

International Conference in Chişinău April 26-27, 2005

Conference Report and Discussion Paper*

Moldova and Europe: Bridging the Gap



Organisers: Südosteuropa-Gesellschaft / SOG (Southeast Europe Association) in co-operation with the German Federal Foreign Office, the Stability Pact for Southeast Europe, and the Institute for Public Policy (Chişinău)

Conference Venue: Ministry of Defense of the Republic of Moldova

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Gernot Erler, MP and President of the Suedosteuropa-Gesellschaft (SOG - Southeast Europe Association) warmly welcomed the participants on behalf of the organisers. The conference in Chişinău was the third in line within the SOG's project on the "European Perspective for the Republic of Moldova". Both previous international conferences (in January and July 2004) attracted substantial political and media attention. The conference on the topic: "Europe and Moldova: Bridging the Gap" was held shortly after the parliamentary elections of March 6, 2005. Furthermore, in February the Moldova Action Plan has been approved under the EU's European Neighbourhood Policy (ENP). Both the electoral outcome in Moldova and the ENP open a window of opportunity for substantial policy recommendations. In addition, recent developments in Ukraine after the "Orange Revolution" have profound consequences for Europe, the EU's relationship with Ukraine and the bilateral Moldovan-Ukrainian relations. Erler expressed his gratitude to Wim van Meurs and Johanna Deimel for the preparation of the conference and the elaboration of the paper which is based on expert reports and aimed at laying the foundation for the discussion during the conference. He also thanked the Institute for Public Policy for its intense support regarding the organisation of the event in Chişinău, the German Federal Foreign Office and the Stability Pact for Southeast Europe for their confiding co-operation and the Moldovan Ministry for Foreign Affairs for its assistance.



In his keynote speech to the conference, **Vladimir Voronin**, President of the Republic of Moldova, underlined that the conference marks recognition and support for the option for Europe as a goal for the whole Moldovan society. The Action Plan that entered into force on 22 February 2005 gives a new quality to EU-Moldova relations and the implementation of its provisions is a catalyst for Moldova's transition to a modern European state. Democracy, rule of law, legislative harmonisation and structural reforms are the strategic priorities for Moldova. These include public administration reform, de-bureaucratisation and decentralisation. The quality of the implementation of the Action Plan will largely depend on Moldova. Moldova is determined to achieve its European agenda with its European partners and friends. Concrete measures within the framework of the Stability Pact for Southeast Europe and within SEECF constitute the basis for the Action Plan implementation. The Action Plan is a first stage of Moldova's European Integration, leading to a new contractual relation and a stable, secure and prosperous future for Moldova as part of Europe.

The president identified civil society as an expression of modernity. Social dialogue, tolerance and pluralism are thus elements of Europeanisation. Modernisation of the economy requires

investment in human capital, Moldova's inclusion in the European educational system, the stimulation of competitiveness and the improvement of the business environment.

Security refers not only to the domestic judiciary, but also to guaranteeing the inviolability of the internationally recognised borders of Moldova as a unitary, independent and sovereign state. Moldova strives to solve the Transnistrian question and end the presence of foreign troops as a priority objective. The Security Zone and the separatist leaders constitute a threat to regional and European security. The lack of any control over the Transnistrian segment of the border is a key element of insecurity. The president pointed out that 12 years of useless negotiations have demonstrated the inefficiency of the current format and the need for a more active involvement of the EU, the USA and Romania as a neighbour.

In the statement to the conference read on behalf of the Romanian Foreign Minister, **Mihai-Răzvan Ungureanu**, the very conference on Moldova's European future was applauded as a positive sign. Like the political changes in Ukraine and Georgia, the parliamentary elections in Moldova have demonstrated the will to belong to Europe. The EU has anticipated these developments by creating a European Neighbourhood Policy in order to support necessary reforms. The objective of Moldova's new government to re-integrate the country would bring Moldova closer to the EU. Romania is ready to offer Moldova pragmatic assistance for reforms that would consolidate Moldova's European option. Romania's own experience in the process of European reforms is at the disposition of its friends of the Chişinău government. As a matter of fact, as the Romanian president noted at the recent GUUAM summit in Chişinău (April 21-25, 2005), Moldova is one of the main political priorities.

First and foremost, Moldova needs a healthy economic framework with respect for private property and support for small and medium enterprises. Moldova also needs efficient and well-functioning public institutions. Enhancing the performance of these institutions is one of the key priorities of the new government and part of the EU-Moldova Action Plan. The minister noted that civil society is essential as an independent counterweight to politics, as is an independent and professional press. The readiness of Moldovan society to discuss all these issues is a positive sign. Again, Romania's experience may be helpful for Moldova.

It is in Romania's interest to develop a stable and prosperous Black Sea area and to resolve the Transnistrian question. The Black Sea zone concerns security issues, but also the economic development of the states of the region. The enlargement of EU and NATO has enhanced the geopolitical role of this region and the objective of making it a zone of security and stability. The Transnistrian question is seen in Romania as a source of conflict in its vicinity. The frozen conflict is linked to violations of human rights by the separatist regime, human trafficking and a risk related to international terrorism. A comprehensive international approach is required and Ukraine's engagement in securing the border with Transnistria is promising in that respect. The deadlock of the current political dialogue on the Transnistria question points to the need for more efficient ways and means to resolve the crisis. Romania is ready to support Moldova toward a solution in line with European standards and its constitution referring to a independent, integrated and sovereign state.



In his welcome speech, **Wolfgang Lerke**, German Ambassador to Moldova, pointed to the fact that both the conference venue – Chişinău after two previous conferences in Germany – and the timing – right after the coming into force of the Action Plan as a first decision of the new government - were highly appropriate. EU enlargement marked a decisive change in EU-Moldovan relations by bringing the (new) neighbours into the focus of Europe. The Action Plan has been widely acknowledged as a milestone in overcoming differences between Moldova and Europe. An enormous amount of work remains to be done concerning not only the implementation of the Action Plan, but also the transformation of the Moldovan society.



Arcadie Barbarosie, Executive Director of the Institute for Public Policy in Chişinău, argued that in connection with its strategic choice for Europe, Moldova needs a “circle of friends” to promote its image and to support Moldova within the European institutions. True friends should also be allowed to criticise and suggest ways to expedite progress towards Europe. The series of conferences should be seen as part of that effort to bridge the gap separating Moldova and Europe. Unlike some years ago, the recent elections indicate the mass popular support for European integration. In view of the importance of the EU for Moldova, public information campaigns are crucial in order to demonstrate that the EU is not only about economic welfare, but also about shared values such as human and minority rights. Civil society is a protector between society and the state as well as a monitor and supporter of government efforts toward European integration.

