to be planned, and people are forced by the regime to take to the streets. Therefore, it is expected that the information space of the Republic of Moldova, otherwise very less resilient, will be flooded with such

false messages and debates that bail out the Tiraspol regime under the pretext of avoiding a humanitarian crisis.

This idea was constantly served by many external actors, but also by some from the two banks of the Dniester, being in its essence a false one. In fact, many citizens from the left bank of the Dniester have connected to the economy of the right bank, where they have been working and already living for several years. All these attempts at manipulations benefit, for the most part, the oligarchic regime installed in Tiraspol and led by the oligarchs Viktor Gushan and Ylia Kazmalii through the benevolence of Moscow. They have plundered the region in the last three decades and have come to hold a quasi-total monopoly over the economic activities in Transnistria.

All these taxation measures of Chisinau hit, in their vast majority, the business interests of the "Sheriff Republic", established on the left bank of the Dniester by these oligarchs. Moreover, for years they have been living in Western countries, such as Germany, where they have built legitimate businesses with goods and services originating from Transnistria. In fact, the two are not on the list of international sanctions, although they have been supported by Russia for decades, not only in Transnistria, but also in Ukraine, where they held strategic businesses in telecommunications, liquidated by the Kiev authorities even before the outbreak of the Russian invasion under accusations of espionage in favour of Moscow.

### **Human rights in the contemporary mirror of the Soviet Union**

Transnistria continues to be a "black hole" also from the perspective of human rights. Besides the cases of Moldovan citizens imprisoned for various reasons by the separatist regime, any political attempt at political opposition ends badly. Incidentally, we remember the case from July 2023, when the leader of the opposition in

Transnistria, Oleg Horjan, was killed in circumstances not elucidated even to this day by those dealing with this case on the left of the Dniester.

Moreover, we recently witnessed the detention of two Moldovan journalists, Viorica Tataru and Andrei Captarenco. While doing their job, filming a February 24 protest in Tiraspol, they were picked up by the Transnistrian special services and taken to separate interrogations where they were obsessively asked for three hours who sent them and who was coordinating their activity.

In fact, the people from the special services in Tiraspol threatened them that they would not be released until they deleted everything they had filmed, although the photos of that protest were public and issued by the local media from Tiraspol, as well as on social networks. The gesture of the regime in Tiraspol was an irrelevant one, meant to show once again that coercive measures are part of their main tools in their approaches to journalists and freedom of expression and, in extenso, to human rights.

In this context, the basic question is whether this separatist regime, which has only created problems in the region, being the prototype of the frozen conflicts created by Russia in the Black Sea basin, should still exist or not? Will the Western partners also assume the costs of a reintegration that the Republic of Moldova is not capable of on its own? Will the West want to turn that counter-example of Moscow with frozen conflicts orchestrated by the Russian Federation in its proximity by creating separatist republics or not? These are actually some of the major questions that everyone should be pondering these days regarding this showcase of the defunct Soviet Union generically called Transnistria. A bridgehead and outpost of the Russian Federation on the coast of the EU and NATO that can be quickly excluded from regional calculations, if there was sufficient political will on the part of the West and Chisinau.

# There exist special relationships that make Transnistrian lobbyists feel very comfortable in Chisinau

***The chairman of the Coalition for Unity and Welfare Party (CUB) spoke in an interview for the FES/APE foreign policy newsletter about the situation in the Transnistrian region, after Chisinau amended the Customs Code and introduced a series of taxes on goods entering and leaving the Transnistrian region. We also discussed about the Tiraspol lobby and the perpetuation of obscure interests in the business area. What the vision of the former deputy and political analyst, Igor Munteanu, is about what the Republic of Moldova should do regarding the Transnistrian issue, read in the following lines:***

■ **Mr. Munteanu, how do you assess this new reality, which has upset the Tiraspol regime and has created premises for a different type of relationship between Chisinau and Tiraspol, at least in the economic field?**

■ There have been many situations in which Transnistria held the Chisinau authorities in a trap, more precisely under control, because it had instruments and levers of influence: energy and the electrical system, also access to land for Moldovan farmers and so on.

In response to your question, I would like to mention a few



dimensions. First, the economic dimension. A lot of people say that we have brought them finally in the field of legality. What does this taxation mean, from an economic point of view? It is for the economic agents to start paying customs duties. And I'll explain it. In general, the customs collections in the Republic of Moldova are approximately MDL 37 billion, of which approximately MDL 24 billion accounts for VAT, MDL 11.4 billion accounts for excise duties and MDL 2.5 billion represent customs duties. From this sum of MDL 2.5 billion that all economic agents pay, the Transnistrians should have paid

approximately 10%, which means about MDL 300 million.

