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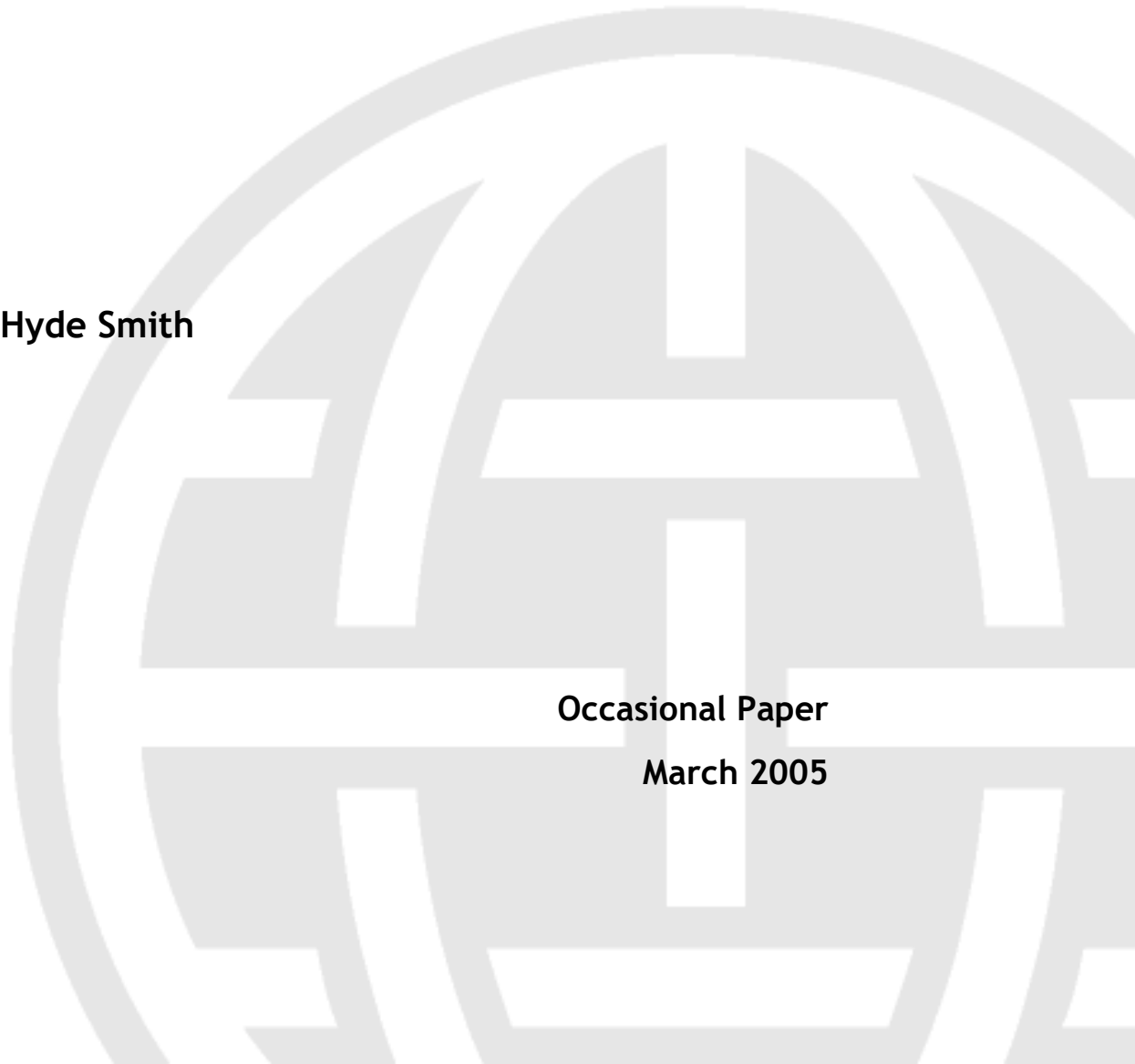
Moldova Matters:

Why Progress is Still Possible on Ukraine's Southwestern Flank

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Foreword

Despite the great progress of democratization in the countries of the former Soviet empire since 1989, there remain several areas where politics are largely frozen in their old pattern and Russian policy continues to resist change. In these areas not only are economic progress and political rights suppressed, but internal conflicts are often prolonged and the growth and operation of transnational terrorist groups, smuggling rings and crime syndicates encouraged. As a consequence, neighboring states are threatened with problems not of their own making.

The situation in Moldova and Transnistria is a classic example of a challenge that Moldova's European neighbors and the United States cannot afford to ignore and leave to fester while it continues to export unwanted consequences. To highlight the dangers of this situation and to suggest some policy approaches to its resolution, the Atlantic Council asked Pamela Hyde Smith, who served as U.S. Ambassador to Moldova from 2001 to 2003, to outline the challenges faced by Moldova and to give her analysis of how they can best be addressed and of the roles that the United States, European countries and others (including Russia and Moldova's immediate neighbors) will have to play in order to bring about durable progress.

The Council wishes to express its gratitude to Ambassador Smith for her astute insights and thoughtful, informed commentary. She wrote this paper in her personal capacity and her views do not necessarily reflect those of the United States Department of State or of the Atlantic Council, which takes no institutional position on the issues and recommendations addressed in the paper. We hope, however, that the paper will prove a stimulating contribution to the debate about U.S. and allied policy.

Thanks are also due to John Sandrock, the Director of the Council's Program on International Security, whose idea it was to commission a paper on this subject and who was closely involved in determining its scope; and to Jason Purcell, Assistant Director of the Program, for his efforts in reviewing and editing this report.

Christopher J. Makins
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Key Judgments

Moldova has the potential either to become a viable, secure part of the European space or to spiral into chaos and criminality. Falsely appearing stable because its “frozen conflict” in Transnistria has not erupted into the international news (like similar disputes in Georgia and Azerbaijan or events in Ukraine) and too small to attract the notice of senior policymakers in Washington or Western Europe more than sporadically, Moldova now neighbors the North Atlantic Treaty Organization (NATO) and will abut the European Union (EU) if, as predicted, Romania accedes in 2007. Moldova can not and should not be expected to prosper without Western and Russian help. This paper argues that Moldova deserves such help and examines what can be done to make sure it succeeds.

Tackling the Problem of Transnistria

After the collapse of the Union of Soviet Socialist Republics (USSR) in 1991, when Moldova declared independence, the eastern territory fought a short, bloody war, assisted by Russian troops, to resist union with Moldova’s western majority. This eastern area, Transnistria (sometimes also called Transdniester), proclaimed its sovereignty and has been somewhat successful – despite lacking the diplomatic recognition of any country or international organization – in accumulating the trappings of statehood while persisting as a time-warped relic of the Soviet past. Different ethnic mixes do prevail on the two sides of the Nistru, but the present conflict is not ethnically-based, nor is religion a factor within the overwhelmingly Orthodox population. Instead, political survival and profiteering motivate Transnistrian leaders and their protectors.