William Hill, OSCE Ambassador to Moldova, addressed the issue of a sustainable Transnistrian settlement and more specifically the question why such a settlement has proven elusive although the key elements of any viable solution were long known to all parties involved. A set of such elements has been defined by Moldovan civil society as de-criminalisation, democratisation and de-militarisation. The political conflict factors of 1989-1992 have long since disappeared. All parties explicitly acknowledged the absence of ethnic, religious and historical root causes by 1999. The main reasons for the continuation of the conflict is in the vested interests of the elites in the region – economic profits that would be endangered by a settlement. Without settlement, instability produces risks and hinders Moldova’s and Ukraine’s European aspirations.



The internal standoff between forces of Chişinău and Tiraspol must also be eased to reduce the risk level. The ambassador welcomed the recent Yushchenko initiative as a real contribution to easing tensions. He argued that Transnistria must eventually be offered a meaningful degree of local self-government with clear division of competencies and institutional guarantees for the settlement arrangement. He underlined the reform of local security apparatus on the left bank as a priority issue for rapprochement. Overall, however, a

settlement for the Transnistria question is only one of the issues of Moldova's Europeanisation. A key challenge for Moldova – unrelated to the Transnistria issue - with major negative consequences is labour out-migration with consumptive remittances and social disarray. Economic progress and stability would contribute to a settlement by making Moldova more attractive for the inhabitants of the left bank.



Volker Ruehe, MP, and former Minister of Defence of Germany, argued that Europe has never been so stable and united before in its history. The EU has grown accordingly over the past half decade as a success story, despite its current crisis situation. The origin of European integration was in security and stability rather than economic prosperity. The attractiveness of the EU as a neighbour has recently produced astonishing effects in Ukraine by acting as a catalyst and an orientation. The “Orange Revolution” in Ukraine and Romania's upcoming EU-membership turn even more attention to Moldova as an EU neighbour, which also means pressure to reform and the visibility

for existing deficits regarding European standards. Europe is a perspective, but the tasks are for Moldova, not only in words, but also in deeds.

MOLDOVA AND EUROPE: BRIDGING THE GAP

After the epochal changes of 1989/1991, history has by no means ended in Europe and current constellations and perspectives are fundamentally different from those 10-15 years ago. EU membership, European integration and Europeanisation have become key vectors in the continuous process of change. The EU accession of eight transition countries in East-Central Europe in May 2004 marked the successful completion of the economic and political transition phase. Yet, for Moldova the past decade did not live up to expectations: Despite several years of substantial economic growth (over 6 percent p.a. since 2001) and relative political stability, Moldova has become the poorest country in Europe. The consequences - mass outflux of population and the intrusion of organised crime - combine to further weaken the state and public trust in democracy and market economy. The unresolved 1992 Dnjestr conflict has been a catalyst of this negative process.

In 2005 both the EU and Moldova face major challenges. The European Union has to complete the process towards a European constitution and has to uphold the dynamics of the deepening of integration with more voices in the decision making process and without creating disparities. Moreover, external challenges ranging from the post-conflict region of the Balkans to terrorist threats challenge the EU to keep the enlargement process open and to become a pan-European guarantor of stability and security. In sum, Brussels has to do more for potential members and Europe as a whole without disenchanting its current members. From a Moldovan perspective, the current “troubles” and “dilemmas” of the EU may seem like a real luxury problem. Yet, as the EU has been a key factor in the past decade of stabilisation, democratisation and economic development in Europe, much depends on upholding the quality, attractiveness and robustness of the EU integration process.

Conversely, from an EU perspective, with the linear and purposive transition in East-Central Europe in mind, the complications and setbacks in Moldova and other post-Soviet states in East Europe are time and again perceived as a sheer lack of political will and vision. In reality, the circumstances are quite different from the successful sequencing of transition and EU accession in East-Central Europe in the 1990s. Moreover, once lost in a delayed or derailed transition process, constituencies for reform are extremely hard to rebuild. Albeit each and every one of the less successful transition countries will claim specific and overburdening adverse circumstances for itself, Moldova's claim has some credence with its awkward position in-between East Europe and Southeastern Europe, the ambiguities of nation-building and most prominently the secessionist conflict of the Dnjestr Republic.



Introducing the discussion paper, **Wim van Meurs** (member of the board of the Southeast Europe Association) underlined that in the opinion of the authors, the two “status questions” – Transnistria’s status and integration in the Republic of Moldova and Moldova’s status and integration in Europe – are amenable to progress in other policy fields. Thus, joint efforts by Moldova and the EU in connection with the three key issues of the panels – borders and regional co-operation; economic and social policies; and European reform assistance – would redefine the status questions.

Together these three issues constitute “Europeanisation.” Over the past two years, since the first Moldova conference of the Southeast Europe Association in January 2004 at Lake Starnberg, the parameters for Moldova have changed for the better. The development of the European Neighbourhood Policy has the potential to revitalised EU-Moldovan relations. The upcoming opening of a EU delegation and the nomination of a special representative demonstrate the fact that Moldova is higher on the EU agenda today. At the same time, the recent elections in Ukraine, Romania and Moldova have created a window of opportunity to enhance regional co-operation as well as to probe new ways of tackling the Transnistria question. Most importantly, however, since Lake Starnberg, the European agenda of Moldova has shifted from status concerns to Europeanisation in the broader sense of European-type reforms: bridging the gap to an integrating Europe.

In contrast to the usual perspective of the successful 2004 enlargement, Van Meurs argued that the Western Balkans could provide more realistic lessons for Moldova and the other eastern neighbours. Firstly, the approach of consolidating the post-conflict status quo has outlived its usefulness in both cases. Secondly, the dire long-term consequences of brain drain, poverty and trafficking are note merely economical. Thirdly, the EU might provide a strategic framework and a long-term perspective, but for the reform process concrete conditional steps and incremental incentives are key. Fourthly, the EU ought to provide guidance in terms of priorities and sequencing, e.g. in the form of a “core acquis.” Otherwise, aspiring countries without candidate status might easily be tempted to try and implement all European-type reforms simultaneously and thereby overburdening the transition process. The result would be reforms on paper, but a lack of real change. Last, but not least, the fact that the EU is conservative with respect to the above perspectives is outweighed by the EU’s track record of living up to promises made.



