

# POLITICAL & SECURITY STATEWATCH



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The Bulletin is a bilingual monthly publication aiming to provide analysis on various elements of domestic and foreign policy, as well as on some issues of special interest for Moldova. In order to accurately monitor the major trends and developments, the Institute of Development and Social Initiatives (IDIS) "Viitorul" calculates the Political and Security Statewatch (PSS) indicators. The PSS indicators are calculated using a special methodology.\*

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## The Dynamics of PSS Indicators for January-February, 2006

Indicator	June Average	July Average	August Average	September Average	Jan.-Febr. Average	Dynamics
Domestic Policy	3,7	3,25	3,18	3,41	3,45	↓
Foreign Policy	3,6	3,09	2,99	3,32	2,81	↑
Security Policy	3,68	3,19	3,11	3,58	3,31	↑

*The values are calculated on an inverted scale, where 1 is the highest value and 5 is the lowest*

## Domestic Policy

Year 2005 will be remembered for several important happenings that could shape the social and economic development of Moldova for years to come. Out of these, the signing of the Moldova-EU Action Plan (MEAP) stands out on the background of other breaking events, such as the parliamentary elections, the political partnership between the rule and the opposition and the special juridical status on Transnistria.

In 2006, European integration and the intensification of implementation of the MEAP is a clear priority for the central state authorities along economic development, increase in investment into the country and the settlement of the Transnistrian conflict. The realization of these objectives depends instrumentally on the implementation of the Central Administration Reform approved by the Government on December 30, 2005.

## Developments in the Implementation of the Moldova-EU Action Plan

In February 2006 a year has passed since the Moldova-EU Action Plan was signed. Too little was said on the implementation of the MAEP in 2005. The Action Plan is to be accomplished in three years, therefore, year 2006 will be crucial for the process of European integration of Moldova, as well as for the relations between Moldova and the European Union.

Both the Moldovan and the European officials have well appreciated Moldova's efforts in the implementation of the Action Plan. During a press conference on February 23, Foreign Minister Andrei Stratan enumerated some of the achievements that occurred in 2005, among which he mentioned the opening of a delegation of the European Commission in Chisinau, as well as the designation of a special representative of the European Commission to Moldova. Another success was the installment of an EU-operated Monitoring Mission on the Moldovan-Ukrainian border

### \* The calculation methodology of the Political and Security Statewatch Indicators

The PSS methodology is a synthetic model designed to evaluate the perception of a pool of 10 independent experts on political and security risks in three areas: Domestic Policy, Foreign Policy and Issues of Special Interest. The PSS monitoring contributes to the identification of potential and effective threats that impact the stability of public institutions and assures the coherence of early warning analyses. The PSS rating should not be considered an absolute indicator. The reason for PSS indicator is to form general ideas. The dynamics of PSS indicators can be found throughout the text of the PSS and reflects the rhythm and the direction of democratic changes occurring in Moldova. To find out more about the methodology, check the addenda.

(EUBAM). However, the compelling majority of these achievements are due to the efforts of the European Union, rather than of the Moldovan authorities.

According to the information on the website of the MFAEI, Moldova had to present an annual report for year 2005 on the implementation of the Moldova-EU Action Plan. The report had to be presented in February 2006. Alas, the publication of the Report is pending. The website of the MFA (www.mfa.md) only contains several chapters of the National Implementation Plan of the Moldova-EU Action Plan (NIPMEAP), as well as a draft version of the implementation report. The published report only refers to articles 2.1, 2.5, and 2.7 of the Moldova-EU Action Plan.

The reporting is done on the basis of the information included in the NIPMEAP, which consists of the information provided by the individual ministries of Moldova. Nevertheless, the results of the recorded ministerial activity do not entirely correspond to the objectives of the Moldova-EU Action Plan, which puts serious hurdles for the officials in the Ministry of Foreign Affairs and European Integration in reporting to Brussels.

According to the current procedure of implementation of the Moldova-EU Action Plan, the Ministry of Foreign Affairs and European Integration (MFAEI) informs the other ministries of the priorities of the Moldova-EU Action Plan. The individual ministries submit their own comprehensive implementation reports to the MFAEI. The latter compiles the data and writes the final draft of the report. Nevertheless, this procedure does not allow the MFAEI to check the objectiveness of the ministerial reports, nor their truthfulness.

Another problem lies in the fact that the MFAEI cannot force the ministries to activate in accordance to the Moldova-EU Action Plan, due to the relative autonomy of these ministries towards the MFAEI. Despite the fact that Foreign Minister Andrei Stratan was appointed as vice-Prime Minister, that did not, in practice, rise his authority before the other ministers. Moreover, this has spurred a conflict between the ministries and the MFAEI. The result is that the other ministries resist to the critics by MFAEI and choose not to help the latter implement the Moldova-EU Action Plan.

A year after the signing of the Moldova-EU Action Plan a series of shortcomings stand out:

- the imperfect monitoring and evaluation system of the implementation of the Moldova-EU Action Plan;
- the limited competencies of the MFAEI as Coordinating Unit towards the other ministries;
- the little awareness of the role of the

Moldova-EU Action Plan for the process of European integration of Moldova and for the overall development of the country;

- the belated connection of the civil society to the implementation of the Moldova-EU Action Plan.

A general overview of the implementation of the Moldova-EU Action Plan in 2005 allows us to consider that the European institutions, the MFAEI, the Parliament and the President are the only ones concerned with the implementation of the Moldova-EU Action Plan. There is a big disparity between the efforts of these institutions and the rest of the executive structures of the country. More efforts from the part of the Ministry of Transportation, Ministry of Agriculture, Ministry of Ecology, as well as many others is urgently needed. The lack of financing of the implementation of the Moldova-EU Action Plan from the state budget has been a frequent excuse for the inactiveness of the ministries. However, the everyday activity of the Ministries is crucial for the possibility of involving Moldova into numerous infrastructure development projects, as well as projects of rural and local development financed by the EU.

The incapacity and the inactiveness of certain Ministries should alarm Prime Minister Tarlev, deeming the short implementation period of the Moldova-EU Action Plan.

On the other hand, the efforts of MFAEI in elaborating a sparkling report which is full examples of inexistent progress to please and deceive the European institutions should be avoided. The framing of reality could exert a negative impact on the image of Moldova, deeming that Moldova is still under watch from the Council of Europe.

The experience of a year of implementation of the Moldova-EU Action Plan has displayed not only the little

interest of certain institutions, but also the load of work that is still to be done. During the annual meeting of the National Commission of Monitoring the Implementation of the Moldova-EU Action Plan, Prime Minister Vasile Tarlev demanded the coordinating units to present the priorities for the next year. This call seems untimely, deeming the fact that the Ministries will be re-organized shortly after the adoption, on December 30, 2005 of the Strategy on Reforming the Central Public Administration that precludes the redefining of the competencies of Ministries.

Also the last year has proven the lack of institutional capacity of the whole government, as well as of the individual ministries in setting priorities and implementing the National Programme on the Implementation of the Moldova-EU Action Plan by integrating this plan into the routine activity of the Ministries.

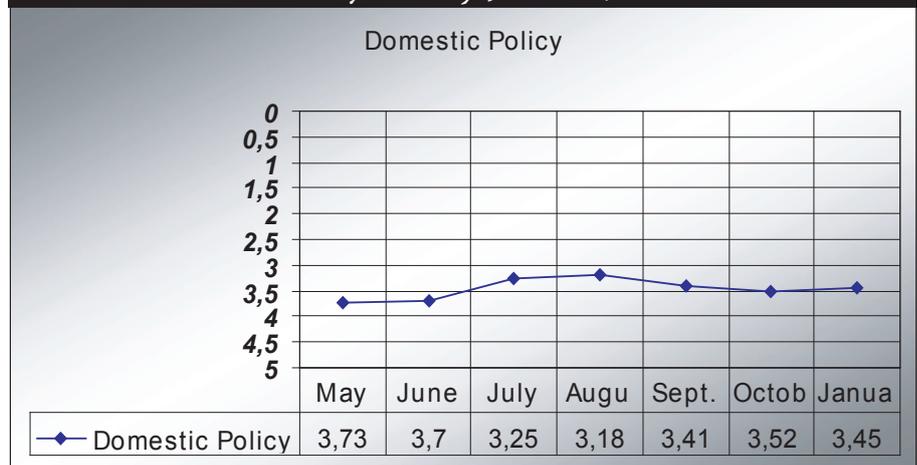
The setting of the priorities of the Moldova-EU Action Plan should be inextricably correlated to the Strategy on Reforming the Central Public Administration (SRCPA), so as not to stall the process of European Integration of Republic of Moldova.

### *The Strategy on Reforming the Central Public Administration*

The Strategy on Reforming the Central Public Administration (SRCPA) was adopted by a Governmental Decision on December 30, 2005. The strategy was published on www.gov.md .

Programmed for three years, the Strategy on Reforming the Central Public Administration (SRCPA) is intended for determining the actions aimed at modernizing the Central Administration by reorganizing the ministries and the other central executive authorities, including the autonomous administrative bodies. The SRCPA also aims at optimizing the decision-making process, improving human resources and increasing

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the efficiency of the public finances. Promoted primarily by the numerous analysts and experts from within the civil society, the SRCPA has been getting reluctant views from the most of the previous governments, including the present one.

Moldova is also known to be the “Country of All Strategies”, where the adoption of the strategies is more important than their implementation. The current strategy is the fifth big strategy that could spur a radical change in the executive structure of the country.

Nonetheless, just as in the case of the previous strategies, the impetus for these reform came from abroad, rather than from inside the country. That explains why the slow pace of its implementation. The SRCPA has been implied by the necessities of European integration that longs for a drastic change in the executive institutions. However, the reticence of the central administration to implement the SRCPA could hinder its successful realization.

One of the most important hurdles could be the insufficient financing of SRCPA. According to the strategy, the reform will be financed from the state budget and the foreign donors. Despite all that, the state budget law does not contain any reference to that. Another important fact is that the cost of the reform has not yet been calculated. It is, however, unclear how easy will it be for the Parliament to modify the State Budget Law for 2006.