Over the last few years, Transnistria’s separatist leader, Igor Smirnov, has been able to maintain Russian support for Transnistria and forestall any change in his regime’s lucrative extra-legal arrangements. In the process, he has become Moldovan President Vladimir Voronin’s worst nightmare. Smirnov uses the Soviet-era munitions depot at Colbasna as a bargaining chip in an attempt to extract “rent” from Russia at the same time that Russia and Transnistria assign responsibility to each other for a lack of progress on Russian military withdrawal and political settlement. Moreover, Transnistria and Russia have conspired for years to construct any settlement talks in such a way that Transnistria has a voice equal to Moldova’s; they further act as if Transnistria were a legitimate economic and political entity whose *desiderata* deserve to be accommodated. In fact, it is Transnistria – and not Moldova – that bears the lion’s share of the blame for the tension and disputes following the 1991 conflict; it is not a legal entity. And unlike Moldova, Transnistria has neither compromised nor shown any interest in resolving the issues at hand.

The Government of Moldova wants Transnistria to be subject to its governance, border controls, economic policies and laws. Moldova rightly believes that such a union would eliminate Transnistria’s illegal trading practices and fatally undermine its corrupt, illegitimate government. Moldova also sees the integration of Transnistria into its territory as a key step in making Moldova a viable country, a more attractive destination for investment capital and a more feasible EU aspirant. Consequently, President Vladimir Voronin has persistently and

sometimes impulsively pushed for solutions, both to the stalemate regarding Russian troop and munitions withdrawals and to the deadlock in the political settlement process. Overall, Voronin has made himself by far the most energetic proponent of new approaches to Transnistria on today's stage. Unfortunately, all of these approaches have failed because Moldova has few levers with which to effect its desired outcomes and thus needs the assistance of outside powers. Meanwhile, most of Moldova's potential friends and helpers have their own designs, are much more powerful than Moldova itself and are very hard to court.

Moldova in the World

Moldova and Russia

Russia's motivations in Moldova look familiar to observers of Russian attitudes throughout its "near abroad." From Moscow, Moldova likely appears to be a minor irritation on its "traditional" periphery, not as problematic as Ukraine, Chechnya or the Caucasus, but in the same basket of troubles that would never have happened if the Soviet Union had stayed intact. Thanks to Cold War habits of mind, Russia's interest in hegemony over Moldova increased noticeably when Romania joined NATO.

Russia's economic interest in the *status quo* solidified thanks to sweetheart deals that Smirnov has concluded with Russian – and Ukrainian – businesses as part of the "privatization" of Transnistrian firms. Furthermore, the Russian military and intelligence apparatus resists losing comfortable billets that have proved lucrative, while nationalists in the Duma call for protection of Russian-speakers in former Soviet territory. President Vladimir Putin seems quite willing to appease them all and to re-exert control over Moscow's former domain. Transnistria provides the excuse Russia needs to remain a military and political presence in the region, with the result that solving this long-standing problem is not likely to seem desirable to Russian policymakers in the foreseeable future. Moldova's energy and trade dependence on Russia provide the Russian Government with convenient ways to press Moldova into line.

Largely in response to Russia's obdurate attitude toward Transnistria, President Voronin has begun to reorient Moldova toward the West. Russia, therefore, needs a new approach to Moldova: one that recognizes that Russia has far more to gain from better relations with the EU and the United States than from playing Cold War cat-and-mouse games aimed at keeping a few hundred troops in Moldova (or Georgia). Russia needs to set aside suspicion and work with its Western partners, cooperating to foster stable, prosperous economies in the former Soviet space, especially among the Western NIS.

Moldova and Its Neighbors: Ukraine and Romania

Like Russia, Ukraine also needs a new Moldova policy. Newly elected Ukrainian President Viktor Yushchenko seems to recognize this, as Ukraine has begun working with Moldova to block smuggling and thwart unapproved Transnistrian trade – much to Transnistrian leader Smirnov's alarm. These are extremely encouraging steps. The most promising additional tool at Ukraine's disposal would come into play on its Transnistrian border: stationing international observers there and cooperating with Moldova would demonstrate that Ukraine

is serious about clamping down on crime and corruption and that it seeks to play a responsible role in its neighborhood. Smirnov and his cronies will be unable to survive for long after their revenue stream is dammed.

There likewise appears to be a good deal of promise in Moldova's relations with its western neighbor, Romania. In the early 1990s, a surge of enthusiasm emerged in Moldova for rejoining Romania, thereby recreating the union that existed during the inter-war period. This ebbed fairly quickly, in part because it became clear that the bloody opposition to it that was seen in the Transnistria war might be echoed among the rest of Moldova's Slavic language-speaking population. Another reason, however, derives from Romania's mixed record as a colonial overlord in pre-War Moldova, when some remember the Romanians as being exploitative and high-handed.

But recently, after years of tension during which Romania seemed to harbor urges to absorb Moldova – or at least to exert hegemonic sway over it – the ground is shifting. Romania today officially professes no lingering interest in re-acquiring Moldova, and Romania's new president, Traian Basescu, extended Moldova a hand of friendship on his recent visit, his first international trip. He proclaimed Romania's eagerness to expand trade, to help Moldova approach the EU and to help solve the Transnistrian impasse.

Moldova and the West

Despite increased EU interest in Moldova over the past two years, officials in Brussels continue to send mixed signals: sometimes implying that Moldova's chances for accession remain alive contingent on improved performance, and other times conveying that Moldova, like Belarus, the Caucasus and possibly Ukraine, is and always will be a step too far. If Romania joins the EU in 2007, however, Moldova – which will by then have a sizable percentage of its population holding Romanian citizenship – would serve the EU's interests far better if it remains hopeful, aspiring and trying to make the grade, instead of rejected and forced to turn east. The same could be said for other countries, of course, but none is as small, digestible or incontrovertibly European as Moldova. At the very least, with 2007 in view, the EU could serve itself well by deploying its extensive expertise in cross-border trade and customs control along the sieve that is Moldova's eastern border.

Though the United States has been Moldova's largest bilateral aid donor and its most reliable objective outside partner in settling the issues plaguing Transnistria for over a decade, its interest in the country has also grown notably in the past few years. Since 9/11, of course, the United States has focused on potential terrorist havens, seeing unrecognized Transnistria and its unguarded border as a dangerous "black hole" in need of attention. The United States also sees danger in the strengthening of criminal networks caused by routine smuggling. It is working to prevent trafficking in persons and to prosecute traffickers.