As co-organiser of the conference, **Valeriu Gheorghiu** (Program Director of the Institute for Public Policy) pointed the audience to three fundamental dilemmas of Moldova's future in Europe: Moldova is a unique case not only because of the absence of control over the Transnistrian segment of the eastern border, but also because of the shared history and language across the western border with Romania – bound to become a Schengen outer-border by 2007. As far as the Transnistrian border is concerned much will depend on the Ukraine. In socio-economic terms the vicious circle is all too evident. Without economic development and general reform progress foreign investment will remain low and without investment labour migration will remain high. Even a signal of European integration thus provides a crucial impulse. In terms of EU transformation assistance, much remains to be clarified: Why did the setting up of the European Neighbourhood Policy precede a thorough assessment of the costs and effects of previous Tacis programs? How will the ENP, the PCA and Tacis be linked in the coming years? Arguably, another lesson from the Balkans is that the active involvement of the EU and the offering of a long-term perspective actually stabilised the region, an approach that might be repeated in the case of Moldova.

ECONOMIC AND SOCIAL ISSUES

The exceptionally high outflow of labour from Moldova to Europe (an estimated 600.000 to 800.000 over the past five years) is an indubitable indication of the severity of the socio-economic crisis for the common people. Both the urban and the rural population lack a perspective for the future: more than 10,000 Moldovan citizens are arrested each year at European borders as illegal immigrants. Ideally, freedom of labour is part of market-economic mechanisms (and no longer state-driven for the sake of forced industrialisation). Labour migration may indeed provide a temporary relief from the economic constraints of mass unemployment for a transition country. Moldova's massive outflow of labour rather destroys the socio-economic structures and potentials that still exist. Migrant remittances may provide a country with much-needed hard currencies. In the case of Moldova, most of the remittances (an estimated 900 million USD or 30 percent of GDP in 2004) are spent on consumption and not invested, thereby wrecking the national economic processes, exacerbating social inequalities and provoking more emigration. Returnees may provide a country in transition with much-needed technical, managerial and economic experiences and expertise. Due to the vulnerability and exploitation of Moldova's (illegal) emigrants, returnees are unlikely to produce a critical mass of relevant skills and entrepreneurial zeal.

In recent years the massive outflow of the most productive generations has disrupted economic development and social structures in Moldova to an unprecedented degree. Illegal migration and human trafficking have caused numerous human tragedies, in Moldova and abroad. Migrants seldom return to make their experiences productive in their home country. The substantial remittances that flow back to Moldova to support family members are not used for economic development and may even be counterproductive. The annual remittances (hundreds of millions Euro) are used for consumption (of imported goods, to a larger degree)

and thus fail to contribute to local economic productivity and competitiveness. As a large part of the remittances goes untaxed, the redistributive power of the state is unhinged and the resources are missing for prospective economic strategies. Thus, state weakness and economic crisis reinforce each other – a key challenge both for the Moldovan government and for the relevant international organisations.

Whereas the Moldovan state has not yet made the uncontrolled outflow of labour (and inflow of remittances) a policy priority, the European Union in its ENP Action Plan has prioritised illegal migrations and border controls. Thus far, however, a realistic appreciation of the economic, social and human costs for Moldova is missing. Considering the enormity of socio-economic disparities and the lack of domestic perspectives, border controls can only be part of the European answer. Stimulating economic development, e.g. by making the remittances productive for the Moldovan economy will require international assistance, urging and expertise (e.g. through tax reduction and other incentives). Opening specific and targeted opportunities for legal migration and temporary work permits might help to channel and legalise some of the labour outflux and counter trafficking.

Recommendations

- 1. In the Action Plan, the EU appears to consider (illegal) mass migration mainly from a perspective of European security and border controls. In a sustainable approach, its root causes and enormous human, social and economic costs in Moldova require equal attention, both from the Moldovan government and from the EU.**
- 2. In informing Moldovan society of the manifold risks of (illegal) migration and human trafficking as well as in setting up programs to facilitate and encourage return, Moldovan NGO's have a key role to play, with support from relevant international organisations. The same applies to research on the motives and experiences of the migrants.**
- 3. In order to make the current economic growth in Moldova sustainable, its serious deficits have to be prioritised: mass emigration and remittances distort domestic economic processes. Economic growth is lacking in quality, i.e. investment in infrastructure, fixed capital, education and research.**
- 4. The current system of social security, moreover, is in need of reform, as it tends to consolidate inequality as it is based on categories of beneficiaries rather than real needs and thus fails to concentrate on the weakest in society. Such a reform would free government resources for investment in the framework for real economic growth and restore the regulatory capacity of the state in social issues.**
- 5. The EU could contribute to sustainable growth by opening certain sectors of its market for Moldovan products with autonomous trade preferences and asymmetric free trade within the WTO framework. The positive economic effects for Moldova would easily outdo direct financial assistance.**

Introducing this section of the discussion paper, **Igor Munteanu** (Executive Director of the Institute for Development and Social Initiatives) identified poverty as the real “gap” between

Moldova and Europe. Europeanisation will remain an illusion without the political will to tackle the structural problem of poverty. The omnipresent reality of poverty in Moldova is linked to ineffective institutions and bad management of scarce public resources. Out of a general fear of responsible strategies, the pervasive tendency is non-implementation. No country in the region has seen such a dramatic economic decline since 1991. A large majority considers its income to be at or below the subsistence level. The consequences are social exclusion and a widening gap between the rural areas and the cities (esp. the capital of Chişinău). The impressive GDP growth figures of recent years will by no means resolve the structural socio-economic flaws. Due to rising productivity economic growth produces unemployment rather than new jobs.

The mass outflux of labour is a direct consequence. Today, 40 per cent of the labour force of Moldova works abroad and the untaxed remittances amounted to 450 m Euro in 2003, i.e. a quarter of the GDP. Apart from brain drain and the loss of qualified labour, migration causes enormous social disintegration at the family and the community levels. As the remittances go untaxed and as the state is under pressure to redistribute to those who do not produce, a new sub-class is emerging. The social security system is becoming complementary to the shadow incomes, whereas most social benefits go to those who are relatively well off and not to the real poor. Thus, a modern and fairer system of social security at the communal level must be a key priority for Moldova in the upcoming years.