To understand what this means - of the total customs revenues collected, this represents only one percent. And, obviously, from an economic point of view, this obligation or expansion of the single customs space of the Republic of Moldova is an absolutely objective, organic and necessary trend.

The adoption of amendments to the Customs Code was announced three years ago, so the economic agents should have prepared for that. However, there is another



important dimension in this case - the political dimension. You can amend the Customs Code when the expectation is that the other party will comply. And when that party is used to instruments of blackmail and pressure or has levers by which it can certainly dominate the will of the Government in Chisinau, it might be that they will wait in order not to comply with the requirements.

### **Lobby and interests**

■ **Why exactly would they not comply with these new provisions of the Customs Code by which taxes were imposed on goods entering and leaving the Transnistrian region?**

■ This is primarily due to certain special relationships through which Transnistrian lobbyists feel very comfortable in Chisinau. I'm not talking about the current government, but all previous governments that have tolerated certain illegal types of influence.

According to some estimates that we made recently, if, for example, the economic agents who do not want to pay MDL 300 million to the state budget, they will offer 10% of this amount in the form of a bribe, in the form of corruption, they will be in profit. Accordingly, it is easier for Transnistrians to resist the adoption and acceptance of new rules than to comply with the legislation. Because the whole regime in Transnistria, in fact, encourages this resistance and non-conformity.

If there had been, apart from these amendments to the Customs Code - which are not bad, they just have to

be followed - other tools to demand compliance. If there were other sorts of pressure, such as, for example, at some point, the government tells the main payers or importers in the Transnistrian region that they must not only register according to the legislation of the Republic of Moldova, but also comply with the new technical requirements.

But we cannot do that, because we cannot control the enterprises that import or export from the region. Our technical control is barred at the administrative line. And from this point of view, the Transnistrian regime is struggling not to comply with the rules of Chisinau, because from their point of view, this would create a precedent that would dismantle the whole institution of the illicit structures in Tiraspol.

■ **Basically, are you saying that all this noise that Tiraspol is making is for MDL 300 million or EUR 15 million?**

■ Not only this MDL 300 million, although this is important for the pockets of the oligarchs in the region, but it is for the precedent. Because once the precedent to comply with the laws of the Republic of Moldova is created, then we talk about politics.

■ **So, are we talking more of a precedent that would have a greater political significance?**

■ It is the political dimension. In addition, there is an informational dimension. Look, the population of the region, traditionally, does not have access to television stations, the press or direct information with the officials or politicians of the Republic of

Moldova. Because Transnistria blocks any entry into the region. Probably, people who are loyal to Putin can enter easily, but those who, for example, represent the current Moldovan government or those who promote European ideas, have no way to enter there.

Because of this, the population there to a greater extent is manipulated. We have seen some protests in Tiraspol. They are organized by the FSB and the local KGB, but at the same time, they are an expression of disobedience and non-acceptance of the new rules of the Customs Code.

### **Economic impact**

■ **Will this Chisinau measure of taxing goods affect the budget of the separatist Transnistrian region?**

■ We have mention that it is really a fiction, the whole budget is, because the budget is always filled from the revenues that are generated from the electricity supplies. But I mentioned, first of all, that a precedent would be created whereby several economic agents would say that it is not so complicated to pay some customs duties in the state budget.

Business is oriented towards profit and at the same time, it is oriented towards personal security, towards personal safety. Because if the regime works oppressively, they might be also left without goods but also life. I would like to mention that apart from the fact that a precedent would be set, there is the sad reality of unfair competition. The Transnistrian enterprises sell more than 55% of all their products

on the right bank. They consider them exports, while we consider them domestic sales. That is a very large amount. The total exports from the Transnistrian region they calculate reach USD 800-850 million annually. This is a large export, almost one billion.

The large quantities of products in Transnistria are produced with cheap energy. Respectively, they are cheaper than what is produced here. Many companies on the right bank went bankrupt as a result of the dumping prices.

My question is the following: why did the Competition Council, which should supervise good competition in the Republic of Moldova, never intervene until present, through an investigation into how the price of Transnistrian products is made? Because if, for example, we can't stop this, because these are internal sales, we can put on a blacklist the companies that generate products due to the fact that energy is almost for free.

Why do we accept, in a discriminatory manner, for the producers from the Republic of Moldova to pay the entire cost of electricity, and for the Transnistrians not to pay at all? What does Moldova Gaz stand for? Because Moldova delivers in

Transnistria 100 percent of the gas it receives from the Russian Federation - 5.7 million cubic meters per day.