U.S. assistance to Moldova prior to 9/11 made its greatest contribution in the land privatization program, which assisted previous Moldovan governments in breaking up defunct collective farms and giving their land to individual farmers. Similarly, the current U.S. interest in working with Moldova to reduce threats emanating from Transnistria has not prevented it from promoting other priorities, notably sustaining democracy and a viable

economy. In these sectors, however, the United States has more differences with the current government and often finds itself pushing hard with relatively less success for transparent economic practices, anti-corruption measures, embrace of International Monetary Fund (IMF) and World Bank agreements, open media and fair play regarding the activities of the opposition parties. One particular U.S. concern has been that Moldova maintain the excellent record it had, until May 2003, in conducting internationally-acclaimed free and fair elections. The 2005 parliamentary elections were a highly important test for Moldova's fledgling democracy, and the United States expressed to Moldovan officials its concerns about election-related problems in the lead-up to March 6.

The Promise of the Recent Elections

The Organization for Security and Co-operation in Europe's (OSCE's) election-monitoring team judged the 2005 election to be generally in compliance with most OSCE and Council of Europe commitments and other international election standards, but also stated that the election fell short of some commitments that are central to a genuinely competitive election process – an assessment the U.S. Government shares. U.S. officials, while pleased that election day went smoothly and that some late progress was made in addressing certain issues, also expressed regret that negative trends first seen in the local elections of 2003, including issues of access to the media, persisted in 2005. The United States has urged Moldova to take immediate steps to heed OSCE and Council of Europe calls for future elections that are fully free and fair.

Even given these legitimate Western concerns, it should be noted that the 2005 election did not present compelling reasons for the Moldovan electorate to choose a dramatic shift toward new policies in the first place. Instead, the governing Communist Party had already, for well over a year, embraced European integration and a number of progressive policies, while the centrist coalition (BMD) had been more conciliatory toward Russia and the Commonwealth of Independent States (CIS). On a more personal level, President Voronin, in office for four years and by far the most popular politician in the country, faced no charismatic challengers among the opposition. Confronted with perplexing choices, Moldovan voters appear to have endorsed the ruling party, but with more reservations than in the 2001 elections. The Communists will thus have to govern judiciously to retain popular support.

Toward a Brighter Future for Moldova

A solution to Transnistria will require U.S. and European leaders to focus on this region more often and more intently than they have, and to insist at the highest level that Russia both fulfill its Istanbul troop and munitions withdrawal commitments and force Smirnov into a fair political settlement; it will require starving out organized crime, establishing proper border controls along the Transnistrian segment of the Moldova-Ukraine border and freezing illegal Transnistrian trade and assets globally; and it will require increased assistance to bring a reunited Moldova into the family of nations that accept the responsibilities and enjoy the benefits of liberty and prosperity.

Moreover, as the United States seeks to cooperate with allies in the EU and partners like Russia and Ukraine to quell trouble and eliminate potential terrorist havens, Moldova offers a ripe opportunity for success at comparatively modest cost.

Moldova Matters:

Why Progress is Still Possible on Ukraine's Southwestern Flank

I. Setting the Stage: Understanding Today's Moldova

On March 6, 2005 Moldova elected a new parliament, which by mid-April will choose the country's next president. The election results did not mimic the dramatic upheavals in Ukraine, Georgia or Romania: the Communists lost ground but retained power, the centrist coalition gained ground but not power and the far right stayed even. Still, the election has focused attention on Moldova and its cauldron of competing forces – it suffers from all the typical post-Soviet ills, but it has also managed some of the region's unnoticed achievements.

Moldova has the potential either to become a viable, secure part of the European space or to spiral into chaos and criminality. Falsely appearing stable because its “frozen conflict” in Transnistria has not erupted into the international news (like similar disputes in Georgia and Azerbaijan or events in Ukraine) and too small to attract the notice of senior policymakers in Washington or Western Europe more than sporadically, Moldova now neighbors NATO and will abut the EU if, as predicted, Romania accedes in 2007. Moldova can not and should not be expected to prosper without Western and Russian help. This paper argues that Moldova deserves such help and examines what can be done to make sure it succeeds.

A Difficult Recent History

Moldova's rich farmland and location north of the Black Sea between Romania and Ukraine have made it a pawn taken, retaken and traded throughout history by Romania and Russia. The ethnic mix of its population – 65 percent Romanian, 14 percent Russian, 14 percent Ukrainian, plus small groups of Turks, Bulgars, Jews, Roma and others – reflects Moldova's complex past and hampers cohesion in a region that values ethnicity over citizenship in forming national identity. Under the terms of the Molotov-Ribbentrop Pact, in 1940 much of what is now Moldova – the Bessarabia region of pre-War Romania, west of the Nistru (*Dniester* in Russian) River – passed from Romanian to Russian hands and joined a sliver of more heavily Slavic territory east of the Nistru to form a Soviet Republic.

After the collapse of the USSR in 1991, when Moldova declared independence, the eastern territory fought a short, bloody war, assisted by Russian troops, to resist union with Moldova's western majority. This eastern area, Transnistria (sometimes also called Transdniester), proclaimed its sovereignty and has been somewhat successful – despite lacking the diplomatic recognition of any country or international organization – in accumulating the trappings of statehood while persisting as a time-warped relic of the Soviet past. Different ethnic mixes do prevail on the two sides of the Nistru, but the present conflict is not ethnically-based, nor is religion a factor within the overwhelmingly Orthodox population. Instead, political survival and profiteering motivate Transnistrian leaders and their protectors.



Moldova, including Transnistria

Russian troops ostensibly remain in Transnistria to guard a large munitions depot at Colbasna, which is filled with decaying, un-inventoried Soviet-era armaments deposited there from the close of World War II through the 1991 withdrawal of Soviet troops from Warsaw Pact countries. Separatist Transnistria, with its Russian troops and munitions and its indigenous forces that are larger and better equipped than Moldova's own, ranks with Abkhazia and South Ossetia in Georgia and Nagorno-Karabakh in Azerbaijan as one of the unfinished agenda items of the Post-Cold War era.

Moldova including Transnistria is about the size of Maryland and has a population of around 4 million – 3.4 million preliminarily gauged by the 2004 census in Moldova proper and an estimated 600,000 in Transnistria, where the census was blocked. When using the name “Moldova” and speaking of the legitimate government whose capital is Chisinau (*Kishiniev* in Russian), most observers mean the part of the country west of the Nistru, because Moldova's government has no control over Transnistria. Moldova absent

Transnistria is largely agricultural, and its citizens' income is less than half that of Soviet times. Transnistria's inhabitants fare even worse. Nevertheless, Chisinau has begun to hum with construction and increasing prosperity, lifted by economic growth in the region and surging remittances from Moldovan guest-workers scattered across Europe and Russia. A series of democratically-elected governments during the 1990s instituted ambitious democratic and economic reforms, including land privatization, even if the country's leaders allowed political infighting to distract them from governing ably. In 2001, as a result of the splintering of the centrist parties and out of nostalgia for the more prosperous, less

complicated Soviet past, Moldova freely elected a Communist government, headed by the popular president Vladimir Voronin. A centrist opposition coalition, now called the “Democratic Moldova Bloc”, maintains a fragile cohesion, while calling for the restoration of frayed relations with Russia and the CIS.