Franz Kaps (World Bank Special Representative for Southeastern Europe) reiterated the window of opportunity that has opened in EU-Moldovan relations recently as well as the urgency of making the strategies of IMF and World Bank for Moldova (such as the Poverty Reduction Strategy), on the one hand, and the EU's ENP Action Plan on the other fully complementary. Kaps endorsed and stressed the discussion papers recommendations concerning the need to involve civil society in the process and the conclusion that the Transnistrian issue may not be an excuse to delay reforms in Moldova. To the donor community, progress on a next IMF program for Moldova has an important trust-building effect. The well-formulated strategy for economic growth and poverty reduction awaits implementation; rural growth, reducing inequality and human developments are key objectives. Whereas better access to the international and especially to the European market would be essential for Moldova's economic development, it is up to Moldova to diversify exports and improve quality standards as well as to improve the business and investment climate.

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Representing Moldova, **Valentina Buliga** (Deputy Head of the Parliamentary Commission for Social Protection) recognised the need to pursue coherent and well-designed strategies vis-à-vis the objectives of European integration for Moldova. In the process of approaching European standards step by step, the harmonisation of the social-security system has a high priority. The need for a thorough reform of social security originates in the transition to a market economy since 1991. Steps have been initiated to reduce the privileges of the retired and to increase the retirement age, while at the same time indexing the level of the pensions to inflation and the average wage level. Buliga pointed to the large percentage of agrarian workers among the pensioners as an unresolved structural problem since their contributions to

the social-security funds are far below current costs. Thus, major efforts are being undertaken to achieve financial consolidation and sustainability of the social-security system of Moldova and to improve efficacy in line with the requirements of the ENP Action Plan. In this framework, numerous new laws have been passed, e.g. on minimum income. As Buliga assured the audience, all Moldova's efforts are focused on minimizing the gap with the EU.

While sharing the World Bank's general perspective, **Edgardo Ruggiero** (IMF Resident Representative in Moldova) added specific *in situ* insights concerning Moldova's macroeconomic situation and policies. Compared to other transition countries in East and East-Central Europe Moldova has lost much valuable time. The IMF provides countries with macroeconomic assistance and its 2002-2003 program for Moldova was a success. The loans, however, are conditional on implementation and sound economic policies. As far as complementarity is concerned, the EU acquis serves as an extensive model for what the IMF considers sound macroeconomic policy. The poverty reduction strategy is in sync with both IMF views and the EU's Action Plan. In view of the sheer size of the EU acquis, as noted before by other speakers, prioritisation and sequencing are of the essence. The Moldovan government would be well advised to identify core elements of the EU acquis and design policies accordingly, e.g. in the area of taxation by diversifying revenue rather than relying too much on import taxation. As noted, the EU and IMF directives broadly agree. Thus, implementing the Action Plan is certainly useful in terms of macroeconomic policy. Needless to say that in the end implementation is key and should take precedence over ideas concerning EU membership. EU membership is not on the agenda for Moldova. What Moldova can do for itself is to provide for better policies and better institutions. The IMF will support these efforts with advice, loans and technical assistance: IMF support is offered irrespective of EU status. The complex overall process of Europeanisation will produce a variety of difficult choices between priorities in the allocation of scarce resources and will require painful and unpopular decisions in order to be successful. The Poverty Reduction Strategy, the Action Plan and other guidelines may easily overburden the agenda, therefore prioritisation should be a first priority. What Moldova needs most is implementation, building up a track record of good policies.

In the **discussion** several speakers pointed to the paradoxes of Moldova's transition process. The illusory expectations of equality are a legacy of socialism, but current reality is that Moldova has one of the worst Gini indexes in the region. Because the social security offered by the state is insufficient, workers emigrate in order to sustain large families. As most of their work abroad is illegal, they do neither share in the host country's social system, nor do they contribute to a consolidation of the Moldovan system. Concerning the key question how to turn consumptive remittances into productive capital for investment in small and medium-size enterprises, it was suggested that a foreign bank might be far more successful in attracting savings than a local bank, due to people's bad experiences of the past decade.

EUROPEAN TRANSFORMATION ASSISTANCE AND PROGRAMS

At the current stage of bilateral relations between Moldova and the European Union each partner seems to provide more questions than answers to the other. To Brussels Moldova's

sudden interest in European integration, be it via the European Neighbourhood track or via the Southeast European track, came as a surprise. In view of Moldova's failure to use the full potential of the Stability Pact and its strained relations with the International Financial Institutions, Chişinău's pledges to adopt the EU acquis were rather a cause for concern. A premature effort to adopt and implement the acquis might squander resources and block policy options much needed to manage the major hurdles of the political and economic transition process. Propagating and institutionalising EU integration may unleash new energies in society and politics, but may also risk new frustration and setbacks.

Conversely, the actual connection between the largely ineffective Partnership and Cooperation Agreement and the new European Neighbourhood Policy with the Action Plan is an open question even to keen observers in Chişinău. The same applies to the twists and turns in the designing and implementing of the Wider Europe/Neighbourhood concept over the past two years. Many questions remain unanswered: Why was the Action Plan for Moldova not preceded by a thorough and critical evaluation of the instruments and results of Tacis and the PCA? Why did the original design of the Action Plan precede the country report that assessed the specifics and needs of Moldova? Why did Moldova and Ukraine end up with near-identical Action Plans despite the promise of differentiation within the 14/17-country ENP strategy? Why did the Dnjestr issue disappear from the Action Plan's priority agenda, to be replaced by border controls, organised crime and other JHA issues from the EU agenda?

Past experiences in East Central and South Eastern Europe with the EU integration strategies and instruments as well as past experiences in EU assistance and programs for Moldova seem to point to a number of do's and don'ts. An evaluation of the real effects of Tacis and PCA would provide valuable lessons for the effective implementation of the ENP Action Plan. First experiences with co-operation in Justice and Home Affairs as well as instruments such as twinning and TAIEX in the Western Balkans may also be of relevance for a targeted and realistic neighbourhood policy in East Europe. Past EU experiences certainly point to the need to assure Moldovan project partners' compatibility and equality in cross-border programs (Interreg CADSES – Tacis). In view of the limited resources available for Moldova, a clear division of labour and complementarity (as well as congruence) of activities by key international organisations (e.g. EU, World Bank, Council of Europe) is a must. Poverty reduction seems best placed with IMF and World Bank, democratic development and building state capacity with the European Union. Many priorities and reforms in the Economic Growth and Poverty Reduction Strategy are similar to the economic components of the ENP Action Plan.