We are glad that the cost of electricity we get from Transnistria is lower than if we bought it from the foreign market. But this creates non-competitive conditions for companies from the Republic of Moldova.

And I believe that if we put things in order, through the Competition Council, the National Agency for Energy Regulation (ANRE), we would no longer have situations in which certain economic agents would resort to the local FSB in order to blackmail Chisinau and not comply with the law.

### **Scenarios and possible solutions**

■ **What should the institutions from Chisinau do in this context? What are the methods by which the reintegration process could be accelerated?**

■ Of course, this is part of a larger process. Certainly not everything is discussed in economic terms. They are also discussing the opportunity to move forward with the reintegration process and Chisinau must calculate the costs and benefits.

We are now accelerating this reintegration, in conditions where the state is weakened and the institutions do not work in the ideal way, or the whole Transnistrian region should somehow go through a cleaning zone: demilitarization, bringing companies into the legal field, providing certain incentives for companies to enter the legal field, and, arguably, perhaps the most important institution that we tend to ignore is the institution of citizenship.

I have said it on several occasions. What Ukraine is doing is a very good thing - it is also calling one of its own citizens [Tiraspol's so-called Foreign Minister Vitaly Ignatiev] to account. But why don't we do that? Because approximately 90 percent of all the inhabitants of this region have the citizenship of the Republic of Moldova. And how does a citizen of the Republic of Moldova behave and feel when he/she works against the national interest and against the state that gave him citizenship by promoting and defending the interests of the Russian Federation?

■ **Thank you!**

**Interview by  
Madalin Necsutu**

# We are requesting payments, which is actually a double taxation of the Transnistrian economic agents

**T**he economic expert of IDIS Viitorul, Veaceslav Ioniță, explained in an interview for the FES/APE foreign policy newsletter the economic rationale behind the taxation of the goods in the Transnistrian region. We have tried to analyse in detail the risks and advantages for the Republic of Moldova of such an unprecedented move of the last three decades.

■ Mr. Ioniță, is the taxation of Transnistrian goods a move of normality on the part of Chisinau? What impact will it produce for the state budget of the Republic of Moldova and how will this measure impact the Transnistrian region in the end?

■ In my opinion, it's a worthless issue. Rather, it is a matter of a political nature. So, I would have liked such topics to be a subject of multilateral public debates so that decisions are made wisely and we do not fall into our own traps.

But let's get into the details. At customs, when goods are imported, three taxes are paid. The first is the VAT, which accounts for 70% of all customs revenues. The excise duty accounts for 25% of all the revenues, and the customs duties, which is our topic of discussion related to Transnistria, accounts for only 5% of customs revenues.

What does this mean? If an economic agent from the right bank of the Dniester imports a certain



commodity and pays USD 100, the economic agent from the left bank of the Dniester, if he/she imports the same commodity, will pay a maximum of USD 5, which is 20 times less. This is the first aspect. As a total volume this year, we anticipate that around MDL 38.5 billion will be collected at customs. I think it will be more, but this is the minimum amount that the Government is also planning. The Transnistrian part of taxes of this kind will be maximum MDL 300 million lei. This means that the Transnistrians will pay about 0.7% of the tax. So, 99% of all customs payments will be collected on the right bank.

But what does this mean for the budget? This is where things get nuanced. For us this means nothing, but it means something for Transnistria. For us, this means about 0.3% of the national public budget. We don't even feel this money, because it is not even visible in the budget, where it is rather in the "invisible chapter".

If we look at things from the perspective of those on the left bank of the Dniester, these taxes account approximately for 10% of their budget revenues. So, for us these new taxes are not a topic of discussion, but for those on the left bank of the Dniester it is very important.

## **Taxes and differences on the two banks of the Dniester**

### ■ What is happening from the political point of view with these new taxes?

■ I see a lot of excited people here that Transnistria has to pay now and that so far, they haven't paid, etc. A kind of barrier is formed, them being there and us here; whose who pay and those who don't.

I would like us to change the optics a little and think rationally, intelligently and in the European spirit, as we should be. I treat economic agents on the left of the Dniester equally, as economic agents of the Republic of Moldova who are in the unfortunate situation of being born and active in the region beyond the Dniester.

They are economic agents of the Republic of Moldova who, due to circumstances beyond their control, found themselves under an illegal regime, while the authorities of the Republic of Moldova cannot protect them. It cannot guarantee them any constitutional rights, including access to justice, and cannot protect them from illegal collections by a separatist regime.

And then the question is: does this state of the Republic of Moldova have the moral, political, legal, economic, ethical right to demand payments from the economic agents whom it cannot protect in any way?