Under its Communist government, Moldova’s economy has grown by a respectable six percent per year, on average. Yet Moldova remains Europe’s poorest country. It is the source of worrisome out-migration and of the Balkans’ largest number of trafficked women. Until 1998, Moldova was neck-and-neck with the Balkan countries of Southeast Europe in terms of economic and democratic reform, but in the last three years it has fallen even with the western NIS (Newly Independent States). Moldova’s present government has tried but failed to thwart long-standing, endemic corruption; attract investment from the West; and stay “on program” with the IMF and World Bank. On the plus side, Voronin has led capable progressives in government to shift Moldova’s foreign policy priorities 180 degrees by abandoning their campaign promise to join the Russo-Belarus Union and opting instead for trying to join the EU. To manage this transition, Moldova must recommit itself unflinchingly to reform and follow the path of those Central and East European countries that are succeeding. Despite its many problems, including creeping authoritarianism in some sectors, Moldova remains the most democratic, open country in the entire former Soviet space (except for the Baltic states and now Ukraine and Georgia) and it is certainly the easiest to imagine with a prosperous, democratic future within the span of the current generation.

The March 2005 Elections

In the elections of March 6, 2005, the Communist Party won 46.11 percent of the votes, the Democratic Moldova Bloc (BMD) 28.41 percent, the Christian Democrats (PPCD) 9.07 percent and the other parties split the remainder. The percentages will translate into 56 seats in Parliament for the Communists, 34 for the BMD and eleven for the PPCD. 52 seats are required by the Constitution for a party to govern; 61 are required to elect a president. Thus, the Communists do not need to form a coalition in order to govern, but will require support from outside their party to elect a president. If the opposition parties keep their vow not to yield five votes to the Communists’ choice for president, the national election will have to be repeated.

A number of surprising events occurred during the run-up to the 2005 election. For one, the government worked to ensure that Moldovan citizens in Transnistria could vote in the “joint security zone” between Transnistria and the rest of Moldova, and approximately 9,000 did. Additionally, the dramatic pre-election period saw the expulsion by Moldova of a number of Russian citizens whom it accused of meddling in the election process and working for opposition political parties without permits. As a reaction to this – and to Moldova’s so-called “economic blockade” of Transnistria – some Russian Duma deputies proposed a resolution, which the Duma later passed, recommending sanctions against Moldova. Finally, both the visit of Georgian President Saakashvili and Voronin’s pre-election meeting with Ukrainian President Yushchenko were claimed by the Communists as symbols of international support.

The 2005 election did not present compelling reasons for the Moldovan electorate to choose a dramatic shift toward new policies, as occurred in Ukraine, Georgia and Romania. Instead, the governing Communist Party had already, for well over a year, embraced European integration and a number of progressive policies, while the centrist coalition (BMD) had been more conciliatory toward Russia and the CIS. On a more personal level, President Voronin, in office for four years and by far the most popular politician in the country, faced no charismatic challengers among the opposition. Confronted with perplexing choices, Moldovan voters appear to have endorsed the ruling party, but with more reservations than in the 2001 elections. The Communists will thus have to govern judiciously to retain popular support.

The OSCE's election-monitoring team judged the 2005 election to be generally in compliance with most OSCE and Council of Europe commitments and other international election standards, but also stated that the election fell short of some commitments that are central to a genuinely competitive election process – an assessment the U.S. Government shares. U.S. officials, while pleased that election day went smoothly and that some late progress was made in addressing certain issues, also expressed regret that negative trends first seen in the local elections of 2003, including issues of access to the media, persisted in 2005. The United States has urged Moldova to take immediate steps to heed OSCE and Council of Europe calls for future elections that are fully free and fair.

II. The “Black Hole” of Transnistria

Driving into Tiraspol, Transnistria's “capital”, the intrepid traveler or diplomat on a mission passes collective farms, crumbling Soviet-style apartment blocks, the rusted hulls of Soviet tanks, a huge red granite statue of Lenin and billboards exhorting citizens to patriotism. Hollywood could not improve on the authoritarian “president” Smirnov's Marxist *persona*. A powerful secret police keeps the population cowed and wary of contact with the outside world. But the traveler also passes a world-class soccer stadium and outcroppings of commercial activity. This paradox results from Transnistria's position as an *entrepot* for the smuggling of arms, persons, money, drugs and other goods. The profits from such activities enrich Smirnov and his family, friends and associates in the Russian and Ukrainian mafias. No international law enforcement bodies or internationally-accepted local equivalents operate in Transnistria, at its airport or along its unguarded border with Ukraine, permitting smugglers free access to the port of Odessa for illegal exports. Profits are laundered through banks in Transnistria, Moldova, Russia, Serbia-Montenegro and Cyprus.

The Soviets placed their heavy industry for the region in Transnistria; today the enclave admits to manufacturing small arms, many bearing no serial numbers, and is widely thought to produce rocket launchers, grenade launchers and other equipment on contract to the Russian military. Cheap new Transnistrian armaments and *materiel* seeping out of the Transnistrian security forces are widely believed to find their way into the wrong hands in Chechnya, Abkhazia, the Congo and Côte d'Ivoire; Colbasna is a less likely but still possible source of additional illegal arms sales. Further profits come from Ribnitsa, whose modern steel factory's low-cost products are sanctioned by United States, but readily purchased by customers in Germany (the main importer). Transnistria's huge dam on the Nistru supplies

most of Moldova’s electrical power, while its roads provide Moldova’s exporters with the shortest route to their principal markets in Ukraine and Russia. As a result, Transnistria, with 15 percent of Moldova’s population, produces 40 percent of its industrial output and is able to cause serious harm to Moldova’s economy.

The Objectives of the Transnistrian Leadership

At the heart of the Transnistrian conflict lies the Smirnov regime’s political and economic goal of remaining outside the law, an aspiration achievable only with Russia’s behind-the-scenes assistance. Consequently, when Voronin became Moldova’s president in 2001, he was Smirnov’s worst nightmare: a Moldovan leader who is ethnically half-Romanian and half-Russian, raised in Transnistria, friendly with Moscow and determined to bring Transnistria into a union with Moldova on Moldova’s terms.