The key issues of good governance and civil-society development seem underrated in the Action Plan. Conversely, NGOs and civil society should by all means play a prominent role in monitoring and pushing for the implementation of the promised policy measures of Europeanisation. New member states and even associate countries in the Balkans could provide valuable expertise. Like the SAP countries of Southeastern Europe recently got access to some of the typical accession instruments, similar interim benefits might provide the much-needed incentive for Moldova. The *conditio sine qua non* for such incentives and for the ENP as such to work is a much more transparent, specific and accountable conditionality rather than the generic requirements of the current Action Plan. The vagueness both of the promises and the conditions is bound to lead to unproductive debates, claims and allegations in the next two-three years, both for the EU and for Moldova.

*In view of Moldova's European aspirations the key challenge for the EU in the framework of the ENP Action Plan will be to assure that the declared objectives of the Moldovan government in terms of timeframe and resources. Proclaiming too high and too ambitious objectives (e.g. full *acquis* harmonisation without priority-setting) in order to stay on top of popular expectations would inevitably result in public frustration and a waste of scarce resources.*

Recommendations

- 1. In order to enhance its stance vis-à-vis the EU in the Neighbourhood program, Moldova may be well advised to use existing instruments (e.g. the Stability Pact) to the full and thus add credence to its European intentions.**
- 2. A productive implementation of the Action Plan will require the conditions and benefits to be much more direct and transparent. The strengthening of constituencies supportive of market-economic and democratic reforms ought to be a permanent concern in EU programs and conditionalities.**
- 3. Moldovan civil society and NGOs ought to be involved to monitor the reform process and provide feedback and generate additional pressure on politicians to deliver on promises made. Thus, the benefits linked to the conditions ought to be relevant and tangible for ordinary citizens.**



Introducing the relevant recommendations from the discussion paper, **Nicu Popescu** (Research Fellow at the EU Institute for Strategic Studies) pointed to the quadruple challenge of Moldova's transition: democratisation, market economy, state building and conflict management. Compared to East-Central Europe, the transition of Moldova was thus characterised by less resources and more challenges. The burden of transition still is on Moldova, but the EU will become much more of a help as it replaces Tacis by ENP. The 2007 ENP Instrument ought to focus on conditionality by providing positive and negative incentives to alter state behaviour. For conditionality to function the timeframe has to be realistic, the offer attractive and the conditions concrete. Therefore, a long-term accession perspective would be less relevant than shared short-term objectives. As a complementary recommendation, Popescu argued that strengthening domestic pro-reform constituencies would increase the incentive to reform. These constituencies – e.g. NGOs and the business community – must be able to see tangible and attainable benefits. By supporting these constituencies, the EU would increase leverage on the Moldovan government.

Other recommendations directly address the EU: Russia has obtained special visa regulations for specific categories of citizens (businessmen, students, etc.). A similar arrangement would be an extremely important signal for Moldova. Paradoxically, the EU offers Moldova balance of payment loans, although a regulated opening of EU markets for Moldovan products would have a much more positive and sustainable effect.

In Moldova all policy issues are in one way or another linked to the Transnistria question. At the same time, however, progress in Moldova's transition is the surest way to have an impact on the political deadlock involving Tiraspol. The rationale of the "conflict" today is economic. As a mighty economic power, the EU has the tools to change the parameters of the conflict. Doubling Moldova's GDP per capita would be the best incentive for a durable solution. Moldova too should forget about geopolitics around Transnistria: domestic reforms are the answer. Popescu argued that the gap between Moldova and the EU is not primarily about being poor but about democracy. Thus, the key of Europeanisation is progress in real democratisation and additionally a tangible improvement of the business climate. Europeanisation would consequently have a substantial impact on both the Transnistria question and the implementation of the Action Plan.

Speaking for Moldova, **Vasile Mamaliga** (Deputy Minister of Economy and Trade of the Republic of Moldova) underlined the significance of the Action Plan signed on 22 February 2005 by the EU and the Republic of Moldova. Efforts to harmonise Moldovan legislation with Europe will continue. In the years 1999-2003 Tacis and other EU programs have supported Moldova's efforts with up to 250 m Euro. In 2005, the government has developed an ambitious program for the implementation of the Action Plan and intends to involve civil society and NGOs in its realisation and monitoring. Mamaliga specifically pointed to the joint European program with Romania and Moldova's position as beneficiary of the Stability Pact for Southeastern Europe. The Stability Pact has thus reintegrated Moldova in the region where it belongs historically and culturally. Foreign investment is a matter of concern, despite an increase in 2004. The Transnistria conflict certainly has a negative impact on FDI. Investors require infrastructure, border controls and a unified customs space. The lack of domestic resources other than human and the small size of the domestic market are structural disadvantages of Moldova. Therefore, the government will make every effort to improve living standards and create jobs as a disincentive from emigration. The macroeconomic trends are positive, but not yet enough to produce sustainable growth.



Adding the Brussels perspective on Moldova's role in the Stability Pact, **Erhard Busek** (Special Coordinator of the Stability Pact for Southeast Europe) called on the Moldovan government to participate more actively. Moldova is a latecomer (since 2001) in the Stability Pact (SP) and has – unlike the other members – explicitly no EU perspective. Nevertheless, Moldova has joined various SP regional initiatives, most successfully the Bucharest-based Regional Center for Combating Trans-border Crime. Moldova has signed free-trade agreements with all SP countries and overall the zone of free trade has doubled intra-regional trade. Participation in regional initiatives is a useful learning process and a strategy against isolation. Frankly, there are unwanted limitations due to a lack of administrative capacities funds on the Moldovan part (and/or access to European funds). Some instruments are not open for Moldova formally or in practice – this has to change. It has to be stated very clearly that the SP is an instrument for regional co-operation and a useful one at that, but it does not

automatically bring the aspiring country closer to the EU. The ENP for that matter is the key instrument for relations with the EU, with the SP in a complementary role.

Moldova has declared its commitment to the European track, but major challenges are ahead – domestic reforms and improving Moldova's image in Europe. It is laudable that Moldova has recently passed laws on corruption, human trafficking and organised crime. The EU has to shoulder its responsibility too in this respect. Often Southeastern Europe is a transit region rather than the region of origin of drugs trafficking and organised crime generated by the demand within the EU. Busek reiterated the need for a clear division of labour among the various international organisations and financial institutions. The SP would be well placed and ready to take on a coordinating role to avoid duplications and overlap. The same applies to the plurality of Southeast European and Black Sea regional initiatives. Especially in the case of Moldova's illegal labour migration and trafficking a matter-of-fact assessment of the real figures, methods and risks is urgently needed. Moldova is an observer in SEECF and might become a full member in due time.

