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**Key Note by Ambassador William Hill
Head of the OSCE Mission to Moldova
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„Moldova and Europe: Bridging the Gap”

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Mr. President, Ministers, Excellencies, Ladies and Gentlemen!

I wish to thank my friends from the Suedosteuropa-Gesellschaft for their invitation to address this conference. I had the pleasant opportunity of participating in the first two conferences in this series, in Munich in January 2004 and in Berlin last July. I wish to commend the Suedosteuropa-Gesellschaft and the German Federal Foreign Ministry for the fundamental concept underlying this overall effort, and the hard and efficient work that have gone into it. As in the previous two meetings, I look forward to stimulating, productive discussions this evening and tomorrow, which I anticipate will produce a useful set of policy recommendations. We have just heard a sweeping, comprehensive statement from President Voronin of Moldova's priorities and aims as a new administration takes office and begins work. This statement provides us a clear point of reference and sense of direction.

I have appeared in many fora in my current capacity as Head of the OSCE Mission to Moldova, and I have found that most audiences expect me to discuss the problem of achieving a lasting political settlement to the Transdnistrian question. If that is your expectation tonight, I shall not disappoint you.

The pursuit of a comprehensive political settlement of the Transdnistrian conflict has gone on now for almost thirteen years. In my opinion, the major question we should be addressing now is not what could or should be the major features of such a settlement. I believe we already understand most of the necessary basic elements of a Transdnistrian settlement. A far better question is why a settlement has not long since been achieved.

During the period from 1989 to 1992, as the Soviet Union was disintegrating and Moldova was seeking its independence, there were clearly political disagreements that led to conflict in the region. However, these political factors have long since disappeared. As all participants acknowledged at the July 1999 Kiev Summit, there are no historical, ethnic, religious, or other reasons for conflict between the populations on the left and right banks of the Nistru. In my view, the major reasons for the continuing division of the country are the economic interests of the elites. Leading political and particularly economic circles in the region appear to have grown accustomed to the status quo of a divided Moldova, with an unrecognized and unregulated region on the left bank. These circles have found ways to make money out of the current situation, and appear to fear that change – in the form of a settlement and reunification of the country – might threaten their continued economic wellbeing.

It is obvious why those who participated in or suffered from the conflict along the Nistru still might have deep emotions and hard feelings toward the other side. However, as an uninitiated observer might ask – if enterprises in the region have reverted to producing and selling goods and making money, what is the danger in continuing failure to reach a political settlement? The basic answer to this question is – first, without a lasting political settlement, there will be continuing political instability in the region. This instability may remain at relatively low levels for a long time, but that cannot be guaranteed. And this instability will inevitably hinder both Moldova and Ukraine in their aspirations for integration in larger European political, economic, and social developments.

Second, the continued existence of an unrecognized entity unavoidably prevents reliable implementation of generally accepted international agreements, standards, and practices. I say this without judging whether activities in this unrecognized entity would otherwise be judged criminal or acceptable under normal juridical standards. The point is that states in the region and the

international community have no basis for promoting effective control, implementing international agreements, and enforcing generally accepted standards in Transdniestria. These considerations alone argue compellingly for reaching a settlement, not only to integrate Transdniestria with Moldova as a necessary first step toward regional and European integration, but to ensure implementation of internationally accepted norms and agreements. In reviewing some of the basic elements that must be taken into account in reaching a Transdniestrian settlement, let me use three general categories that have recently found resonance in some circles in Moldovan civil society.

First, decriminalization. The existence of an unrecognized entity not a party to international accords and standards obviously offers broad opportunity for illicit activities. However, I wonder whether it helps the cause of those who pursue a settlement to use the label criminal too freely for many of those working on the left bank. Promoting the image of an enemy will not help achieve reconciliation and reintegration. At the same time, there are undoubtedly criminals who have taken advantage of Transdniestria's unrecognized, unregulated status. The main difficulty is how to tell the difference. An important step in addressing this problem, it seems to me, is to increase transparency in order to gather better information and then formulate further actions. An international monitoring mission along the Moldova-Ukrainian border, in particular along the Transdniestrian segment, would be an invaluable step in the process of determining more precisely the dimensions of illegal trafficking in goods out of or through Transdniestria and the measures needed to correct this.

Second, demilitarization. The Operative Group of Russian Forces retains a bit less than 1500 troops in the Transdniestrian region of the Republic of Moldova. The last remaining significant military asset of the OGRF is the ammunition depot in Colbasna, with about 21,000 metric tons of munitions left in the facility. Only six months or less of continuous operations are needed to complete withdrawal of the OGRF's arms, ammunitions, equipment, and troops. However, Chişinău and Tiraspol between them together maintain almost 40,000 men under arms in formal military, paramilitary, police, and security forces. These forces possess large quantities of arms and remain in close proximity to one another. Mutual distrust remains high, and transparency is limited.

In order to achieve greater stability and security, it is not only the issue of the presence of foreign troops in Moldova that must be resolved. The internal standoff between forces commanded by Chişinău and Tiraspol must also be eased. The OSCE has proposed a package of measures aimed at achieving greater trust and transparency with significant reductions in force levels. This package is currently in the final stages of review among the mediators from Russia, Ukraine, and the OSCE; I hope we will soon also be able to discuss the package with representatives from the right and left bank. In addition, I welcome the suggestion in the initiative presented by Ukrainian President Yushchenko at last week's GUUAM Summit to consider transformation of the present format of peacekeeping activity in the region. I believe that agreement and implementation of specific steps along the lines suggested by President Yushchenko could make a real contribution toward easing tensions and strengthening security in the region.