If only we come to an agreement with the left bank of the Dniester and manage to negotiate at least a little protection for the economic agents there. However, since we are not able to protect and guarantee the most basic rights of our residents on

the left bank of the Dniester, we are now asking them for some payments, which is actually double taxation, because they are already paying to an illegal regime, and we cannot protect them from those forced payments.

I would also like to talk about the rationale behind this decision of our authorities. Indeed, the Republic of Moldova, treating the territory of the country as a single system in the past, guarantees access to educational, medical and other types of services to the residents on the left bank of the Dniester. I don't have the numbers right now, I hope that Mr. Oleg Serebrian will come up with details. It's hard for me to say what the amount is, but I assume that the benefits enjoyed by those on the left of the Dniester are much higher than this payment of about EUR 15 million. But, again, this does not mean that we have to behave in this way with economic agents.

Last but not least, we are talking about the political aspect. Yes, we have now just created a tension. We offered those on the left of the Dniester a perfect tool for exploiting the relations between Chisinau and Tiraspol. These movements legitimized the Tiraspol protests. The situation is tense.

We would rather sit quietly and do nothing if we want peace and tranquillity in the region. Instead, Chisinau acts by tensing and escalating the situation.

## **Political stakes and possible scenarios**

### ■ And what should be done then in this situation where Chisinau can face negative scenarios in both cases?

■ And then, politically, Chisinau can get in a bad situation. If we give in on these taxes, the situation will get even worse. Because we have a worthless economic issue, and if Chisinau gives in, the Transnistrians will demonstrate once more that "the tail is wagging the dog".

They will demonstrate that they have the ability to slap Chisinau on any subject, regardless of whether the subject is important or less important, and that they have the ability and the political possibility to pressure and influence Chisinau so that it is forced to yield even in the case of some trivial matters. So, we fail to promote even the smallest interest of ours.

I think we have created a problem at an inopportune moment and I don't know how we will manage this case in the end. I want to insist that we should not think from the perspective of "us and them" or "us against them", but through the prism of the fact that they are economic agents of the Republic of Moldova, whom the Moldovan state cannot protect.

### ■ Mr Ionita, but in this context, should Chisinau be prepared with contingency plans for the reintegration of the region this year, if necessary?

■ I believe that the Republic of Moldova has no plan to reintegrate the Transnistrian region, which is a regrettable fact. We made some public presentations at IDIS Vitorul, within a project funded by the Romanian Government, through which we tried to see what was happening on both banks of the Dniester. I'm just giving you a few elements to get the situation clearer. Why? They have a different

taxation system, independent of ours.

In our country [on the right bank], in the case of taxation, the focus is on the population, while on the left bank of the Dniester River, they rely on economic agents. With us, 85% of all payments from the national public budget are taxes generated by consumption and incomes of the population.

Moreover, there is no VAT in Transnistria. The secessionist authorities there were thinking of introducing VAT and I am surprised that our authorities did not work for them to implement the VAT, including providing free financial assistance. Not that we want to strengthen them, but we want to bring their tax system closer to ours.

Moreover, they do not have a health insurance system. We implemented the health insurance system in 2004, 13 years after the independence of the state. And we gradually implemented it. It was finalized in the current format by 2010-2011.

And then you cannot ask those on the left bank of the Dniester to align to a system that we have implemented for five years, after 15 years since independence.

Therefore, the Republic of Moldova will have to gradually absorb this region. This would mean additional costs from our budget. These costs can very easily be justified in front of European partners who I am sure will come up with all the necessary financial support.

There is also the question of what to do with the financial system. The Tiraspol regime would like to be able to make transactions on both banks of the Dniester. But we cannot do this, not because we do not want and do not love them. But, remember, the Republic of Moldova had the issue of the “theft of the billion”. Even if we had a regulatory system and we thought it was good, that big theft from the banking system happened. And now the Republic of Moldova is subject to extremely strict rules and rigors for a global system of financial transfers.

Moreover, the Republic of Moldova, in order not to be disconnected from the banking systems of the United States - SWIFT - has implemented all the requirements imposed by the United States Treasury. Instead, on the left bank of the Dniester River, only the banks of the Republic of Moldova can operate. If we wanted to somehow protect the capital on the left bank of the Dniester, which is ours after all, a question arises: how do we ensure them a transit period so that they correspond to all the rigors?

This is exactly the situation when it comes to the social protection system: there is now a pension gap even though they were better off in the 2000s. Now the situation has worsened. In Transnistria, the salary is currently lower by about 50% compared to the salary on the right bank of Moldova.

■ Thank you!

*Interview by  
Madalin Necsutu*

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