The SRCPA also precludes modifications in the national legislation. These

changes could spur opposition from the part of various parliamentary groups. One of the points of discord could be the intended modification on the Law on the Government, which installs a new Ministry: that of the Local Public Administration, the competencies of which are still unclear. The dedication of the Communist group to support the institution of this ministry spurred stark resistance from the other parliamentary factions. The future modifications could pass through in a much more difficult way, taking into consideration the conflict of interests among the parliamentary groups.

Another question mark is the obvious protection by the authors of this law for the Academy of Public Administration. According to the SRCPA, the improvement of the qualifications of the public officials shall be conducted solely by the Academy of Public Administration by the Office of the President of Moldova. This clearly discriminates other higher education institutions such as the State University of Moldova and the Academy of Economic Sciences, or alternative training programmes by the civil society that provide similar training.

Another important problem is the monitoring and evaluation procedure of the SRCPA. Alternative modalities other than the well known inefficient scheme, when the Coordinating Unit reports to the government and the government later reports to the Parliament and the President have not been programmed. It would be much more efficient to involve independent experts would oversee the implementation of the SRCPA.

## **Forecast:**

– The Annual Report on the Implementation of the Moldova-EU AP could receive uninterested gaze from the European Commission which could calm down the pro-European rhetoric in Moldova. However, it is unlikely that the process of implementation of the Moldova-EU Action Plan be stopped. Adversely, the process could spur ambition for better work within the Moldovan political environment, which would pressure the Ministries for more work in the field of European Integration;

– The implementation of the Reform on Central Administration will lead to a more efficient administration in Moldova. However, stark resistance from certain groups framed in old centralist way of thinking could create hurdles for the implementation of this reform. Nevertheless, the reform could be a strong impetus for the social and economic development of the country;

– The energy problem will be for quite some time the “Number 1 Issue” for Tarlev’s government, as well as the number one issue in the triangle of Moldova-Russia-EU. The imminent rise in gas prices will definitely hit hard the Moldovan economy;

– The revival of CEFTA and Moldova’s inclusion in the initiative could create real premises for free trade, as well as attraction of foreign investment in Moldova. However, it should take time until the legislation is finally adjusted and the cooperation norms are set. Moldova should also consider a new foreign trade regime.

## **Foreign Affairs**

### ***Russia’s Gaspolitik and its Implications on Europe***

The primary result of the lately foreign policy of Russia can be characterized as a triumph of the Kremlin, which transformed the deliveries of Russian oil and gas to the European markets into its main foreign policy argument. The last months of international relations have shown, neither “old” Europe, nor any other state currently acquiring Russian gas do little about it.

Since the breakup of the USSR, which Russian President Vladimir Putin repeatedly called “the greatest geopolitical catastrophe of the 20th century”, Russia has been experiencing a power frustration. The overall social and economic decay of the country longed for the re-emergence of Russia as global leader. Russia now faces stark opposition from the international community in realizing its endeavor. Nevertheless, Russia managed to swap the status of “Europe’s

cop” to “Europe’s drug dealer” by trying to maximize Russia’s energy power and control over the sources, but more, on the transport routes of natural gas, thus acquiring a strong leverage to influence its European counterparts, but also its near neighbors. As proven by the developments of the last half a year, Russia’s Gaspolitik is based on dividing Europe.

In the meantime, Russia is looking forward to taking the Presidency in the G8 and Kremlin plans to get the most out of its G8 leadership. For that, a weakened and divided EU looked as a good solution. The timing is perfect. The EU is passing through an unprecedented crisis, ravaged by the failure of its Constitutional project and a series of terrorist attacks for fighting which, it needs Russian support. Besides, Russia takes the presidency of the G8 in winter, which is a high

season for gas. Russia is losing grip on its West-most neighbor, Ukraine, whom Russia has controlled for centuries. The independence of Ukraine towards Russia is mainly because of the guarantees Kyiv gets from the West. Therefore, the sharp dependence of the West on Russia, is a threat to Ukraine’s new course. That could also affect the entire Black Sea region.

### ***The step-back of the EU***

Right before the EU-Russian Summit in October 2005, where the main topic was the deliveries of Russian power resources to European markets, Russian President Vladimir Putin carried out negotiations with the Belgian leaders. The reason for the negotiations were connecting Belgium to the joint Russian - German gas project. Summing up this meeting, Putin declared that besides

Belgium, France, Great Britain and other European countries would also join the project in the near future. The EU-Russia Summit in London confirmed the validity of Putin's. According to the data published during its course, very soon Russia will deliver 50 % of all natural gas consumed by the EU countries.

British Prime Minister, Tony Blair, the EU spokesman for the Summit declared directly that Europeans require deliveries of oil and gas, the goods, which Russia has and is ready to give to the Europeans. On behalf of all the leadership of the EU, he also expressed the hope that Russia will henceforth deliver energy carriers to Europe. Thus, summarizing the message of the British Prime Minister to the Russian President, a very simple formula appears: "We need the energy, which you have – please, we need it, do not deprive us of it!"

Against this background, the sharp dependence of Europe on stable deliveries of power resources from Russia becomes more obvious. The Kremlin must be complimented for a rather finely played power card. The "old" Europe was offered a stable energy source alternative to the unstable Middle-Eastern one. However, it seems that the cost of that choice is also very high. An important element of the "power diplomacy" also became the open support rendered by President Putin to chancellor Schroeder before the parliamentary elections in Germany. The new gas project promised the Germans thousands of new workplaces, and huge financial "injections" into the state treasury.

It is abundantly clear that in holding such a position Russia gets a lot of immunity to any requirements that EU should set, as, for example, on democratization of Russian society and liberalization of the Russian economy. The consequences of the EU-Russia arrangements in London are obvious. First the geopolitical position of the countries of Eastern and Central Europe deteriorated. Unfortunately, for the last century the European diplomacy, in general, has not changed. Only a couple of months afterwards, Russia decided to show what it can do.

On January 1, 2006, Russia cut down Gas deliveries to Ukraine. Such countries as Poland and Hungary saw their gas supplies drop by 40 percent. Moscow accused Kiev of "stealing" EU gas, while Ukraine said Russia had violated a contract guaranteeing prices until 2009 in punishment for the Orange Revolution. Both sides wrote letters to the European Commission asking for help in resolving the dispute, while Ukrainian president Viktor Yushchenko spoke three times with Polish head Lech Kaczynski to try and organise an EU coalition. But the European Commission and the Austrian presidency backed away. Austrian foreign minister Ursula Plassnik expressed hope for a "a consensual, lasting solution".

The gas crisis revealed the dependency of the EU on Russian gas. Europe imports about 40 percent of its gas, according to UK government figures published by the BBC. About 70 percent of the imports come from Russia, with 90 percent of this volume transited through Ukraine.

Germany, France and Italy are the biggest buyers of Russian gas in terms of sheer volume, with Russian imports accounting for between 25 and 40 percent of their consumption. But eastern and central European countries get almost all their gas from Russia, with Austria on 74 percent, Poland on 62 percent and Slovakia and Finland on 100 percent.

Austria, which imports two thirds of its gas from Russia, has also taken the presidency of the EU in the same time when Russia took over lead in the G8. That is the kind of leverage Kremlin needs. The effect of gas blackmail is stunning. Europe became fragmented as in the times of the Constitutional fiasco. The gas issue made EU states concentrate on their own security situation and back away from common, European solutions.

Some states, like Germany, chose make friends with the enemy. During the meeting between Angela Merkel and Vladimir Putin in Moscow, the German leader decided not to criticize the Kremlin publicly for its lack of democracy and for gas blackmail of Ukraine. Merkel's views had been essentially different from Schroeder's, who was a good friend of Kremlin's. Merkel's desire was thought to be restoring good relations with the USA and the countries of Eastern Europe. Russia, however, managed to force a policy change for Germany; or, better said, Kremlin managed to prevent a German foreign policy change from happening. As the Berlin press declared, Merkel has become Schroeder for Putin!" The German press actively discussed the statements of the chancellor, who claimed that relations with the Kremlin «will not carry for her the same vital importance as it did for her predecessor." It turned out that they did. The Chancellor sought to reconsider Russian - German relations. According to Kremlin's plans, a qualitatively new stage in Berlin-Moscow relations has begun: one based on bilateral relations, rather than on EU-Russia relations.

Kremlin has long time benefited from closer ties and deeper integration with Germany on energy issues than with any EU country. Since the Hannover Trade Fair ("Hannover Messe-2005"), where on April 12, Putin and Schröder blessed the signing of the groundbreaking "Deal of the Century" between two power giants – the German BASF and the Russian "Gazprom". This memorandum on cooperation was groundbreaking for several reasons. For the first time in history, Putin allowed foreign

experts to get involved with gas extraction in Siberia. Second, the German leader agreed the construction of a new North European Pipeline on the bottom of the Baltic Sea, bypassing Germany's partners in the EU and NATO – namely: Ukraine, Poland and the Baltic countries. An estimated cost of this project is about \$8 billion. The project should be completed by 2010. The pipeline is expected to deliver 20-30 billion cubic meters of natural gas a year, which reaches 1,8 - 2,7 billion dollars in 2005 prices.

The partnership between "Gazprom" and BASF's branch, "Wintershall", goes back to 1993 when a joint venture, "Wingas", intended for the laying of a gas pipe under the Baltic Sea was established. Before signing the contract in Hannover, "Gazprom" possessed 35% of "Wingas" shares, while "Wintershall" had the rest. According to the contract, "Gazprom" received an additional 15% of "Wingas", thus raising its stake to 50% minus one share. "Wingas" thus became one of two regional leaders aside the German "Ruhrgas" in the delivery of Russian natural gas to the Central Europe. It owns numerous transit enterprises in Eastern Europe, Germany, Great Britain, Belgium, France and Austria. Concurrently, in 2003, "Gazprom" and "Wintershall" created another joint venture - "Achimgaz" for gas extraction from the Urengoy field in Western Siberia. This new project allows "Gazprom" to sell gas to the Scandinavian countries. In fact, active cooperation between "Gazprom" and BASF over fifteen years slowly brought control over the European power market, its price policy and sales volume to the Russian power giant.