Representing the European Union at the conference, **Michael Leigh** (Deputy Director-General DG Relex at the EU Commission) conveyed the positive news that the EU has a Special Representative for Moldova and is about to open a delegation in Chişinău. The ENP was initiated in conjunction with the 2004 enlargement of the EU to 25 in order to avoid new dividing lines in Europe and to place the EU's relations with the new neighbours on a new footing. The quid pro quo of the Action Plan involves shared values and foreign-policy objectives, on the one hand, and access to the EU's freedoms and participation, on the other hand. The driving principle is not so much conditionality, but rather voluntary commitment that pay off in terms of enhanced participation in EU programs and access to the four freedoms. The real incentives replacing Tacis are packaged in the more ambitious ENP Instrument for 2007-2013. The Action Plan will be accompanied by an interim progress report in 2006 and a final assessment in late 2007. If a critical mass of reforms has been achieved, the EU will consider moving to a new contractual relation with the respective country. Otherwise the AP will be updated and specified. Evidently, the enlargement process inspired the AP. Yet, it is worth noting that the ENP has an inherent value irrespective of any accession perspective.

The first laudable implication of the AP has been the production of an Implementation Plan by the Moldovan government. Yet, the main issue remains actual implementation and real reform progress. Legislative approximation is important, but the basic objectives and a proper prioritisation and sequencing are of strategic significance. The EU's commitments involve the opening up of its educational programs, TAIEX as tailored technical assistance, preferential trade, twinning and by 2006 negotiations on visa facilitation. As far as Transnistria is concerned, the Action Plans with Moldova and Ukraine include the issues of border control. EU engagement may produce a new incentive for this issue and overall: Moldova's progress in its relations with the EU would be sure to have a positive effect on the Transnistria question.

In the **discussion** several participants observed that both at the conference and in general civil-society organisations in Moldova seem to be better prepared in terms of strategic planning and prioritisation than the government. Several other participants regretted that the setting up of the ENP and its AP was not preceded by a thorough evaluation of Tacis and the PCA, while underlining the necessity for a realistic, but strict conditionality of the AP. One

participant reproached the EU for formally opening the CADSES instrument to Moldova without giving Moldova access to the relevant funds. Another statement targeted the essential combination of conditionality on the part of the EU and political will on the part of Moldova to make the Action Plan a success. As another participant phrased it, “being pro-Western” has to be distinguished from “Europeanisation” as a reform process.

BORDERS AND NEIGHBOURS

Borders constitute a fundamental, if not the fundamental dilemma of EU integration and enlargement. Partly for its own sake and credibility, the European Union strives to export stability and prosperity beyond its borders without, however, import instability and other negative consequences of the existing socio-economic disparities. The very proximity of the prosperous EU tends to generate or aggravate some of these consequences such as poverty-driven migration, human trafficking and organised crime, despite the EU’s good intentions to uphold the quality of integration without producing new dividing lines on the continent. The EU programs for regional and cross-border co-operation, on the one hand, and the system of border control and regulations known as the Schengen acquis, on the other hand, represent the two sides of the border dilemma. Structurally, the consequences of the Schengen implementation by the new member states and the expansion of the EU common market have negative consequences by default as they restrict the potential markets available for the new neighbouring countries and complicate their citizens’ access to more European countries.

In two respects, the general border dilemma between the EU and its new East European neighbours has its specifics in the case of Moldova. These specifics concern the 1200 km of Moldovan-Ukrainian border and most prominently the border segment between the Dnjestr Republic and Ukraine – 421 km of border complete beyond the sovereign control of the Moldovan state. They also concern the nexus between visa regimes and naturalisation at the Romanian border. Introducing a strict Schengen border regime between the cognate Romanian and Moldovan states in the upcoming years appears all the more paradoxical as currently a large section of Moldova’s eastern border with the Ukraine is virtually uncontrolled. The EU ought to use the opportunity of the pro-European turn in Kiev to install and facilitate joint Moldovan-Ukrainian controls at the entire length of this border. Such a measure would be in line with the general toughening of EU policies towards the Dnjestr Republic and would enhance Chişinău’s state capacity as well as its negotiating position vis-à-vis Tiraspol. Today’s marked interest in both Bucharest and Kiev to enhance co-operation with Chişinău should also be used to push trilateral co-operation in border security, e.g. through the planned contact centre in Galati. A Romanian-Moldovan border treaty has to be the starting point for a bilateral harmonisation of border controls and the implementation of related existing agreements.

Although the 2007 outer border of the EU will separate other ethnic minorities from their homelands too and irrespective of the debate whether Moldovans and Romanians constitute separate nations, since the 1990s Romania’s naturalisations policies have produced an undisclosed number of Moldovans with a second, Romanian, passport. With Romania’s EU accession in 2007 now firmly on the agenda, this trend is likely to accelerate. Strictly speaking, naturalisation policies are a reserved area of state sovereignty, even within an

integrating Europe. A further outflux of productive and qualified citizens from Moldova to Europe and the undermining of the Schengen regime, however, would be counterproductive for both sides. To avoid overreactions, uncertainties and anxieties both in Brussels and Moldova, making the Romanian naturalisation criteria and most of all the actual procedures transparent and accountable would be a major step. The same applies to disclosing actual figures of Moldovans with a Romanian passport.

At least part of the justified Moldovan apprehension and complaints about the implementation of the Schengen regime concerns practicalities. As most EU states have no representations in Chişinău (not unlike the EU itself), “getting a visa to get a visa” is not uncommon for a Moldovan businessman travelling to a Schengen country. Joint “Euro-consulates” and the full recognition of one Schengen visa by all countries, multiple-entry visa (e.g. for businessmen, academics or border residents) as well as an easing of the procedure for those who have previously qualified for a Schengen visa in the past would eliminate some of the negative consequences of enlargement for Moldova and other new neighbours. Without such facilitation, the references to “people-to-people contacts” in the recent Action Plan are doomed to remain dead letter. The example of recent bilateral agreements between several EU member states and the Russian Federation indicates that flexible arrangements are possible without violating the Schengen acquis. In turn, Moldova might be well advised to consider a trade-off between the current inflow of hard currencies from visa and the potentially more advantageous implications of a unilateral abolishment of visa for Europeans visiting Moldova. Such a step would probably add credence to Moldova’s claim of belonging to Europe, would certainly facilitate business relations with EU countries and stimulate investment and would even put some pressure on Brussels to consider a certain set of visa facilitations for Moldovans.