Third, democratization. In my limited time tonight, I obviously cannot enumerate all the possible steps that authorities on the left and right banks should or might take to promote greater democracy in the country. However, one factor in Transdniestria stands out. As far as I know, there is no example of a successful transition in Eastern Europe or the former Soviet Union without a fundamental reform of the domestic security services. This issue has been addressed by societies in transition in many different ways, but almost all have done it. In my view, the single greatest impediment to democratization, overall reform, and modernization in Transdniestria is the absolute lack of change, in fact the preservation almost intact of a Soviet-era, Soviet-style security apparatus.

If the authorities in Transnistria wish to join the rest of the world, indeed if they wish to join the twenty first century, they must undertake thoroughgoing change of the domestic security apparatus.

With respect to achieving a comprehensive political settlement, I believe the Transnistrian region must be offered a meaningful degree of local self-government. As early as the autumn of 1993, in its Report Number 13, the CSCE Mission stated its conclusion that the Transnistrian region should be accorded a special status within the Republic of Moldova. The CSCE Mission also expressed the judgment that a successful settlement would not be reached either through a confederation or in the context of a highly centralized unitary state.

Since then representatives of Chişinău, Tiraspol, and the three mediators have considered a wide variety of autonomies or federal structures as possible solutions. In particular the emotional debate in Moldova over federalization versus autonomy has generated a great deal of heat but relatively little light. Appealing to the European experience in this debate unfortunately has been of little help, since there are successful examples of both variants in Europe.

I see two basic issues as keys to resolving the Transnistrian question. The first is the division of powers between the center – Chişinău – and the regional center – in this case presumably Tiraspol. Agreement must be reached over which questions will be decided in the center, and which questions can be decided at the local level, within the context of agreed national legislation.

The second issue involves guaranteeing a settlement. By this I do not refer to the presence of foreign forces. Rather, I have in mind the question of how to ensure that the basic terms of any agreement cannot be changed by a simple majority vote over the objections of the minority. This is never an easy issue, since the rights of the minority must be protected, but at the same time minorities should not be permitted to paralyze the operations of the national government. In my opinion the most stable and lasting solutions to this question are generally found in properly designed institutional structures, such as ensuring appropriate representation in the national legislative organs.

In the coming weeks the OSCE will be pursuing these and other issues involved in the Transnistrian settlement process, such as possible enlargement of the negotiating format. As has always been the case, our dedication to achieving a just and lasting settlement and reunification of the country remain unwavering. We should be guided in this effort by a desire to achieve tangible results. However, I must point out that settlement of the Transnistrian issue will not automatically bridge the gap between Moldova and Europe. In fact, I would argue that there are a number of things Chişinău can and must do, irrespective of whether we make progress on the Transnistrian settlement, in order to bridge this gap.

The Policy Paper presented for discussion at this conference touches on what I consider one of the most serious socio-economic issues facing Moldova as a whole today. This issue is migration, in particular the departure of hundreds of thousands of Moldovans from their country to work abroad. In the short term this out-migration has provided an enormous amount of remittances, which help finance both the state budget and an increasingly thriving consumer economy.

The problem is that living off remittances is not sustainable. In addition, the current influx of money does not seem to be directed at long term investment and development of Moldova's economy. In the meantime, a significant percentage of Moldova's most capable and productive workers are removed from the domestic economy. Finally, this massive, continued out-migration has potential

long-term negative effects for public education and public health, particularly in Moldova's rural areas.

As Moldova looks to integrate with Europe, I do not believe that Moldova should be seeking how to send more Moldovans to Europe. I suggest that instead Moldova should be considering how to attract more Europeans to Moldova.

Why do Moldovans leave their homes? They need jobs. Moldovan authorities need to create more opportunities for employment at home, so that people in the work force do not need to leave in order to earn enough for their families.

And how to create jobs? The answer is investment, both domestic investment and foreign direct investment. There are many steps the executive branch and the parliament in Moldova can take in order to improve the business and investment climate in the country, which will in turn offer greater incentive to domestic and foreign investors to start new businesses and offer new jobs. These steps involve the passage of legislation and the introduction or reform of administrative practices and regulations. Such steps can be taken by Chişinău alone, without reference to the Transdnistrian question. Possible measures can be found, among other places, in recommendations of the World Bank, the IMF, or the European Union's *acquis communautaire*.

Adoption and implementation of pro-business and pro-investment measures should lead to greater integration with European economies and greater market access. The latter in particular would be particularly attractive to enterprises and entrepreneurs on the left bank, who from 1996-2001 enjoyed considerable success in penetrating North American and EU markets. This whole process could make integration into Moldova much more attractive to the left bank. And even if the process does not result in and of itself in a Transdnistrian settlement, it will make the population on the right bank better off and more secure economically. Such an outcome cannot be all bad!

To sum up, there is much that we from the various parts of the international community can do to help Moldova pursue its major goals of reintegration of the country, closer integration with Europe, and greater prosperity and security for its citizens. However, there is also much that Moldova must do herself, in order that the efforts of the international community may have the desired effect. I am very grateful for the opportunity to set out these thoughts tonight before such an impressive audience, and I look forward to continued close cooperation with my Moldovan friends in pursuing our common goals.

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