"Gazprom" already provided 32% of natural gas deliveries to Germany and about a quarter of all gas deliveries in the EU – about 140 billion cubic meters a year (\$12,6 billion).

The landslide win of Merkel over Schroeder was not good news in Moscow, which started losing grip on Euro-focused Merkel. Something needed to be done so that Moscow does not lose Germany as reliable partner in Europe.

The conquest of gas and oil transport routes continued for Russia when Putin, together with Turkish and Italian prime ministers, Recep Tayyip Erdogan and Silvio Berlusconi, inaugurated the \$3.2 billion Blue Stream natural-gas pipeline, which runs from Russia beneath the Black Sea to Turkey in November 2005. The pipeline will account for approximately 60 percent of Turkey's consumer-gas needs. Turkey also imports 20 percent of its oil supply from Russia. In February, Gazprom CEO Aleksei Miller said in Ankara that the gas monopoly plans to extend the Blue Stream pipeline across the Mediterranean to Italy, Greece, Lebanon, and Israel via Turkey. The recent declarations of Russian President Putin made during visits from Algeria to Hungary reveal that Kremlin's

interest is for the Blue Stream pipeline to be extended to Southeastern Europe. There, Blue Stream would collide with another gas transport project: NABUCCO.

Initiated by the European Parliament and the Council of Europe on June 26, 2003, NABUCCO's first section is to be finished in 2011. It has important strategic and economic significance as it competes with Blue Stream and offers an alternative to Russian gas and will shake Gazprom's monopoly over gas supply to Romania. MOL, the Hungarian state-owned gas company signed a joint venture agreement with Austria's OMV, along with Turkey's Botas, Bulgaria's Bulgargaz, and Romania's Transgaz on June 29, 2005 to build the 3,400 kilometer pipeline at an estimated cost of 4.6 billion euros (\$5.5 billion). The pipeline would have a capacity to transport 4.5 to 13 billion cubic meters (bcm) a year by 2011. Capacity is estimated to reach 25.5 bcm to 31 bcm by 2020. Construction of the pipeline reportedly began in 2005.

The extension of the Blue Stream pipeline would put into question the rationale for the Hungarian-Croatian agreement to build a 340 kilometer pipeline between the Adriatic coast and Hungary and a liquefied natural gas terminal on the island of Krk, off the Croatian coast.

According to Radio Free Europe, on February 9, Gazprom CEO Aleksei Miller met with Hungarian Finance Minister Janos Veres to discuss a number of projects, among them the possibility of creating a natural gas hub in Hungary and a large gas facility capable of storing 1.2 Billion cubic meters of gas. No decisions were reached at the meeting. According to the well-established scheme, according to which the Kremlin involves politics whenever business negotiations fail, President Putin paid his visit to Hungary afterwards. Putin's agenda for his visit to Hungary in 2006 was the possibility of Gazprom buying the wholesale division of MOL, the Hungarian oil and gas company. MOL controls the Hungarian gas pipeline system that Gazprom has been seeking to buy for years. It is improbable, however, whether the Hungarians are willing to sell.

The political establishment within the EU, which has been silent till now (or, at least, was expressing itself very quietly) has vociferated numerous claims to condemn the recent trends in Russia's foreign policy. The head of the Bundestag committee on international affairs, Ruprecht Polenz, demanded that the Chancellor declare to the Russians that "their old thinking style, based on the creation of zones of influence and dependence," is not acceptable any more. The German

mass media asserted that the "German public" is concerned with the recent "gas dispute" between Russia and Ukraine, with the support Moscow provides to the Iranian nuclear program and the relations with the "dictatorial regime in Uzbekistan".

Some EU states have taken matters into their own hands, with Poland, Hungary, the Czech Republic, Slovakia and Austria striking a deal on Tuesday to work together on energy in international fora. Hungarian leader Ferenc Gyurcsany took the opportunity to appeal for a common EU energy policy. "We must understand that energy is not simply an economic question but a comprehensive security question", the prime minister said.

Russia and Ukraine reached agreement on gas prices on January 4, 2006, but the supply crunch has left the EU looking vulnerable on energy. Under the complicated deal, Russia sells gas at \$230 per 1,000 cubic metres to Gazprom-owned firm Roskurenergo, which will mix Russian gas with cheaper gas from Turkmenistan, Uzbekistan and Kazakhstan and then sell it to Ukraine at \$95 per 1,000 cubic metres.

The gas issue created deep divides in the Ukrainian society. The quadrupling of gas prices was a shock for the energy-intensive industry, as well it has lowered the attractiveness of investment in Ukraine. Politically, the gas war came also in perfect timing. The gas shortages came right before the elections in Ukraine, which considerably weakened the position of the Orange clique and favor the pro-Russian forces.

EU Observer reported that the EU might build a new gas pipeline on the Adriatic Sea coast in order to ease reliance on Russia following the Russia-Ukraine gas dispute. Hungarian economics minister Janos Koka

decided about the plan following a meeting of EU energy experts in Brussels on Wednesday (4 December). Under the scheme, tankers would deliver liquid gas from the Middle East and North Africa to an Adriatic region entry point into Europe.

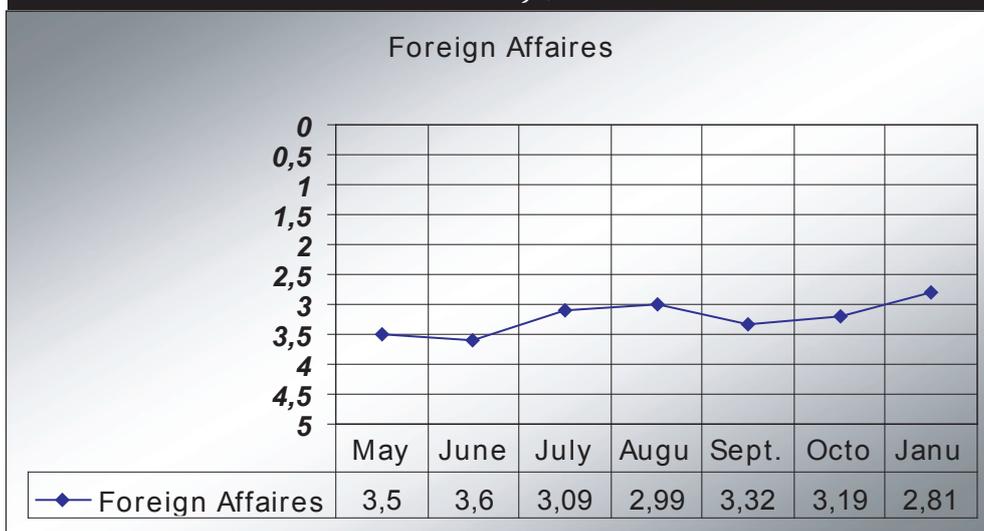
A feasibility study is due by March. The EU energy group also asked the European Commission to produce a green paper on energy policy coordination in time for the Austrian presidency's first summit in March. The paper is likely to focus on uniform counting methods for member states' gas reserves, concerted action on new supply routes, such as the Turkish 'Nabucco' pipeline, nuclear and renewable energy and energy conservation.

### Forecast

Russia will continue to play the gas card so as to intensify the divisions within the weak EU which relieves the consequences of the constitutional fiasco. Russia needs a weak EU so it can pursue its foreign policy interests. For instance, Russia needs the compliance of the EU in the Iranian issue. By previously supporting the nuclear program, Russia contributed to the creation of a global security threat. Then Kremlin got involved in the Iranian crisis as negotiator, while the only aim is not solving the conflict, but getting a share in the nuclear industry while keeping the US and the EU out. Should this plan not succeed, Moscow will prolong the settlement forever, so as to use the instability as leverage over the US and EU. This is a déjà vu for those familiar with Russia's policies in its near abroad.

The essence of the European "energy security" concept is in the necessity of diversification of the energy carriers sources,

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which the European countries use. Today Russia is practically the exclusive supplier of natural gas to the European Union, and that makes the latter extremely dependent of Moscow's political whims. The best example is the recent Russian - Ukrainian gas crisis. In the middle of January, Polish Prime Minister Marcinkiewicz managed to inspire his Czech, Slovak, and Hungarian colleagues with the "energy security" idea. The Hungarians even managed to sign a contract with the Croats on construction of a new terminal for the liquefied natural gas at the Adriatic Sea coast. It is expected that in March, at the EU summit, Warsaw, Prague, Bratislava, and Budapest will present their colleagues on the European Union with the collective project on creation of so-called "Organization of Collective Energy

Security", which is to be build similarly to the NATO model.

The gas price policy places the disobedient Georgia, Ukraine and Moldova under the Damocles' spade. The hazard of rising gas prices can hardly hit on the economy of these countries. Russia will continue to apply pressure on these countries and try to takeover the gas transportation system, so as to assure home company "Gazprom" with the needed vertical integration in the gas delivery business. Moldova already gave up a share of 13% of shares of Moldovagaz to Gazprom in exchange for more lower prices. Therefore, these countries will have to consider participation in the EU's alternative gas schemes, such as NABUCCO.

Most gas industry analysts believe that it will be difficult for Russia to sideline the Nabucco pipeline and that the Romanians and the Hungarians are not willing to give it up in return for gas via Blue Stream. At best, both projects could coexist -- providing Gazprom agrees to this and does not buy up the sources of NABUCCO: the gas production sites in Central Asia, as it has already done in Turkmenistan, in order to prevent that gas from entering NABUCCO.

Moldova, Georgia and Azerbaijan should aspire, in the long run, to strengthen GUAM and its energy component so as to lessen their sharp dependency on Russia.

## Issues of Special Interest

### THE INVOLVEMENT OF EU IN THE SETTLEMENT OF THE TRANSNISTRIAN CONFLICT BRINGS STUNNING RESULTS

#### *The Border Mission*

The year 2005 was very fruitful in terms of activeness in resolving the Transnistrian conflict. First, the enlargement of the negotiation format by including the EU and the United States as observers, then the European Border Assistance Mission to Moldova and Ukraine (EUBAM) have brought a breeze of optimism.