Over the last few years, however, Smirnov has been able to maintain Russian support for Transnistria and forestall any change in his regime’s lucrative extra-legal arrangements. In the process, he has become Voronin’s worst nightmare. Smirnov uses Colbasna as a bargaining chip in an attempt to extract “rent” from Russia at the same time that Russia and Transnistria assign responsibility to each other for a lack of progress on Russian military withdrawal and political settlement. Moreover, Transnistria and Russia have conspired for years to construct any settlement talks in such a way that Transnistria has a voice equal to Moldova’s; they further act as if Transnistria were a legitimate economic and political entity whose *desiderata* deserve to be accommodated. In fact, it is Transnistria – and not Moldova – that bears the lion’s share of the blame for the tension and disputes following the 1991 conflict; it is not a legal entity. And unlike Moldova, Transnistria has neither compromised nor shown any interest in resolving the issues at hand.

Tellingly, 2004 and early 2005 witnessed a tumultuous chapter in the Moldovan-Transnistrian standoff. Transnistria spent the summer of 2004 “acting out” – closing Romanian-language schools, using orphans as bargaining chips, exacerbating trade disputes and harassing Moldovan authorities to a point just short of violence. Five-party talks regarding a possible political settlement (Moldova, the OSCE, Russia, Transnistria and Ukraine are the parties to the talks, per a 1995 agreement) stalled once again, perhaps definitively, torpedoing attempts to fashion a political union, a Constitution or even working economic relations. Voronin proposed new approaches, documents, conferences and coalitions aimed at breaking the deadlock, while Russia attempted to forge a solution that would have been to Transnistria’s advantage. And for the third year in a row, Russia failed to fulfill the pledge it made at the OSCE’s 1999 Istanbul summit to withdraw its troops and munitions from Transnistria by the end of 2002. While Russia claims that Transnistrian obstructionism is to blame, Putin’s government no longer seems to be pushing to make progress on military withdrawal. Previously, the pressure of the annual December OSCE Ministerial would cause a few munitions trains to be released, but only one lone train has left Colbasna since the beginning of 2004.

Like the Russians, Smirnov will work to preserve the *status quo* for as long as possible, even if he is too clever not to have developed some alternatives. As implied by his desire to

establish Transnistria's *de facto* statehood, his second choice is coexistence with Moldova in a confederation granting Transnistria equal status, extensive autonomy and the right to withdraw, rather like the model of Serbia and Montenegro. After all, Smirnov may not see true independence as a viable option. Transnistria has a population of only 600,000, and its statehood would likely unbalance the region, set a precedent for other secessionist regimes and earn the disapproval of big powers, including Russia. Therefore, Smirnov has occasionally toyed with the idea of union with Ukraine, which is contiguous, or, in a Kaliningrad model, with Russia. These options lack appeal, however, because Smirnov would lose leverage if Transnistria were to become part of a much larger state. Smirnov also mentions a safe retirement, probably in Russia (he came to Transnistria from east of the Urals shortly before the conflict and retains Russian citizenship). But regardless, it is clear that his very last choice would be union under the governance of Moldova, as he would lose both power and the chance to continue amassing illicit revenues. He is also likely to be prosecuted under such a scenario.

Moldova's Objectives for Transnistria

The Government of Moldova wants Transnistria to be subject to its governance, border controls, economic policies and laws. Moldova rightly believes that such a union would eliminate Transnistria's illegal trading practices and fatally undermine its corrupt, illegitimate government. Moldova also sees the integration of Transnistria into its territory as a key step in making Moldova a viable country, a more attractive destination for investment capital and a more feasible EU aspirant. Consequently, President Voronin has persistently and sometimes impulsively pushed for solutions, both to the stalemate regarding Russian troop and munitions withdrawals and to the deadlock in the political settlement process. Overall, Voronin has made himself by far the most energetic proponent of new approaches to Transnistria on today's stage.

In the summer of 2002, the OSCE tabled the "Kiev Document", which proposed a federal solution that was initially endorsed by mediators Russia and Ukraine, along with interested outside parties like the United States. Voronin had come to accept the proposal, even though he and much of the Moldovan electorate preferred a unitary state, which would absorb Transnistria, over a federal one that would give Transnistria some autonomy. Unsurprisingly, the "Kiev Document" was neither endorsed by Transnistrian leaders nor enthusiastically promoted by Russia. And because the Moldovan government opted not to rally public opinion in favor of the Document, the average Moldovan became persuaded (by vocal opponents of the new plan) that "federalization" was a Russian plot aiming to give Transnistria far more power in a federal Moldova than the "Kiev Document" ever envisioned. One particular opponent, driven by far-fetched conspiracy theories and a misunderstanding of the federalization concept, went so far as to plant doubts about the objectivity of the OSCE and to claim that the West had "given away" Moldova to Russia – both spurious charges – while distorting U.S. policy and excoriating U.S. officials. Having been subjected to the Molotov-Ribbentrop Pact, it is not hard to understand why many Moldovans would fear similar conspiratorial undermining of their country today, but U.S. friendship and assistance to Moldova over the past several years should be sufficient to

prove to anyone rational the absurdity of the idea that the United States would ever reprise Nazi Germany’s role in the country’s dismembering.

In early 2003, to reinvigorate and then move beyond Kiev, Voronin proposed writing a new federal Constitution. When that project stalled, he nearly agreed to a Russian proposal – the Kozak Memorandum of November 2003 – only to reject it at the last moment, arguing that it would have given Transnistria too much power and permitted an undesirable long-term Russian military presence in the country (see below). In June 2004, Voronin proposed a Stability and Security Pact as part of yet another effort to rejuvenate the process of resolving the Transnistria impasse; the Pact would also formalize Romanian and Russian acceptance of Moldova as a sovereign, multiethnic country. Meanwhile, another new proposal called “3-D” (demilitarization, democratization and decriminalization), developed by private and expatriate Moldovans, is attracting favorable comment for its detailed suggestions on peacekeeping forces, international policing and border controls, among other needs. President Voronin has also suggested an international conference to discuss the Transnistria impasse, proposing yet another new approach in mid-February of 2005.

Why have these initiatives failed thus far? Regrettably, Moldova has few levers with which to effect its desired outcomes and thus needs the assistance of outside powers. But most of Moldova’s potential friends and helpers have their own designs, are much more powerful than Moldova itself and are very hard to court.

III. Moldova’s Key International Relationships

Moldova-Russia Relations

Russia is Moldova’s largest trading partner and the supplier of almost all its energy needs. Furthermore – and to the dismay of Moldova’s ethnically-Romanian majority – most of the Communist leaders in Moldova speak Russian as well as or better than Romanian, and grew up seeing Moscow as their sentimental lodestar. Since these politicians turn instinctively to Russian models, Putin’s anti-democratic tendencies have encouraged similar behavior in Moldova, as they have in much of the former Soviet space. On the other hand, there was some hope that the Moldovan government’s pro-Russian credentials would inspire Putin’s government to force Smirnov to dance to Voronin’s tune. But Russia declined this option and sided with Transnistria, pressuring Moldova to such a degree that Moldova’s Communist government has effectively switched its allegiance to the West.