In its drive to facilitate and stimulate regional and cross-border co-operation, the EU ought to consider some lessons from past experiences with the new member states as well as some specifics of the East European region. Without a major effort to harmonise and synchronise the programs for either side of the inter-regional border, as promised for the 2007-2013 financial perspective, valuable resources and local initiatives would be wasted – as past mismatches between Phare and Tacis, Interreg and Phare or currently between Cards and Phare indicate. Unlike the Balkans, moreover, East Europe has Moscow acting as an alternative centre for the region and Russia as an active and potentially dominant actor. Thus, the choice between Brussels and Moscow and between European Neighbourhood and Near Abroad is perceived as a highly divisive question of to be or not be for the populaces of Ukraine and Moldova. This reality cannot be ignored in developing schemes of regional co-operation.

Recommendations

1. *For the sake of both policy-makers in Brussels and citizens of Moldova, Romania ought to ensure the transparency, accountability and reliability of naturalisation procedures in order to avoid overreactions and uncertainties.*
2. *The Schengen framework allows for flexible arrangements such as multiple-entry visa and “Euro-consulates” that would make the border regime less obstructive for productive relations between an EU-27 and Moldova. The government of Romania might use the Polish-Ukrainian example as a model for the best mode of applying the Schengen acquis to its border with Moldova.*
3. *For the EU to assist in the process of demarcation and delimitation Moldova’s borders. For the Moldovan government to explain the rationale of the controversial border delimitation with Ukraine to the population.*
4. *For the EU to make the utmost of the recent pro-European turn in Ukrainian politics in order to facilitate the installation of joint Moldovan-Ukrainian controls and customs checkpoints at the entire length of the border. The EU itself might consider a monitoring role.*
5. *Today’s marked interest in both Bucharest and Kiev to enhance co-operation with Chişinău should also be used to push trilateral co-operation in border security. A Romanian-Moldovan border treaty has to be the starting point for a harmonisation of border controls and the implementation of related existing agreements.*
6. *In order to achieve free movement of persons, the government of Moldova might consider following the Ukrainian example and abolish visa for EU citizens unilaterally and negotiate re-admission agreements with relevant EU member states.*

Introducing the reflections from the discussion paper, **Daniela Guţu** (Centre for the Prevention of Trafficking of Women) noted that the ENP and the AP have opened a new phase in the relations between the EU and its neighbours, such as Moldova. Moldova, nevertheless, is a special case with one border becoming an EU outer border by 2007 and part of its other border not controlled by the state authorities. Thus, the issues for the panel are multiple citizenships (with Romania); visa regimes (with the EU) and border controls. Cooperation and coordination at the Romanian-Moldovan border has to be improved, because the uncontrolled segment at the eastern border aggravates the risks of this border. Better equipment, training and more bilateral consultation are needed. Since 1 January, crossing the eastern border to Ukraine requires a passport, but this measure remains ineffective as long as the 400 km Transnistrian segment is not included from the Moldovan side. From there borders are open throughout the CIS with all evident consequences. In 2004 Moldova interdicted exports from Transnistria without the Moldovan customs seal, but until the recent announcement by the new government in Kiev the co-operation of Ukraine was lacking. Moldova has also adopted several laws concerned with migration and trafficking, but the gap between the legal texts and actual reality is obvious. Recently, with Romanian citizenship harder to obtain, there has been a tendency to buy other (Schengen) passports.

In sum, it is recommendable for the EU to facilitate (and monitor) joint Moldovan-Ukrainian customs checkpoints as well as to provide Schengen visa for certain categories of citizens and to open “Euro-consulates” in Moldova to counter isolation and the bothersome procedure of “visa for visa.” Moldova would be well advised to abolish visa for EU citizens and negotiate readmission agreements with European states. Harmonising border administration with Romania would also improve Moldova’s international standing. Last, but not least Romania ought to make its naturalisation procedures transparent and provide the corresponding figures for Moldovan citizens holding a Romanian passport.



Ambassador **Michael Schaefer** (Political Director at the German Federal Foreign Office) reminded the audience of the paradox of borders – their initial function of separation, while losing importance with the building-up of trust and cross-border relations, whereas this initial stabilisation and consolidation does require functional borders. The political changes around Moldova have opened a window of opportunity and also pertain to the borders (the Schengen border in the west as of 2007 and new options for co-operation with Kiev after the Orange Revolution concerning the Transnistrian border issue). 2007 should become a push factor for Moldovan reforms rather than an incentive for more Moldovans to acquire a Romanian or other EU passport. The EU is ready to support Moldovan-Ukrainian co-operation for effective border control and looks forward to concrete proposals in the upcoming weeks or months.



Andrei Stratan (Deputy Prime Minister, Minister of Foreign Affairs of the Republic of Moldova) agreed with the paradoxical function of borders, especially in the case of Moldova, as determinant of identity and obstacle to co-operation. Fortunately, the end of communism has created a new chance for regional and European co-operation for Moldova, while at the same time strengthening independence and statehood. Moldova strives to be accepted as a Southeast European country and a full member of the Stability Pact for Southeast Europe. Countering stereotypes and improving Moldova’s image in Europe are key challenges. Being congruent with the Copenhagen Criteria of the EU, the SP marks an important step for Moldova towards regional and European integration. Additionally, ENP offers opportunities for enhanced co-operation with the Southeast European and the Black-Sea regions, e.g. in GUUAM.

As Stratan underlined, it is the EU’s responsibility to prevent new Iron Curtains from emerging. Moldova is reinvigorating its efforts to enhance co-operation with Bucharest and open a dialogue with Kiev on the basis of shared European values and challenges. Moldova is interested in involving the EU and the USA as well as Romania in the Transnistrian issue in the ineffective five-party negotiations. An active role of the EU and the USA could also help to increase border controls via international monitoring and joint Moldovan-Ukrainian posts.

The objective is the reintegration of the Moldovan state and the unconditional withdrawal of foreign troops. Demilitarisation of Transnistria is a key issue. Eventually, revenues from contraband determine the Transnistria issue. In sum, Moldova will be faithful to its European choice.



Before speaking on the issue of Ukrainian-Moldovan bilateral relations, **Igor Dolgov** (Deputy Minister for Foreign Affairs of the Ukraine) underlined the new framework conditions created by EU eastern enlargement and the ENP architecture. The EU should opt for an open-door policy and should abide to its promise of a differentiated approach. Placing Ukraine and Moldova in the same category as the Magreb-countries is unproductive. In principle, Ukraine wants a membership perspective rather than ENP, but Kiev will use the AP (plus the ten points conceded after the Orange Revolution) as an instrument of approaching the EU. Apart from enhancing regional co-operation, e.g. in GUUAM and BSEC, a strengthening of EU-Ukrainian co-operation in Transnistrian crisis management is a core challenge. President Yushchenko's recent proposals at the GUUAM summit in Chişinău should be seen in that light. The complete withdrawal of all Russian troops is a precondition for a viable solution.