The border issue stands in highlight because of its importance in resolving the Transnistrian conflict. EUBAM was set up to monitor more than 450 kilometers of the Moldovan-Ukrainian border where illicit smuggling is especially rife. The Transnistrian sector on the Moldovan-Ukrainian border has long time been a haven for smuggling of goods, weapons, drugs as well as trafficking in people. The murky import-export schemes for Transnistrian-bound goods arriving in the ports of Odessa and Ilycevska and then re-exported to Ukraine, Russia and the EU have created humongous profits to the rogue businessmen.

Oleh Dolzhenkov, an official from the Odessa City Council, shared such concerns with the Ukrainian Service of Radio Free Europe/Radio Liberty "We know that the city of Odessa was drowning for a long time in illegal weapons, drugs, etc., which went through unmonitored sections of the Moldovan-Ukrainian border," Dolzhenkov said. A possible deception scheme could look like this: Shipments of goods arriving by sea in Odessa are declared as Tiraspol bound and not taxed by Ukraine. Subsequently, authorities in Tiraspol confirm receipt, but the goods are rerouted to Ukraine.

The profits provided an impetus for influential circles in Kremlin and Kyiv to

support the illicit political regime in Tiraspol. Tackling the status quo on the porous border between Moldova and Ukraine was believed to raise the cost of maintaining the breakaway republic. The ending of the illicit business on the border, in which important political and business figures in Ukraine have been long time involved, would also help fighting corruption in the post-Revolution power establishment in Ukraine. Besides, a controlled border would mean a much more effective governance and increasing confidence from the part of the EU and the United States, and of course of a cohort of foreign investors. The start of the implementation of the customs rules came in exquisite synchrony with the lifting of the Jackson-Vanik Amendment on Ukraine, which has long time depressed foreign investment into Ukraine.

In June, Moldovan President Vladimir Voronin and his Ukrainian counterpart Viktor Yushchenko appealed to the EU to establish a monitoring group to their border to help curb down smuggling and illegal trafficking. In the start of October 2005, a formal agreement to launch the operation was signed by the two countries and the EU.

With a budget of around 8 Million Euros and a mandate for two years, EUBAM consists of 70 border policemen and customs officers from 16 EU countries and 50 local staff. The Mission is headquartered in Odessa with mobile field mission across the border. The European monitors have been authorized to inspect any location on the Ukrainian-Moldovan border. The mission is supposed to work only on the Ukrainian side of the border, while operation on the Transnistrian territory has not been planned. An EU-led mission was needed for a number of reasons:

first is to provide mandate to a neutral party that would be able to monitor smuggling on two state territories. Second is to amortize the counter-productive actions of fraudulent customs officers on both sides of the border. Customs fraud and transit-related cooperation between the regional criminal networks with their high-placed protectors from Moscow, Kyiv and Chisinau and the customs officials of both Moldova and Ukraine became so well-entrenched into the activity on the Moldovan-Ukrainian border, that only a neutral, outside mission could be effective.

EUBAM proves an increasing involvement of the EU into the process of settlement of the Transnistrian conflict.

Nevertheless, EUBAM's powers are mainly informative and data gathering. Neither of the sides had been able to substantiate the negative effects of illicit trade and trafficking with specific figures. However, just knowing does not solve the problem. Monitoring alone cannot curb down the murky trade that makes the material base of the illegal political regime in Tiraspol.

#### *New Custom Rules*

Transnistria's value lies in the opportunities related to the unbarred trade of the breakaway region with the outer world. The Moldovan authorities have repeatedly tried to impose barriers so as to topple the economic base of the Tiraspolian regime. Moldova introduced new custom stamps in 2001, deeming the absence of stamps would make the separatist regime depend on the legitimate authorities for exports. This did not happen because the Ukrainian regime of President Kuchma, whose power establishment was infested by shadowy individuals and

groups interested in the prolonging of the Transnistrian scheme. Despite numerous calls from both Moldova and the international community, Ukraine continued to accept the import of goods bearing old custom stamps from Transnistria.

The orange revolution and the obvious interest of the "orange" regime in Kyiv to eradicate corruption, criminal interest groups and individuals from the power establishment brought new hopes for the situation on the Moldovan-Ukrainian border. The European aspirations of the Kyiv regime, as well as its seeking to join the WTO have required a tougher stance on the illegal trade on the 450 kilometer-long segment of its border with Moldova.

Nonetheless, the political benefits imply huge economic and social costs. Ukraine annually exports more than \$200 million worth of goods to the Transnistria republic and now this flow will be curtailed, resulting in direct losses for Ukraine. The Ukrainian Black Sea port of Odessa would also be affected because many goods from the Transnistria region, in particular, the products of the Moldovan Pipe Works, were largely delivered to foreign countries by sea.

The tradeoff that Ukraine is facing is complicated by the upcoming elections. Such an unpopular measure as impeding the illicit trade, or the rise in prices for imports from Moldova, which could trigger a rise in the overall prices in the region, but may as well induce shortages in goods, would severely weaken the electoral position of the Orange government in the Odessa and Mykolaiv regions, where support for pro-European Ukrainian rule was never high. The panic could be largely aggravated by the possibility of food refugees and rising crime in the region, so frequently broadcasted in the Ukrainian media by the Transnistrian authorities.

Pressured by the EU, whose observations on the troubled border zone have been urging for firm actions, the Moldovan and Ukrainian Prime Ministers signed, on December 30, 2005 a joint declaration according to which, Ukraine would only allow those imports from Moldova which bear official custom stamps. Originally, the new rules were expected to take effect on January 25 under a Moldovan-Ukrainian agreement. The Ukrainian government eventually postponed them, excusing itself by stating technical problems related to the complicated procedures of registration of Transnistrian businesses in Chisinau. Following a series of infuriated declarations from the part of Javier Solana, the EU High Representative for the Common Foreign and Security Policy, Kyiv put this agreement into effect as of March 1, 2006.

The Ukrainian State Customs Service's Chairman Oleksandr Yehorov announced this via a direct government telephone line that goods processed by Transnistria customs can no longer be imported into Ukraine. According to him, the Cabinet of Ministers signed the relevant resolution. He stressed that this is a requirement by the European Union and the European Commission's mission operating at the Ukrainian-Moldovan border. The requirement that all goods coming from Moldovan territory, including Transnistria, must be processed by the Moldovan customs is stipulated in the memorandum of mutual understanding among Ukraine, Moldova, and the European Commission.

Enforcing tight controls on the trade on the troubled border sector could have a deep impact on all Moldova, on the separatist region of Transnistria, but as well on Russia and Ukraine. The introduction of new customs rules by Ukraine will hit both Russia and Ukraine, and especially Transnistria. RIAN reported that according to Vasily Kozhan, the president of the Transnistria Chamber of Industry and Commerce, Ukraine annually exports more than \$270 million worth of goods to the Transnistria republic. "Russia will also sustain losses because it supplies goods worth about \$200 million to the Transnistria republic via Ukraine and receives products worth about the same amount from Transnistria," Kozhan said.

The reactions followed immediately. Russia has covered Ukraine by a flood of criticism. Kyiv was accused of trying to pressure Transnistria in the conflict settlement negotiations. The frequent appearances of Transnistrian President, Igor Smirnov and the Foreign Minister, Valeri Litskai on the Ukrainian media are full of loud statements saying that Kyiv degraded to become a tool of Chisinau within the process of conflict settlement.

Unlike the previous policies by the Moldovan rule, when loud declarations have not been followed by adequate actions, this agreement is treated seriously. According to RFE/RL, 14 automobiles and 13 train cars had been delayed at the crossing point, and at least eight were sent back to Transnistria. He added that Moldova was not letting through any vehicles that did not have proper customs stamps. The transit of goods was not stopped, however. The trains are re-routed through the Northwest of Moldova, by-passing the Transnistrian territory. While Tiraspol, at Moscow's indicatives, has blocked both the import and the export of goods from Transnistria, but also does not allow the free transportation of passengers.

The Foreign Ministry of Transnistria's unrecognized government slammed the new custom rules as a sign that Ukraine was "siding with one of the parties." Russia's Foreign Ministry called the move "another attempt to put economic pressure" on Transnistria "to force it to give up its political stand." Simultaneously, the high-placed Ukrainian officials, like Dmitro Tkaci, who is the special representative of Ukraine qualified these declarations as partisan and misleading, qualifying the actions of the Transnistrian government and of Russian firms that are uneager to register with the legitimate authorities as "self-blockade".

### Forecast

On one hand, the new border regime is a great result of EU involvement in its troubled neighborhood. As earlier forecasted, EU involvement always brings to legality installed. The most optimistic scenario is that finally the price for maintaining Transnistria becomes too high and Russia may not be able to bare it becomes apparent. Unaccounted flows of smuggled goods and weapons will be impeded, which would considerably lower the profits of operating shadowy business in

*The PSS indicator reflects the stability level in the Security Policy for May-Jan./Feb., 2006*



the region. The Transnistrian authorities claim that this "situation" cannot last more than after May 1, 2006. Despite all, there is not much Tiraspol can do, but seek creative solutions from the part of Moscow. The latter will have a hard time trying to prove that everyone should just get back to smuggling and illicit trade. At least, this kind of arguments are not valid for EU, who proved to be an interested and committed actor in the Transnistrian conflict. Of course, Moscow could satisfy the claims of Transnistrian rulers of compensating the "losses" experienced by the "state budget" of Transnistria. However, then the reasons of keeping alive a ridiculously expensive enclave could also fall short of Russian taxpayers' money.

Besides, compensations will be ineffective. The absence of Transnistrian goods from their export markets will lead to their fast substitution, which is an irreversible loss. Therefore, even if, hypothetically, the custom rules would be abrogated, the Transnistrian business would have a hard time restoring the lost market positions.