Russia’s motivations in Moldova look familiar to observers of Russian attitudes throughout its “near abroad.” From Moscow, Moldova likely appears to be a minor irritation on its “traditional” periphery, not as problematic as Ukraine, Chechnya or the Caucasus, but in the same basket of troubles that would never have happened if the Soviet Union had stayed intact. Thanks to Cold War habits of mind, Russia’s interest in hegemony over Moldova increased noticeably when Romania joined NATO. Russia’s economic interest in the *status quo* solidified thanks to sweetheart deals that Smirnov has concluded with Russian – and Ukrainian – businesses as part of the “privatization” of Transnistrian firms. Furthermore, the Russian military and intelligence apparatus resists losing comfortable billets that have

proved lucrative, while nationalists in the Duma call for protection of Russian-speakers in former Soviet territory. Putin seems quite willing to appease them all and to re-exert control over Moscow's former domain. Transnistria provides the excuse Russia needs to remain a military and political presence in the region, with the result that solving this long-standing problem is not likely to seem desirable to Russian policymakers in the foreseeable future. Moldova's energy and trade dependence on Russia provide the Russian government with convenient ways to press Moldova into line.

Russia has repeatedly failed to fulfill its Istanbul commitments to withdraw munitions and troops from Transnistria, and therefore it has not yet obtained the adapted CFE (Conventional Armed Forces in Europe) treaty it wants. Russia's most focused recent attempt to break the Transnistrian logjam was the "Kozak Memorandum", offered secretly to Moldova in November 2003, in parallel to the stumbling five-sided talks in which Russia was participating. The Kozak plan would have given Transnistria effective veto power over Moldovan politics and legislation and would have kept and increased the number of Russian troops stationed in the territory for another fifteen years. Voronin's last-minute rejection of the Kozak Memorandum – reportedly after vigorous protests against the plan by the OSCE, the EU and the United States, and spurred by Georgia's contemporaneous ouster of Shevardnadze – infuriated Putin, who abruptly had to cancel a celebratory trip to Chisinau. Kozak, a trusted Kremlin legal advisor but an inexperienced diplomat, thus botched Russia's attempt to cement its position in Moldova. Russia has expressed its displeasure to Moldova ever since, both diplomatically and economically, and Voronin avoided the 2004 CIS summit, citing Moldova's EU trajectory. At the same time, however, Voronin made some efforts to repair the relationship. He visited Putin last July, avoided the 2004 GUUAM (the Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova Group) summit and joined Russia and all the CIS states, except for Georgia and Azerbaijan, in criticizing the OSCE for focusing too heavily on democratization.

The Moldovan public, for its part, vehemently rejected the Kozak Memorandum and fears that a similar plan will resurface and prevail after Moldova's new government is in place in April. However, Voronin's unexpectedly prickly relations with Moscow prove that he is not in Russia's pocket, and make him likely, if he retains the presidency, to reject any retooled version of the Kozak Memorandum. He must also be aware that acceptance of a Kozak-like plan would gravely derail Moldova's prospects for consideration by the EU and compromise its continued productive relations with the United States.

Russia, therefore, needs a new approach to Moldova: one that recognizes that Russia has far more to gain from better relations with the EU and the United States than from playing Cold War cat-and-mouse games aimed at keeping a few hundred troops in Moldova (or Georgia). Russia needs to set aside suspicion and work with its Western partners, cooperating to foster stable, prosperous economies in the former Soviet space, especially among the Western NIS.

Moldova-Ukraine Relations

Until its "Orange Revolution", Ukraine was a tough neighbor for Moldova. Disputes about territory along the border were resolved in Ukraine's favor, resulting in Moldova losing its

traditional access to the Black Sea. Ukraine never advanced a solution to the Transnistria problem, although it has often gone along with proposals favored by Russia. One had to conclude that the Transnistrian *status quo* suited Ukraine, most likely because its economic implications benefited the Ukrainian mafia, which handled the smuggling trade between Transnistria and the Odessa region and supplied pay-offs to officials.

Despite concerted efforts by Moldova and the United States, during the Kuchma era Ukraine declined to institute an effective customs regime along the Transnistrian border. The prevailing set-up – with unrecognized Transnistrian “officials” on the Transnistrian side and Ukrainian officials on the Ukrainian side – has allowed collusion and rampant smuggling, not to mention avoidance of Moldovan customs duties. A much stricter customs regime along Moldova’s other borders has dramatically reduced crime and increased border control and revenue collection. To address the Transnistrian part of the border, Moldova has proposed stationing Moldovan officials alongside Ukrainian officials on Ukrainian soil, given that Moldovan officials are barred by Smirnov from performing their duties in Transnistria. Additionally, the OSCE has suggested the stationing of international observers along the Ukrainian side of the border. Under former Ukrainian governments, obstacles to both of these ideas always arose, either from Ukraine itself or from Transnistria. Ukraine’s Byzantine explanations of why various proposals were unworkable did little to dispel the assumption of many that, for the Kuchma government, the *status quo* was preferable to an internationally-recognized border regime (and the controls that would come with it).

Like Russia, Ukraine needs a new Moldova policy. Newly elected Ukrainian President Yushchenko seems to recognize this, as Ukraine has begun working with Moldova to block smuggling and thwart unapproved Transnistrian trade – much to Smirnov’s alarm. These are extremely encouraging steps. The most promising additional tool at Ukraine’s disposal would come into play on its Transnistrian border: stationing international observers there and cooperating with Moldova would demonstrate that Ukraine is serious about clamping down on crime and corruption and that it seeks to play a responsible role in its neighborhood. Smirnov and his cronies will be unable to survive for long after their revenue stream is dammed.

In concert with its positive effect on Transnistria, the new Ukrainian government’s EU aspirations have the potential to sweep Moldova in the same direction, while its embrace of political accountability could lead to a similar evolution in that country.

Moldova-Romania Relations

In the early 1990s, a surge of enthusiasm emerged in Moldova for rejoining Romania, thereby recreating the union that existed during the inter-war period. This ebbed fairly quickly, in part because it became clear that the bloody opposition to it that was seen in the Transnistria war might be echoed among the rest of Moldova’s Slavic language-speaking population. Another reason, however, derives from Romania’s mixed record as a colonial overlord in pre-War Moldova, when some remember the Romanians as being exploitative and high-handed. Today, some older Romanians may still look down on Moldovans as simple peasants, but most Romanians know little about Moldova – with the exception of

Bucharest's youth, who have recently embraced their Moldovan *confrères* as "cool". Indeed, after years of tension during which Romania seemed to harbor urges to absorb Moldova – or at least to exert hegemonic sway over it – the ground is shifting. Romania today officially professes no lingering interest in re-acquiring Moldova, and Romania's new president, Traian Basescu, extended Moldova a hand of friendship on his recent visit, his first international trip. He proclaimed Romania's eagerness to expand trade, to help Moldova approach the EU and to help solve the Transnistrian impasse.