Dolgov corrected the discussion paper by pointing out that the complete border with Moldova is strictly controlled and well-equipped at least on the Ukrainian side. As borders should be solid for criminals and permeable for legal transactions and co-operation, Ukraine supports the idea of international monitoring along the border. Official Ukrainian surveys, however, indicate that contraband interception by the border authorities is not substantial and not particular for the Transnistrian segment of the border. EU assistance could further improve the quality of border controls, e.g. by means of a bilateral exchange of information with Moldova. Already now co-operation with the Moldovan border authorities is excellent and several protocols have been signed. The EU might also assist in the actual demarcation of the border (as delimitation has been completed).



Speaking on behalf of Moldova's other neighbour, **Traian Hristea** (Director at the Romanian Foreign Ministry) focussed on the issues of the 2007 Schengen border and multiple citizenship. The Romanian-Moldovan border will acquire a new relevancy and significance once Romania becomes a full EU member on 1 January 2007. Romania feels a moral obligation from history vis-à-vis Moldova and speaks up for its neighbour, e.g. in the context of NATO. Romanian-Moldovan bilateral relations have always been special and always will be. They should be developed as a model of co-operation between two European states. In that context, a sustainable solution for the Transnistrian question based on European standards - the sovereignty, independence and territorial integrity of Moldova - is indispensable. Romania is committed to the democratisation of the region and will become an even more valuable partner for Moldova once it becomes a full EU member. Romania will take the tradition of free movement into account in implementing the Schengen acquis.

Concerning the much-discussed issue of Romanian passports for Moldovans, Hristea explained that up to 2002 the decentralised system of naturalisation and issuing passports had been less than perfect. Consequently, no reliable statistics are yet available for the period 1990-2002. Since then, however, the centralised administration of the Ministry of Justice has granted only 300 Romanian passports to Moldovan citizens. Currently, the central authorities are collecting and reassessing naturalisations case by case. As their 5-year passports expire, the Moldovan holders of a Romanian passport have to go through a procedure as if they were again applying for citizenship. In this process their claim to Romanian citizenship is verified.

In the **discussion** several participants asked about existing obstacles to concluding a basic treaty or a border agreement between Romania and Moldova. The respective speakers on the panel agreed, however, that the current bilateral legal framework is sufficient for good co-operation and will be assessed for congruence with the EU acquis. Several participants voiced scepticism concerning the practicability of the seven-steps plan by Yushchenko for the Transnistrian question. Due to the corruption in the customs services joint controls would only be effective if combined with international monitoring. Kiev, moreover, still allows the transfer of goods to and from Transnistria although no taxes are being paid to the Chişinău budget. The same scepticism applied to the idea of democratising Transnistria: As long as the region has no free political parties and media, democratic elections are not an option. The Ukrainian speaker underlined in reply that his country is willing to accept short-term monitoring missions at the border and noted that closing the border is not a solution to the problem. Schaefer agreed that joint border controls is a promising idea, but that the details have to be clarified first. The five-party format, moreover, is not the main reason for the deadlock situation in the Transnistria negotiations, but complementary engagement by the EU would be an option if it contributes to progress on the issue.

THE ROAD AHEAD



Vasile Tarlev (Prime Minister of the Republic of Moldova) opened his speech by highlighting the pro-European choice of the Republic of Moldova as being without any alternative and Moldova's readiness to work with European partners on the basis of European standards and values. Moldova is a European country by history and geography and deserves to become a member of the European family. Important steps have been taken, e.g. by building up the institutional basis for European integration in and between the ministries and by training civil servants. The National Plan for the Implementation of the AP, as submitted to the European Commission in February 2005, is Moldova's highest priority. Moldova considers the AP an instrument towards European integration. Actually, the burden is on Moldova and its citizens, but "we rely on our friends in Europe". Moldova has been accepted as observer in SEECF and strives to become a full member. Apart from ENP, Moldova has an European strategy too and has set itself the ambitious goal of fulfilling the AP in less than three years.

Currently, the Moldovan government has set the following priorities: co-operation with the European Union, access to European programs in ENP, opening negotiations with the EU on visa facilitation and co-operation in the transport and energy sectors. Moldova has become an active partner in regional networks, e.g. in health programs, in energy and infrastructure. The Moldovan objectives are the harmonisation of legislation to EU norms, competitive agricultural production and the overall modernisation of the economy.

The reintegration of Moldova based on the independence and integrity of the state is a key concern. In the past decade of negotiations no real progress has been achieved. Quite on the contrary: the negotiations have strengthened the separatists and consolidated their black and grey market activities. The enhanced interest of the regional neighbours and the EU with the new special representative, however, bodes well.



*Discussing the Road Ahead EU Special Representative for Moldova Ambassador **Adriaan Jacobovits de Szeged**, Amb. **William H. Hill** and Deputy Prime Minister, Minister of Foreign Affairs **Andrei Stratan***

Finally, **Adriaan Jacobovits de Szeged** (EU Special Representative for Moldova) while referring to the intensified political dialogue between the EU and Moldova based on shared values elaborated his view on the Transnistria question. Transnistria is high on the EU agenda as demonstrated by the prominent place for a sustainable solution in the Action Plan. The EU is committed to finding a realistic solution based on realities. Three elements are vital for such a solution: Firstly, the constructive engagement of all parties, irrespective of negotiation formats.

The EU feels strongly about Russia fulfilling its commitment of complete withdrawal of troops and army stores. On the other hand, Russia's involvement and leverage in Tiraspol are important for any long-term solution. The Ukraine's sincere interest in working actively towards such a solution is an asset for the process, especially in cutting off the flow of criminal trade and trafficking across the border. EU is ready to get involved in improving border controls. Secondly, a sustainable division of labour between Chişinău and Tiraspol has to start from the substance of what will work in practice rather than by labelling ("autonomy", "federation", etc.) the outcome of the process. No solutions exist without compromises. Thirdly, long-term acceptability and consequences are key by producing concrete results for the population. Democracy, rule of law and market economy will be the basis for a settlement and have to become available in all of Moldova. A solution would have enormous positive regional implications. Moldova's European orientation and reforms will also add to its attractiveness for all Moldovans and will help to integrate Moldova.