There is, however, a bleak reality. The recession in Transnistria caused by the discontinued flow of illegal, but cheap goods

will have a great, but not decisive impact on the business in all Moldova, Russia, but especially, in Ukraine. This recession and possible shortages of goods could lead to social and in its worst humanitarian troubles in the border zone. The alleged Foreign Minister of self-proclaimed Transnistria Valeri Litskai warns of Transnistrian food refugees in Ukraine. The reality is that the innocent population of Transnistria is largely deceived by the Transnistrian and Russian media channels that put all the blame on "the weak regime in Kyiv that has become a marionette in the hands of evil Chisinau, Washington and EU". None of the channels in Transnistria show that the real blockaders are the Russia-guided Transnistrian authorities.

It is highly probable that Russia would start pressuring Moldova, Ukraine and the EU to concede. Gas prices could be used as argument, deeming that the contract signed by Moldova on gas deliveries for 100 US Dollars per cubic meter will soon expire. However, the irreversible steps towards EU will not allow concessions to be made on this issue.

There is also a hazard of "business strikes" in Transnistria, where more Russian firms warned to be closing down

because of the new regulations. Therefore, allegations of Moldova and Ukraine as treating unfairly Russian economic agents are probable. However, soon the business bosses will have to understand that the only way out of bankruptcy. The interdictions set by the Russia-advised administration in Tiraspol on participation of Transnistrian elite in investment seminars in Chisinau, or interdictions to obtain registration with the legal authorities are a clear sign that Tiraspol and Moscow would rather inflict hunger and poverty on innocent people rather than concede on Transnistria.

Another risk is in the next configuration of the Ukrainian Parliament and, therefore, Government.

A possible high weight of the former Kuchmyst clan within the new power establishment in Kyiv could endanger the Moldovan-Ukrainian agreement. However, the irreversible character of pro-Western changes in Ukraine will obviously push the Transnistrian settlement ahead.

## ***MOLDOVA AND NATO: NEW PAPERS, OLD WANTS***

### ***The Moldova-NATO Individual Partnership Action Plan (IPAP): What Is It About?***

In the end of January 2005 Moldova publicized the "Presentation Document" of the Moldova-NATO Individual Partnership Action Plan (IPAP). The document was previously submitted to NATO for review and was afterwards endorsed by the Allies.

Moldova needs a closer relation with NATO because of the insurmountable security issues facing the country. The standalone strategy Moldova has chosen only brought the country to failure when facing the challenges brought by the installation by Russia of a separatist entity on Moldovan territory, by the uneagerness of Russia to withdraw its troops despite the international arrangements. It became clear that Moldova needs to partner with a bigger partner which could assist the country in responding to its security challenges.

IPAP regulates the rapprochement and intensification of cooperation between Moldova and the North Atlantic Alliance. The document includes a series of benchmarks which Moldova has to voluntarily accomplish in order to achieve a high interoperability with NATO. Inasmuch, IPAP sets democratic standards which are indispensable for a

deeper cooperation between Moldova and the Alliance. A very important part of the deal is the economic support and the infrastructure development. The IPAP brings hopes that a deeper cooperation between Moldova and NATO will strengthen the fragile Moldovan statehood.

The document presented is organized in four points:

– Political and Security issues. The section focuses on the general integration issues. The section asserts that the Moldovan authorities consider that NATO is not only a military alliance, but also as a political community based on common values, principles and standards, shared more and more by Moldova. NATO's permanent political support and consistent assistance convinced Moldova to strengthen cooperation and political dialogue with NATO through an Individual Partnership Action Plan (IPAP). This section is a very important part of the document. In this section, the key foreign policy objectives of Moldova are stated. Moldova committed to follow the strategic objective of European Integration, intensify its relations with NATO. Moldova also committed to politically cooperate with NATO within international organizations (the United Nations, the OSCE and the Council of Europe), to follow the Allies' actions in countering international terrorism, production of Weapons of Mass Destruction, as well as

cooperate in non-proliferation issues. Moldova also exposed its main interests from this cooperation with the Alliance. First, enhancing border security and acquiring political and technical support from the Alliance in resolving the Transnistrian conflict. Moldova defined its interests in regional cooperation and, especially, its foreign policy position towards Russia.

Also in this part Moldova defined its priorities in building democratic governance. IPAP sets this aspect as a priority, as well-functioning democratic institutions are an a priori condition for closer cooperation. Moldova committed to strengthen democracy and the rule of law and assure democratic control on the armed forces and security structures by greater transparency. A sound reform in justice and home affairs is to be done in order to achieve higher efficiency in managing security and defense institutions. This section also refers to the main goals of the government in concerning social and economic development.

– Defense and Security Issues. The main issues covered are the reform in the security sector and defense planning. The main goal is achieving higher interoperability with NATO security and military forces. Another pillar in this section are the sub-chapters referring to the Economics of Defense and Investment into Security and Defense. Moldova could benefit immensely

from the investment in security infrastructure, equipment and human development. However, investment is a shared commitment and hard work must be done by Moldovan authorities to accomplish the set objectives. Investment in objects like roads could help Moldova's European integration, as both integration processes require solid infrastructure development.

– The Education, Science and Information Section. This section outlines a "Strategy for Public Information". Moldova committed to increase transparency on security and defense issues, as well as to conduct public diplomacy and public awareness campaigns on the present security threats, disaster response and relief, etc. A distinct consideration was given to the objectives related to the linkages between the security and science. Under this paragraph, Moldova urges to create a functioning security response and relief plan.

– Administrative Matters and Information Security.

Under IPAP, the relations between the Alliance and Moldova is supposed to be superior to that under Partnership for Peace (PfP), in which Moldova has been an active member since 1994.

The difference between the IPAP and the PfP is that the latter presupposes the active involvement of the military and security structures, whereas IPAP requires the participation of all state institutions in a very integrated and cooperative fashion. Aside PfP military requirements IPAP includes political, economic and juridical criteria, the accomplishment of all and each is required by the Allies in order to start next steps of integration. Besides, IPAP requires exquisite action on very specific areas, such as education, ecology, justice reform, human rights and military matters. Besides, all the results have to correspond the pre-set standards and be integrated in a regional security framework.

In order to achieve an integrated approach, the Moldovan government also decided to elaborate the Concept of National Security which was supposed to be correlated to the IPAP. The Commission for the elaboration of the Concept of National Security was established on December 22, 2005, and the concept was planned to appear by March 1, 2006, which is also the scheduled day for the start of the implementation of the IPAP. The Concept is a fundamental document. President Voronin, who also presides the Commission, reiterated that the document is supposed to include the points of cooperation between Moldova and NATO, but on the other hand to serve the long term interests of Moldova.

Why make this distinction? Was that a signal that the issues of national security are different than those included in the IPAP? Or the President can see a clear

distinction between close cooperation with NATO and national security interests?

### ***Euro-Atlantic Integration: Can that Happen?***

One answer can come from the fact that the establishment in Moldova is still very keen on the idea of preserving neutrality. In fact, the power establishment views neutrality in classical and absolute terms. The recent 15 years of history have proven that being neutral equaled, at least for Moldova, being alone in front of the global security threats, but moreover, alone in front of big security actors. The neutrality clause will be the major drawback for accomplishing the security for Moldova. Besides, it is also the most expensive security option. Being part of a block automatically reduces the costs inferred for the security needs. The last 15-year history has also proven that NATO could be the only security option for Moldova. The other option being the Russia-dominated CIS security structures; adhering to which would mean refusing the European future. Besides, refusing the neutrality is solely a domestic effort, as the neutrality of Moldova is not bound to any international treaty. It would require a referendum, though. Therefore, the refusal of the neutrality could be set as a medium run objective, provided the Moldovan people is not yet fully aware of the costs and benefits of neutrality versus possible NATO membership. The cost is, however, less the cost of running a costly and ineffective neutrality.

That is why the National Security Concept should not repudiate the idea of future NATO membership.

Another risk factor for the implementation of IPAP is the reticence of the military establishment in reforming. Naturally, a more efficient army means a smaller army under civilian control and, moreover, transparent military spending and less abuses with the law on the state secret. Naturally, lay-offs and intensive training, as well as a multiplied work volume do not look good to the military chiefs.

The military are not the single risk factor. IPAP is not obligatory, and NATO cannot, according to IPAP rules, impose a successful implementation, which makes the Action Plan depend on the competence and the will of the politicians in Moldova. Unfortunately, there is a long-standing history of incompetence and unwillingness for change within the political class of the country. Besides, the mentality of the Soviet-educated rulers in Moldova proves that they would not work unless forced, or threatened by an upper instance. The endemic lack of professionalism lets us believe that things could turn out wrong even if there is will and effort. Therefore, there should be a certain conditionality for the successful implementation of the IPAP. For example: a successful implementation

of the IPAP leads to a Membership Action Plan (MAP) or a Partnership Action Plan on Defence Institution Building (PAP-DIB). However, since Moldova would remain neutral, such incentives will not work.

Third, Moldova should also make a material commitment, so that IPAP does not repeat the fate of the Moldova-EU Action Plan, for which money have not been allocated for the second budget in a row. Finally, the plan should not be pegged to the resolution of the Transnistrian conflict. Such a link could definitely prolong any advancement in the Moldova-NATO relations.

The interest of separate NATO member-states in the realization of the IPAP, such as Slovakia and Lithuania proves that IPAP could be a useful tool for European integration, if implemented with dedication. The fact that all of the new Europeans have used integration into NATO as an economic, juridical, political and social instrument for European integration is a path to follow. The recent visit of the permanent representative of Lithuania to NATO, Linas Linkevicius brought new hope for Moldova. The Ambassador said Moldova should choose between cooperating with NATO on a 26+1 scheme or on a bilateral basis, thus implying that the key for Moldovan security future is in Moldova.

### ***Forecast***

NATO membership is still not considered as a goal of Moldovan foreign policy, while the establishment in Chisinau views the Moldova- NATO Action Plan as a short-term goal and means to resolve the domestic security and economic problems at NATO's expense. There will be considerable reluctance and inaction from the part of the executive and, especially from the security sector agencies, as well as from the part of the legislative powers, which would definitely slow down the implementation of the IPAP.