Moldova has welcomed these gestures and is putting old suspicions aside. Additionally, promising discussions already underway about Voronin's Stability and Security Pact proposal may further deepen the *rapprochement*.

In the context of a budding Moldova-Romania allegiance, it is notable that Moldova's right-wing political party, the PPCD, grew out of the Popular Front that espoused rejoining Romania in the early 1990s; its leadership was still displaying a map of Greater Romania in its offices when I last visited. The PPCD tries to represent itself in the West as the most pro-Western political option in Moldova, and in the pre-election period draped itself in orange to try to capture Ukrainian President Yushchenko's aura. But the party's leadership has thus far failed to appeal broadly to the Moldovan electorate, and it has managed only miniscule gains over the percentages of votes cast for the PPCD in previous elections.

Moldova-EU Relations

The EU recently indicated that it would name a Special Representative for Moldova and open a permanent mission in Chisinau, and in February 2005 the EU and Moldova signed a three-year EU-Moldovan Action Plan. Prior to these welcome moves, the EU had been slow to pay serious attention to Moldova, and seemed uncertain as to which approach to take. Until the arrival of a British Ambassador in 2002 – and the accession to the EU of several Central European countries in 2004 – only Germany and France among the EU's member states maintained embassies in Chisinau.

Taking a very activist step, in 2003 the EU joined the United States in presenting Transnistrian leaders with a coordinated visa ban, which prohibits travel to the United States and every EU country. The immediate effect was a significant, though short-lived, up-tick in munitions withdrawals and Transnistria's first real engagement in settlement talks. The visa ban was extended in 2004 in response to Transnistria's reprehensible actions in regard to schools and orphanages. Without further Western help, however, Moldova may yet decide to jettison Transnistria and try to move toward the EU as Cyprus did – leaving part of its territory behind. The EU could then find itself in a position where it is forced to take quite strenuous actions to prevent a criminalized Transnistrian statelet from abutting its southeastern border.

With the advent of increased EU interest in Moldova over the last two years, the EU has funded certain assistance projects to complement programs long supported bilaterally by EU states. Additionally, as an outgrowth of talks undertaken in Brussels in 2004, the EU's new relationship with Moldova promises to remove some of the barriers that have made trade

with the EU very difficult for Moldova. These are positive developments, even though most Moldovans would much prefer to be welcomed as a potential EU accession country. Indeed, Moldova aspires to enter the EU in the wake of Romania and along with such countries in the western Balkans as Croatia. Moldova is small enough that these aspirations might be realized but for two large obstacles: the EU's uncertain appetite for further enlargement while dealing with Turkey and Croatia, and Moldova's need to put its democratic and economic houses in far better order very quickly. Moldova has failed to present itself as an attractive aspirant and has neglected to consult with the EU on some of its Transnistrian initiatives, thus increasing frustrations and misunderstandings all around.

The EU, for its part, has sent mixed signals, sometimes implying that Moldova's chances for accession remain alive contingent on improved performance, and other times conveying that Moldova, like Belarus, the Caucasus and possibly Ukraine, is and always will be a step too far. If Romania joins the EU in 2007, however, Moldova – which will by then have a sizable percentage of its population holding Romanian citizenship – would serve the EU's interests far better if it remains hopeful, aspiring and trying to make the grade, instead of rejected and forced to turn east. The same could be said for other countries, of course, but none is as small, digestible or incontrovertibly European as Moldova. At the very least, with 2007 in view, the EU could serve itself well by deploying its extensive expertise in cross-border trade and customs control along the sieve that is Moldova's eastern border.

Moldova-United States Relations

Since Moldova gained its independence, the United States has worked to help Moldova become a cohesive democracy operating a market economy under the rule of law, contributing to – rather than threatening – stability in the region. To that end, the United States has for years been Moldova's largest bilateral aid donor and its most reliable objective outside partner in settling the issues plaguing Transnistria; it's the one country “with no dog in the fight”.

The United States and Moldova actually see eye-to-eye on Transnistria more so than on any other issue. The United States has steadfastly called for the withdrawal of Russian munitions and troops from Transnistria, notably during a stop that Defense Secretary Rumsfeld made in Chisinau in June 2004. U.S. ambassadors and special negotiators have devoted large portions of their time to advancing Transnistrian settlement plans that respect Moldova's territorial integrity, are acceptable to Moldovans on both banks of the Nistru, address all the major issues and have credibility with the international community. A preponderance of U.S. funds, along with those of other OSCE states, have paid Russia for the expenses incurred for those munitions withdrawals that have taken place. Through the OSCE and bilaterally, the United States has supported the five-sided settlement talks until agreement is reached on a more productive arrangement. Nevertheless, the fruitlessness of the existing format seems inarguable at this point, so it is welcome that the United States responded to Voronin's new proposal and in mid-February indicated its willingness to participate with the EU as an observer in the Transnistria settlement talks (if agreeable to the parties).

Since 9/11, of course, the United States has focused on potential terrorist havens, seeing unrecognized Transnistria and its unguarded border as a dangerous “black hole” in need of attention. Unsubstantiated rumors allege that Transnistria may possess or produce “dirty bombs”; no one has produced proof of this, but the possibility is high that conventional Transnistrian weapons have fallen into terrorist hands, so the United States is working actively to foreclose such channels. The United States also sees danger in the strengthening of criminal networks caused by routine smuggling. It is working to prevent trafficking in persons and to prosecute traffickers.

Regrettably, U.S. efforts to investigate the laundering of Transnistria’s illegal profits have fallen short of success, as has the intention to keep Transnistria a constant theme on the crowded U.S.-Russian summit and ministerial agendas.