Special focus:  
*The Ukrainian elections*

Ukraine is facing a great number of pressures around the 2006 elections. The country found itself in the very intersection of the geopolitical interests of the Great Powers. The upcoming elections are thought to be a test for the people and the subsequent policies of the “Orange Revolution”, as well as a vote for the future of the country and for its westward orientation. The big pressures in the elections are complicated by the fact that many things happen for the first time: the proportional election system and the rising influence of the free press. The elections are also decisive for the countries in the Black Sea region. Regardless of that, the stakes are higher than ever before.

### The Candidates

There are 45 parties on the 80-centimeters-long electoral list. However, only 6 of them are believed to pass the election threshold.

The undisputed leader is the Party of Regions, a pro-Russian clique led by Viktor Yanukovitch, the loser of the last presidential elections which were overtaken over by the “Orange” group of Yushenko and Tymoshenko. Heavily supported by Russia, the Party of Regions promotes a Kuchmist Ukraine, which is viewed as a microcosm of the former Soviet Union, with subservient media, a completely controlled local economy and regular buying up voter sympathy. The Party of Regions is conducting a hard-hitting campaign. Their advantage lies in the weakness of their main rival, the “Our Ukraine” Party led by current president Yushenko, demonstrated throughout the year of being in power, when trying to redress the country after 15 years of corruption and rule of shadowy figures surrounding former President Leonid Kuchma. That is why Yanukovitch’s campaign is substantiated on specific statistics (inflation rate, crippling economic growth and low foreign investment) on how Ukraine has declined in a year of democracy and orange rule.

Their list is heavily dominated by people linked directly to Renat Akhmetov, the real force behind the party and head of Ukraine’s most powerful industrial-financial clan. Akhmetov, who previously avoided publicity, has recently staged a frequent appearance in Eastern Ukrainian city of Donetsk. Yanukovich had been the political face for the Donetsk clan for years, but his failure in 2004 was reportedly very upsetting to his boss, Akhmetov. It looks as if Akhmetov finally wants to reject Yanukovich’s intermediary services when relating to Russia and to other Ukrainian oligarch clans.

Akmetov’s standalone could hurt the party’s ability to mobilize resources after elections, thus transforming it into a Kuchmist version of what the Orange rule is now.

Yushchenko’s “Our Ukraine” is the party of the President Yushenko and Prime Minister Yuriy Yekhanurov. Yushenko’s group has disappointed the expectations of the people, because of the slim results of his too-short-to-deliver one year rule. However, it should be noted that the shortcomings in public management are largely due to his focus on cleansing the Ukrainian political system from the corrupt reminiscences of Kuchma’s rule. These people, like Petro Poroshenko, have largely impeded reforms and it became clear that Ukraine’s pro-Western reforms could be possible only upon their removal. Second, the effect of Kremlin-driven economic downturn has stalled the short-run economic development for Ukraine. Nonetheless, the long-term effect of that is a rapprochement of Ukraine with Europe.

The problem in the elections campaign is that, rather than focusing entirely on the pro-Western orientation, Our Ukraine’s is attempting to capitalize on the Orange Revolution at a time when disenchantment among voters is high. Besides, as usually, the elections are not between parties, but between personalities. Our Ukraine has little to deliver. Prime Minister Yuriy Yekhanurov, who, besides his loyalty to Yushchenko has little to recommend him. Yekhanurov is a political lightweight and has been damaged by the economic record of his Cabinet. The person pulling Our Ukraine’s strings is Roman Bessmertny, one of the people closest to Yushchenko. It looks the primary aim of Our Ukraine is to provide an office for Yekhanurov and other “Orange Ministers”, who will probably be ousted from the government by the post-electoral rule, rather than preserve the “Orange” fire in the country.

Yulia Tymoshenko, is Yushchenko’s former partner in the Orange Revolution and Prime Minister until he sacked her in September 2005. Although, at start, she was friendly towards “Our Ukraine”, she still convinced her parliamentary faction to vote on January 10, 2006 to oust Yekhanurov from office. Tymoshenko’s political party, “Batkivshchyna” (“Fatherland”), is a one-woman show. According to MPs on her list, she maintained the list of candidates in alphabetical order until all her “black horses” were inside the projected list of MPs. Specifically, Tymoshenko included at least ten Kuchma-era and medium level oligarchs by selling places for about 5 million USD. Unlike other coalitions, which at least pretend to vote through party lists at party congresses,

Tymoshenko personally established “her own list.”

The Social Democratic Party is led by Viktor Medvedchuk, which is polling only 1.5- 2.3%. The SDP is leading the “Ne Tak” coalition. “NE TAK” is a world play focused on deriding Yushchenko’s electoral slogan for the 2004 presidential campaign: “Tak!”. The only hope of SDP is to engage in cheating by corrupting the CEC and the precinct staff.

The Ukrainian People’s Party headed by Yuriy Kostenko drifted away from Yushchenko because of his inability to hit it off with practically anyone among the Our Ukraine crowd.

Pora, a former youth movement, also known as “the yellow Pora” is composed of youth who supported the Orange Revolution. The PR capital acquired during the Orange Revolution allowed them to turn into a party. They are headed by the former boxing star Vitaly Klichko. According to various polls, they could be getting between 2 to 6% of the votes.

Lytvin’s Block, headed by the Rada chairman are also a Russia-friendly party. According to the vast array of polls, they fluctuate from 1.5 to 6%, thus their parliamentary future is also dubitable.

Legally, the elections of March 26, 2006 will designate the members of the Rada, the Mayors and the members of local councils; politically, the elections will shift the entire power structure in Ukraine. The majority coalition will also decide on the composition of the Cabinet, therefore the fate of two of the three state powers will be decided through that election. Moreover, these elections could impact the entire region. A special interest for the region of the Black Sea is whether the outcome of these elections will allow for the pro-European course in Ukraine to be continued.

### Fair Elections

Speaking at a joint press conference in Kyiv after a Ukraine - EU Troika session, Ursula Plassnik, Minister of Foreign Affairs of Austria, the nation currently holding the EU’s presidency, stated her conviction that the March 26 parliamentary elections in Ukraine will meet international standards and will confirm Ukraine’s choice for transparent democracy. In turn, Benita Ferrero-Waldner, Eu Commissioner for Foreign Relations and for the European Neighborhood Policy, noted that democratic and transparent elections will open new avenues to Ukraine. The elections will be the crucial test of Ukraine’s political

priorities from the angle of the European integration.

These elections are viewed as the most democratic elections ever held in Ukraine. For the first time it seems clear that EU will keep Russia's interference away, thus enabling the Ukrainians to be the sole decision-maker of the elections. Another argument for the democratic character of the elections is that the year of "Orange" rule has brought a borderless glasnost in the country. All parties and public individuals are placed under the close watch of the press and civil society and no party can afford shutting them down. That happens because none of the actors is interested in being labeled as authoritarian and usurper. Maybe the Yushenko rule did not bring stability and well-being, but it did implant an infatuation in democracy into the Ukrainian society. Another reason for avoiding to act unfairly is that any scam could make a solid reason for the opponents to start a popular protest and, finally, alienate the troublemaker from the Rada in "Orange Revolution" style.

Another fact supporting the democratic character of the elections is that the main candidates all pursue legitimate aims. "Our Ukraine" promotes integration of Ukraine into the Western community and containment of Russia as the evil power that dictates gas prices and captures beacons by the sea; Yulia Tymoshenko and the Maidan-raised "Pora" movement fight corruption and fight social justice. Yanukovitch's "Party of Regions", the Communists and the Socialists advocate for social well-being and the refurbishing of the economic ties ravaged by the "Orange" rule. Each set of values promoted by the opponents are vitally important and the masses are actively mobilized to vote, so as to prevent the opposing evil seize power. All these values are catchy within the Ukrainian society and attract comparable crowds of supporters.

### The Deals behind the Elections

Nonetheless, each party is aware of possible outcomes and of the inevitability of a coalition government. As well, Yushenko is aware of the hard time his party will have winning the elections with a good handicap. A series of deals have been made so as to amortize the frictions. Yushenko agreed on changes in the Constitution as of January 2006. The president gave up an array of his powers in the favor of the Rada. The concessions regard mainly the powers to appoint and propose Ministers into the Cabinet. However, the key offices have been kept in the hands of the President, including the Foreign Affairs and Defense Ministers, as well as the Chief Prosecutor. That will allow for the pro-EU and pro-NATO reforms to be pursued, although at a slower pace. These deals have been complimented by a clause that gives the power of forming the Government to the Rada. According to the new regulations, the Rada will have two months available to decide on the composition of the government. Otherwise the President will dismiss the Rada and call for extraordinary elections. This law

posed a responsibility on the Rada, that will have to make a complicated choice by huge compromise in a multi-polar legislative. This constitutional changes also impose a set of behavior norms as well as a political map for the future coalition in the Rada.

However, that also means that compromise on the reforms will be more difficult to achieve in a multi-polar political system with an Orange President and a half-Orange Cabinet, a possibly neutral Prime Minister and a reticent and slow-moving Rada.

### Unfair Elections

Regardless of the fair play in the high politics, the Ukrainian elections are seriously flawed by technical shortcomings. For the first time, the elections to the central legislative state bodies will be conducted simultaneously to the local elections. The Ukrainians will have to elect their representatives in the Rada, the Mayor and the local councilors. The pressure on both the voters is very high, but it is incommensurate to the pressure on the staff of the voting precincts.

The following problems are real threats to the fair elections in Ukraine:

- the elections are conducted on a proportional system. The voters will have to choose one of the 45 parties and the party will occupy places in the central or the local legislative and executive bodies. The problem lies in the lack of access to the personal information of the candidates on the party lists. Basically, a huge number of incognitos in the party lists can discourage the voters to participate in elections. However, if they do participate, then the decision on who will occupy the seat in the Rada and in the city council will be made by the party, not by the voter. The issue is aggravated by the fact that criminal immunity was extended to cover, aside the deputies in the Rada, the mayors and the town councilors. Combined to the lack of transparency in the personal information of the candidates on the party lists, there is a possibility that the town councils be flooded by murky businessmen, who bought their place in the city council, and therefore, bought immunity before the law from the parties that placed them on the lists. Thus, the elections could legalize numerous local thugs using the votes of the population;

- there is a humongous number of precincts (around 35,000). However, these are not enough, depending on the concentration of population. For instance, according to the standards, the minimum surface occupied by a precinct is of 90 Sq. meters. The majority of the precincts do not correspond to the minimum surface requirement. The lack of available space

takes, sometimes staggering dimensions. For instance, NGOs report that a large number of precincts are situated in barns and windowless buildings and lack the minimum operating conditions: lack of any safe drawers or lockers for the voting ballots; no heating system, etc. A precinct in Odessa was placed in a public pool. That has severe effects on the possibility of operating any elections, not just safe or fair ones.

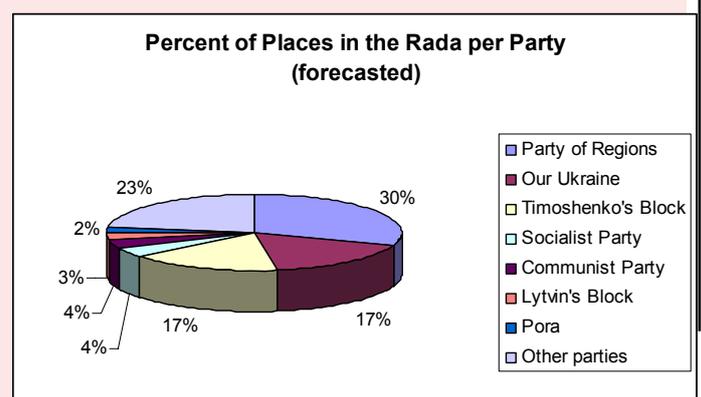
- the ineffectiveness of the voting process. Each voter will be given 5 lists, forty five candidates each. It should take too much time to operate the votes. The fact that some precincts are overcrowded adds fuel in the fire. Some precincts must receive up to 6000 voters, instead of the average programmed 2000. An experiment conducted on a precinct in Crimea, counting 800 voters determined that the minimum working Election Day of a staff member of an average precinct will last between 31 and 36 hours of continuous, non-stop work. Added the deplorable conditions of some voting sites, the massive leaves of the electoral staff can easily be explained. The CEC has repeatedly tried to stimulate people not to flee elections-related jobs. Since the last two months, the election laws have been amended four times, pretty much all being related to rises in the wages of local precinct staff. The fourth amendment is scheduled for March 11, 2006.

### Forecast

The aforementioned technical difficulties prove that elections in Ukraine will be extremely tensed. The lack of minimal security provisions in vast areas could trigger serious conflicts. Nevertheless, the parties that have realistic chances to overcome the threshold are much more focused on the post-elections period and less interested in another revolution.

### Who Will Lead Ukraine?

Ukraine is headed toward wide-ranging changes in the political landscape. First and foremost, the Verkhovna Rada, Ukraine's parliament, will undergo a radical transformation. Earlier Radas were composed largely of (independent) People's Deputies, a very volatile category of MPs. They ended up being bought up who often switched sides between factions, often being bought by the big parties in the Rada. They would often get accustomed to this practice, thus viewing their MP mandate as commodity. The political



“swamp” (boloto) in the Rada has been one of the major causes for stalled and counter-productive reforms. These MPs would often switch sides, voting together with the one who paid more. Previously, half of the Rada’s MPs were elected in single-mandate districts and many from the other half, elected on party lists, did not feel particularly tied to the political party which got them elected. Now, the March 26 elections are based on a pure proportional or party list, system. New rules preclude changing factions after the elections, so the new parliament will be much more rigid. None of the political forces in Ukraine will acquire enough power to be able to form the government independently. Therefore, the debate is not “whether there will be a coalition”; the debate is on “how will the coalition look like”. The way the composition will look like will also determine who will be the Prime Minister.

The major polling services are uniform in their forecasts, showing six groups as definitely passing the 3 percent threshold:

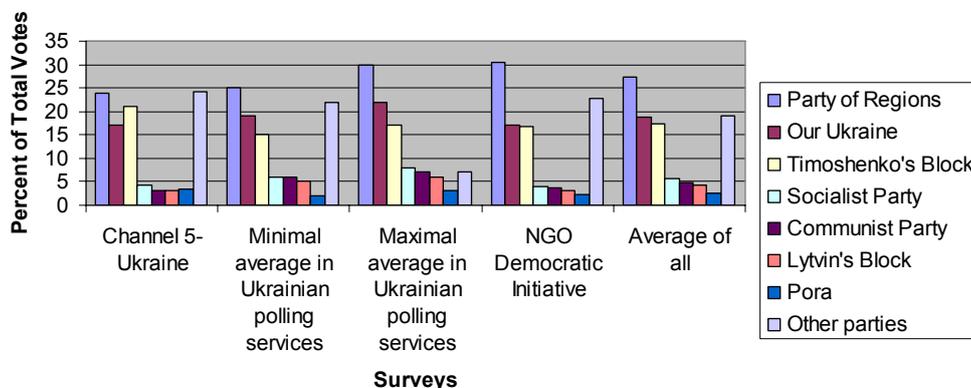
The discrepancies in the forecasts are food for doubt. Experts and journalists in Ukraine say the polling companies have been discredited during the last year’s presidential elections, when the forecasts came way different from the actual result of the voting. The few formerly reliable polling firms (counting 4 to 6, according to experts) are now viewed as tools in the PR campaigns of the political juggernauts of Ukraine. For instance, on March 8, 2006, TV5 displayed Tymoshenko as acquiring 21% of the votes, while the next day the figure was lowered to 15 percent. The table above shows how forecasts fluctuate for Ukraine.

Experts diverge on more scenarios on how the Parliamentary and, therefore, government coalitions will look like. The post-electoral arrangements will be Yushchenko’s rule has come across weak. The collapse last year of the high-profile case against Borys Kolesnikov, a key figure in Akhmetov’s clan, dashed hopes among voters that Yushchenko’s slogan “Send the bandits to prison!” would be realized. Today many voters remain undecided, by some counts as many as 15 percent of the electorate. Thus the big surprise of the March 2006 elections will be delivered by the protest vote. Disenchantment with a series of quarrels within the former Orange coalition will boost support for blocks seen as oppositionist, primarily Tymoshenko’s, the Socialist Party, the radical pro-Russian politician and former Kuchma protegee Natalia Vitrenko and Pora-PRP (which includes Viktor Pynzenyk’s Party of Reforms and Order). Many view Region’s first place finish on March 26 as a victory, although the combined votes for Our Ukraine and Tymoshenko will be greater. Thus the million dollar question is who will form the government after the elections.

It has become obvious that the current “orange” rule and the blue-white opposition will have to share the power within the coalition. Regardless of the fact that “Our Ukraine” holds the office of the President, it does automatically mean that Yanukovich

the main interest of the Rada will be focused on maintaining the Government, rather than on the reforms. It is probable that the legislative process be stalled because of the counterweighing efforts within the Rada. That could result in delayed interest for reforms.

Voting forecasts in Ukrainian Parliamentary Elections of 26 March 2006



will occupy the Prime Minister’s office. It is believed that the coalition will chose a more neutral Prime Minister.

In case of an Orange coalition (comprising “Our Ukraine”, the Tymoshenko’s block, the Socialist Party and the “Pora” movement), the Prime Minister’s position is likely to be filled by either Tymoshenko or Yekhanurov. This government will leave the current social and economic situation the same as it was by now. There is a hazard that the PM will be sacked as early as June as result of intestine conflict spurred by the sacking of the responsible for the economic malaise.

Another scenario is a leftist coalition, in which the Party or Regions will buy in the Communist and Socialist parties. Alike the first coalition, this one is widely viewed as doomed because of the strong counter-weight of the “Orange Block”. The only anti-Orange coalition is the one of Tymoshenko and Yanukovitch, plus the Communists. However, all of the above are little probable and very volatile. A political system where there is a pro-Western “orange” President with limited powers, but who appoints the Foreign and Defense Ministers, a pro-Russian, anti-Western Parliament and a Machiavellic Prime Minister will pull the country apart.

The only way to achieve political stability is an Orange-Blue-White coalition comprising the current rule and the opposition, the Communists, Tymoshenko and the Party of the Regions. This model will mobilize all the political forces to solve the country’s social and economic pressures by anguishing compromises. Within this system, there is either a win-win, or a lose-lose game, with all actors being of comparable strength.

A Moldova-style political partnership in parliament could emerge in Ukraine. Because of the late Constitutional regulations,

### The Pro-Western Orientation

None of the experts believe the pro-Western and pro-NATO course could be altered. The weakening of the orange power does not automatically mean the comeback of Kuchmist Ukraine, nor does it mean the comeback to the era of Russian dictatorship. A phase of Euro-Romantism will be replaced by a Euro-Realist era. The elections will be the crucial test of Ukraine’s political priorities from the angle of the Ukraine - EU Action Plan. Benita Ferrero-Waldner aired her hope that the Government to be appointed to the new Ukrainian Parliament will consolidate what Ukraine has achieved on its Eurointegration road and will carry on the nation’s reformation.

Yushenko’s clique will anyway control the President-appointed positions of Foreign and Defense Ministers, meaning that European and NATO integration will be pursued. Borys Tarasiuk stated that common foreign, security policies, ways by step up trade-economic cooperation and interactions in justice-related matters will continue to top the agenda of the Ukrainian government.

As for the Euro-Atlantic plans, they seem much less nebulous than the EU-bound policies. The acting Defense Minister Anatolii Hrytsenko believes that the Defense Ministry is ready to execute the Action Plan on accession to NATO before 2008. “Relating to the area of the Defense Ministry’s responsibility, there are all chances and we are ready to meet the plan in full within one and a half or two years,” he said.

The acting minister stressed that the country’s accession to NATO is displayed by far not only by the readiness of Ukrainian Armed Forces. “If the strategic objective is defined - and it is defined and

fixed in decisions of the president, Verkhovna Rada, National Security and Defense Council, and the government - it means that effective work for accomplishment of these goals is mandatory. First of all, this should be done in the area of the Justice Ministry, Economy Ministry, law-enforcement bodies and judicial bodies," Hrytsenko said. Besides, the population might not be ready yet to decide on that. Hrytsenko believes it is necessary

to carefully explain Ukraine's steps towards NATO integration to the citizens.