U.S. assistance to Moldova predated 9/11 by a decade and made its greatest contribution in the land privatization program, which assisted previous Moldovan governments in breaking up defunct collective farms and giving their land to individual farmers.¹ The U.S. interest in working with Moldova to reduce threats emanating from Transnistria has not prevented it from promoting other priorities, notably sustaining democracy and a viable economy. In these sectors, however, the United States has more differences with the current government and often finds itself pushing hard with relatively less success for transparent economic practices, anti-corruption measures, embrace of IMF and World Bank agreements, open media and fair play regarding the activities of the opposition parties. One particular U.S. concern has been that Moldova maintain the excellent record it had, until May 2003, in conducting internationally-acclaimed free and fair elections. The 2005 parliamentary elections were a highly important test for Moldova’s fledgling democracy, and the United States expressed to Moldovan officials its concerns about election-related problems in the lead-up to March 6.²

IV. What to Do Next, and Why

Why should the United States, NATO, Russia or the EU care about Moldova – and attend to its problems – when there are certainly more pressing, more dangerous and “larger”

¹ As ambassador, I always felt that the United States had an obligation to stay the course in Moldova; we spent the Cold War asserting that democracy and a market economy were better than the Soviet alternatives, and I was proud that our assistance was helping prove that claim true. I only wished, along with the Moldovan public, that progress could move much faster.

² One last, very subjective word on U.S.-Moldovan relations: most Americans have barely heard of Moldova; even fewer perceive it as an area of concern. Those of us who have lived and worked there, however, have almost invariably fallen in love with the place. This is mostly because the people are utterly endearing, charming, kind and open. History and geography have dealt the people of Moldova a bad hand, but they keep trying, they stay optimistic and they work hard – an appealing combination in the U.S. way of thinking, and a big incentive to keep aid flowing to a country in which it is so clearly needed and appreciated. On the human level, Americans and Moldovans tend to get along famously, so I suppose it can be said that U.S. policies try to give Moldovans the benefit of the many doubts that circumstances warrant. But on the official level, this generosity cannot last forever in the absence of progress; to merit the continued assistance of the United States and other Western democracies in helping resolve the Transnistria impasse as well as Moldova’s other manifold problems, the new government now needs to recommit itself unequivocally to democratic and economic reforms.

problems clamoring for attention? Neglecting Transnistria and Moldova has been possible for the United States' top leadership because not too much seems to be at stake in the short term; it is easier to let this slide, and hard to add another ball to the many being juggled.

The first reason to act is that it is in the interest of the Western democracies to spread stability, democracy and free market economics in the world, especially in areas on our immediate borders.

The second reason is that it should be in Russia's interest to play a constructive role, transcend Cold War habits and join the Western democracies in fostering well-functioning countries on their mutual borders.

The third reason is that it is in everyone's interest to eradicate international criminal and terrorist networks, illegal trans-border trade, trafficking in persons and illegal immigration.

The fourth reason is that Western-Russian relations need a "win". Both sides are keen to insist that they are partners, but both could use more concrete accomplishments to show for such partnership. Solving the Transnistrian problem will help Russia and the West to see each other as more useful and reliable, and an achievement born of Russia-West cooperation in Moldova could influence the outcomes of the more fraught conflicts in Georgia and Azerbaijan.

The fifth reason is that Moldova cannot solve the Transnistrian problem on its own. Lacking levers to exert power, facing a determined, well-armed foe and grappling with the reality of populations that are growing apart with time, Moldova has pushed hard for resolution but has come up short – and not through its own fault.

The sixth reason is that Moldova exists because it must, given its thorough ethnic mix and bifurcated history. As would be the case with Macedonia, if the international community were somehow able to agree on how to carve up Moldova and parcel it out to neighboring states, civil war and a major regional crisis would erupt. Moldova as a viable, multiethnic state can anchor its European neighborhood in peace.

The final reason is simply that this set of challenges can be met. Moldova's small size may keep it off the radar screens of the powerful, but it also makes the country's problems manageable and solvable.

A solution to Transnistria will require U.S. and European leaders to focus on this region more often and more intently than they have, and to insist at the highest level that Russia both fulfill its Istanbul commitments and force Smirnov into a fair political settlement; it will require starving out organized crime, establishing proper border controls along the Transnistrian segment of the Moldova-Ukraine border and freezing illegal Transnistrian trade and assets globally; and it will require increased assistance to bring a reunited Moldova into the family of nations that accept the responsibilities and enjoy the benefits of liberty and prosperity.

As the United States seeks to cooperate with allies in the EU and partners like Russia and Ukraine to quell trouble and eliminate potential terrorist havens, Moldova offers a ripe opportunity for success at comparatively modest cost.

Annex A: About the Author

Pamela Hyde Smith is currently an Associate at the Institute for the Study of Diplomacy at Georgetown University, where she has developed and taught graduate and undergraduate seminars on public diplomacy at Georgetown's School of Foreign Service.

Ambassador Smith was sworn in as U.S. Ambassador to the Republic of Moldova on November 2, 2001, presenting her credentials to Moldovan President Vladimir Voronin on November 27, 2001, in Chisinau. Ambassador Smith served in Moldova until the autumn of 2003.

During her tenure as Ambassador, Ms. Smith focused on three main priorities: supporting the global war against terrorism; contributing to Moldova's "own efforts to reintegrate its territory"; and working to assist Moldova in becoming "a stable, more prosperous democracy that operates on the basis of rule of law and market principles, and integrates successfully into European institutions".

Ms. Smith is a career member of the Senior Foreign Service. From 1997 to 2001, she served as Minister-Counselor for Public Affairs at the U.S. Embassy in London. She joined the Foreign Service in 1975, working with the U.S. Information Agency (USIA) until its merger with the Department of State in 1999. Her prior assignments overseas have included Press Attaché at the U.S. Embassy in Jakarta, Cultural Attaché at the U.S. Embassy in Belgrade and a first posting at the U.S. Embassy in Bucharest. In Washington as an Office Director in the Bureau of Information Programs, Ms. Smith led the team that provides public information about U.S. government policies to embassies overseas. She also has worked in management positions directing the worldwide Fulbright academic exchanges program, as a Country Affairs Officer in USIA's Office of European Affairs and as Special Assistant to USIA's director.

Ms. Smith is from Tacoma, Washington. She was educated at Wellesley College, where she earned a B.A. in Art History. She worked in graphic design and public relations before joining the Foreign Service. Ms. Smith received the USIA's Superior Honor Award in 1991 and the Department of State's Superior Honor Award in 2003.

Annex B: Bibliographic Note

The author has drawn on her own experiences as U.S. Ambassador to Moldova, but also on the following documents, which she recommends to those interested in exploring the issues discussed here in greater depth:

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Annex C: Acronyms

BMD – Bloc Moldova Democrata (Moldova, Democratic Moldova Block)
CFE – Conventional Armed Forces in Europe (Treaty on)
CIS – Commonwealth of Independent States
EU – European Union
GUUAM – Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova (Group)
IMF – International Monetary Fund
NATO – North Atlantic Treaty Organization
NIS – Newly Independent States
OSCE – Organization for Security and Co-operation in Europe
PPCD – Partidul Popular Creștin Democrat (Moldova, Christian Democratic People’s Party)
USIA – United States Information Agency
USSR – Union of Soviet Socialist Republics

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