As Ukrainian News reported earlier, Hrytsenko believes it is possible to start the process of Ukraine's accession to the Plan of Actions for joining NATO in 2006. President Yuschenko announced in Brussels (Belgium) that Ukraine is ready to proceed to implementing the Action Plan for NATO

membership (MAP) even if it should start as early as February. Ukraine and NATO should approve the possibility of granting a Membership Action Plan for Ukraine this spring. Ukraine is seeking to join NATO in 2008.

## Addenda

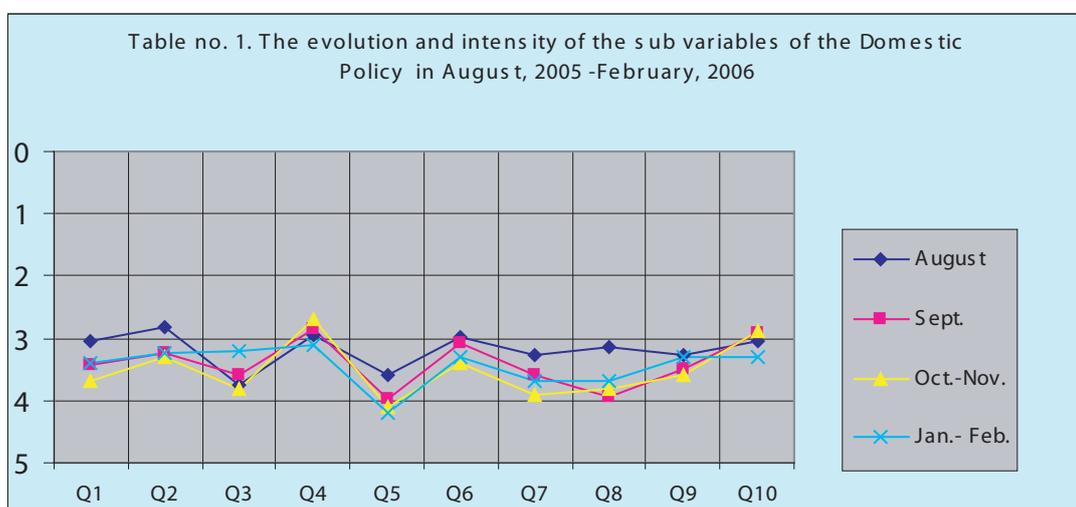
### What is the PSS Indicator ?

The indicator denotes the basic trends of the democratic changes happening in Moldova, through a qualified evaluation of the variables representing concepts of domestic and foreign policy, as well of some special interest issues.

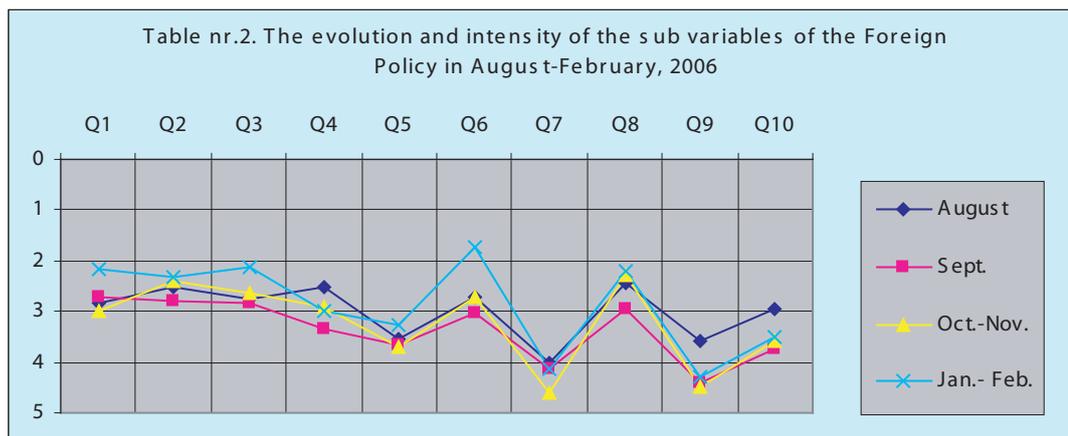
The PSS indicator is calculated in function of the answers given by a group of independent experts. The role of the expert group is to assign values of 1 to 5, to the variables measuring the above-mentioned concepts. The value 1 represents the highest level of intensity of a variable, 5 being the lowest. The evaluation of the results was done by using an evaluation table.

I. Domestic Policy		Points			
List of Questions:		Aug.	Sept.	Oct.-Nov.	Jan.-Feb.
Q1	Is the political system in Moldova democratic, pluralist and viable?	3,03	3,43	3,7	3,4
Q2	How efficient are the central public authorities (the Parliament, the Government, etc) of Moldova?	2,83	3,23	3,3	3,25
Q3	How transparent are the decisions taken by the central public authorities in Moldova?	3,75	3,58	3,8	3,2
Q4	How efficient is the cooperation between the Government and the opposition in Moldova?	2,95	2,85	2,7	3,1
Q5	To what extent is the Television in Moldova objective and professional, when covering public and political issues?	3,58	3,98	4,1	4,2
Q6	To what extent are the fundamental human rights and freedoms protected in Moldova?	2,97	3,08	3,4	3,3
Q7	Is the Justice impartial and objective in Moldova?	3,27	3,58	3,9	3,7
Q8	How would you rate the progress in the implementation of the Poverty Reduction strategy and the Moldova-EU Action Plan?	3,15	3,95	3,8	3,7
Q9	How would you rate the living standards in Moldova?	3,28	3,48	3,6	3,3
Q10	How would you appreciate the role and initiative of the civil society in Moldova?	3,03	2,93	2,9	3,3

*The values are calculated on an inverted scale, where 1 is the highest value and 5 is the lowest*

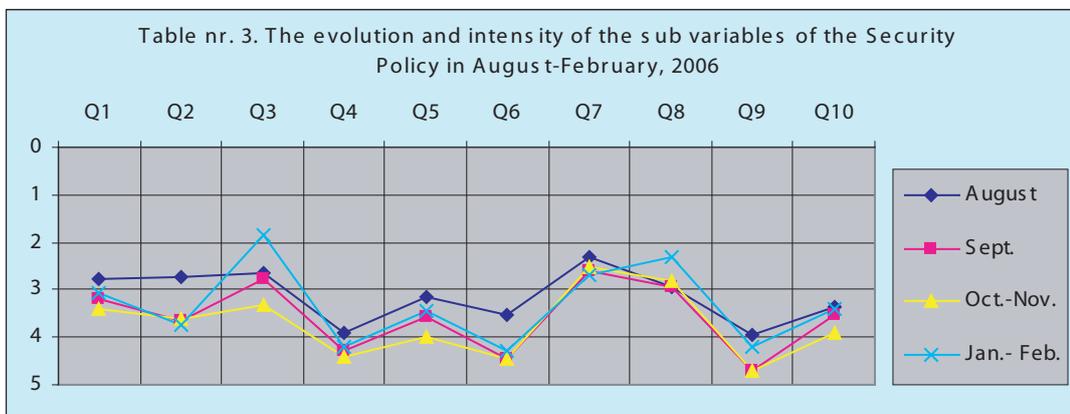


II. Foreign Policy		Points			
List of Questions:		Aug.	Sept.	Oct.-Nov.	Jan.-Feb.
Q1	Is the foreign policy of Moldova more stable and efficient now than several months ago?	2,83	2,73	3	2,18
Q2	To what extent is Euro-Atlantic integration a priority of Moldovan foreign policy?	2,5	2,8	2,4	2,33
Q3	To what extent is the foreign policy connected with the national interest of Moldova?	2,75	2,85	2,65	2,13
Q4	How would you appreciate the role of international and regional organizations in fostering the state of law and the economic reform in Moldova?	2,53	3,33	2,9	3
Q5	How would you rate the image of Moldova from an outside perspective?	3,55	3,65	3,7	3,25
Q6	How would you rate the relations between Moldova and Ukraine?	2,73	3,05	2,7	1,73
Q7	How would you rate the relations between Moldova and Russia?	4	4,13	4,6	4,15
Q8	How would you rate the relations between Moldova and Romania?	2,45	2,95	2,3	2,2
Q9	To what extent are the interests of Moldova connected to its membership in the CIS?	3,6	4,4	4,5	4,3
Q10	Is Moldova protected by international agreements and strategic partnerships?	2,95	3,75	3,6	3,5



The values are calculated on an inverted scale, where 1 is the highest value and 5 is the lowest

III. Security Policy		Points			
List of Questions:		Aug.	Sept.	Oct.-Nov.	Jan.-Feb.
Q1	How would you rate the stability of the security sector in Moldova (the SSC, SIS, the Ministry of Defense, and the Ministry of Internal Affairs)?	2,78	3,2	3,4	3,05
Q2	Is the security of Moldova sufficiently protected by the international and regional agreements and treaties signed by Moldova?	2,75	3,65	3,6	3,75
Q3	How would you grade the course chosen by the public authorities in Moldova in the matter of settlement of the Transnistrian conflict?	2,63	2,78	3,3	1,83
Q4	To what extent is Moldova protected from „energy blackmailing” from the part of other countries?	3,9	4,3	4,4	4,2
Q5	Are the Moldovan institutions able to counter the contraband, smuggling, illegal arm and drug trade?	3,17	3,57	4	3,45
Q6	Is Moldova able to deal with a foreign aggression or military intervention from abroad?	3,55	4,45	4,45	4,3
Q7	How would you rate the place of Moldova within the Euro-Atlantic collective security space?	2,3	2,6	2,5	2,7
Q8	To what extent does Moldova need to develop its internal defense capabilities?	2,95	2,95	2,8	2,3
Q9	To what extent the „neutrality clause” corresponds to the national interest of Moldova?	3,95	4,7	4,7	4,2
Q10	How would you rate the efficiency of the policies countering corruption and organized crime, including the transnational crime?	3,35	3,55	3,9	3,4



The values are calculated on an inverted scale, where 1 is the highest value and 5 is the lowest



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