



## **Activity of the business community in the Transnistrian region in the conditions of the unsettled conflict**

### **Author**

Valeriu Chiveri

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## Introduction

Along with other important aspects, the economic and business relations are among the key elements of a “puzzle” named comprehensive settlement of the Transnistrian conflict. Trade and economic component of the conflict has always been under strong political pressure both from internal and external point of views. Although in difficult situations business communities from both banks of Nistru River found solutions for co-operation, displaying a greater understanding that the two sides are economically interdependent.

Business issues in a conflict context have always at least two components - internal co-operation of business entities and external trade. The latter requires compliance with the Moldova's commitments in the field of international trade and customs regulations and, therefore, caused permanent tensions and misunderstandings of the conflict sides. The Transnistrian side usually claimed its “right to unilaterally establish and maintain international contacts in the economic, scientific-technical and cultural spheres, and in other spheres by agreement of the Parties”<sup>1</sup>, treating selectively certain provisions of the 1997 Moscow Memorandum.

In line with this approach, over the entire settlement process there were many attempts to separate the political aspects from economic co-operation. This position continues to be promoted by certain actors. From obvious reasons it has not been supported by Chisinau, which rightly believes that all components of the settlement have to be examined in their total complexity.

Co-operation between Moldova and EU in shaping the trade regime for Transnistrian companies is of utmost importance for Tiraspol as the Transnistrian economy seriously depends on the export of a few main products, such as electricity to the right bank of the Republic Moldova, and steel and textiles to the EU market. In such a situation, the EU association process, including entering into force of the Deep and Comprehensive Free Trade Area (DCFTA) with the EU not only shaped profound changes in the context of the Moldova-EU trade regime, but also led to trade restrictions

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<sup>1</sup> Memorandum on the Basis for Normalization of Relations Between the Republic of Moldova and Transnistria  
<http://www.osce.org/moldova/42309?download=true>

applied by the Russian Federation to Moldovan companies, as well as to transit difficulties as a result of the conflict in Ukraine. These issues cannot be examined separately from certain elements of the settlement process and the interaction of business communities from the both banks.

## **1. Trade activity of Transnistrian economic operators**

The economic and commercial cooperation between the two banks of Nistru River, as well as the activity of the Transnistrian business community have experienced several phases which reflected to large extent the situation in the conflict settlement process and were closely linked to the Moldova-Ukrainian and Moldova –Russian relations in terms of trade cooperation and export operations of the Transnistrian companies.

### **1.1 Customs stamp “story”**

In February 1996, the Moldovan authorities, in an attempt to speed up the settlement process, signed the Protocol decision on solving the exiting problems in the activity of customs services of the Republic of Moldova and Transnistria. According to the document, the “customs check points” installed at the entrance to the Transnistrian region were supposed to be liquidated, “joint customs points” were planned to be installed at the border with Ukraine and customs authorities of the region to be provided with new Moldovan type of stamps.

Thus, the provisions of the document to unify the customs area and ensure joint customs control on the Transnistrian segment of the Moldovan-Ukrainian border was considered a significant step in the settlement process. However, the document was only partly implemented, since Tiraspol treated it selectively. Refusing to ensure joint customs activates as stipulated in the protocol, Tiraspol used the opportunity to get Moldovan customs stamps and to legalize its foreign trade.

The stamps were successfully used more than five years allowing the Transnistrian authorities promoting business interests of the Transnistrian entrepreneurs. However, this concession as considered by Chisinau, did not have any real positive effect on the settlement process. On 1 September 2001, with an official motivation on the Moldova’s accession to WTO (May 2001), the Government of Moldova decided to withdraw the stamps imposing new conditions for export of Transnistrian goods. The decision was strongly criticized by Tiraspol and Moscow,

being qualified as “economic blockade” of the Transnistrian region. In practical terms, the Transnistrian region immediately imposed initially a 20% tax and afterwards a 100% duty on Moldovan goods. Respectively, the economic ties between the two banks suffered as well: over nine months of 2002 commercial exchanges being reduced by 1.5 times towards the region and by 35.1% from the region to the right bank versus the same period of previous year.<sup>2</sup>

In this context, from late 2001 until May 2003, relations between the Republic of Moldova and Ukraine went through a difficult period since Ukraine allowed export of goods produced in the Transnistrian region through the Ukrainian border without Moldovan customs stamps and documentation. As a result, the Republic of Moldova appealed to international actors such as the OSCE, the EU and the US complaining and asking for support in adjusting accordingly the Ukrainian position.

## **1.2 Registration of Transnistrian companies**

In May 2003, the Republic of Moldova and Ukraine with the support of international partners agreed on introducing new customs rules, including for Transnistrian goods export operators. This step could be considered a starting point for registration of Transnistrian enterprises by the State Registration Chamber of the Republic of Moldova and receiving certificates of origin in the Chamber of Commerce and Industry of the Republic of Moldova. This decision overturned even more the atmosphere in the settlement process. Registration process went with many difficulties, Tiraspol leaders describing again the step as “economic blockade”.

The implementation process of the document lasted for about one year and was marked by mutual accusations between the parties to the conflict related to the general context of the Transnistrian conflict settlement. Finally, the customs agreement was unilaterally cancelled by Chisinau authorities, in retaliation for provocative actions taken by Tiraspol during summer 2004 in relation with the Latin script Moldovan schools in the Transnistrian region. In a reaction to Chisinau authorities’ decision, on 15 August 2004, Ukraine stopped implementing the customs agreement and began to accept Transnistrian goods without Moldovan customs documentation, clearing them as “third country goods”.<sup>3</sup>

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<sup>2</sup> <http://docplayer.net/1057989-Research-paper-on-transnistria.html>

<sup>3</sup> [http://www.undp.org/content/dam/undp/documents/projects/MDA/00048695\\_EUBAM-8-2of6-Description%20of%20Actions.pdf](http://www.undp.org/content/dam/undp/documents/projects/MDA/00048695_EUBAM-8-2of6-Description%20of%20Actions.pdf)

The 2004 Presidential elections in Ukraine brought changes in the relations between Moldova and Ukraine and re-launched the border cooperation and re-implementation of customs protocol of May 2003. Starting with the Joint Declaration of 3 March 2006, all exports from Moldova to or via Ukraine, including those via the Transnistrian segment of the border, need to have proper Moldovan documentation.

The re-installation of the customs regime provoked a strong reaction from the Tiraspol leadership which immediately blocked the common border, thus imposing upon itself a blockade and launched a comprehensive propaganda effort involving organized public demonstrations and coordinated media articles in Transnistria and Russia aimed at portraying the new regime as an externally imposed economic “blockade” which would lead to a humanitarian catastrophe.<sup>4</sup>

Regardless of the artificially created complications, since the implementation of the Joint Declaration on 03 March 2006, the dynamic of registration of the Transnistrian enterprises gradually increased by each year. During the 9 months of **2006** (April-December) - 224 Transnistrian companies was registered with the State Register Chamber of Moldova (106 on a permanent basis and 118 on a temporary). By the end of **2007** approximately 380 companies, in **2008** - 498, in **2009** - 596 (189 on a permanent basis and 407 on a temporary basis), in **2010** - 681 (205 on a permanent basis and 476 on a temporary basis), in **2011** - 767 (228 were on a permanent basis and 539 on a temporary basis), in **2012** - 769 (601 on a temporary basis, and 168 on a permanent basis), in **2013** nearly one thousand, in **2014** the number of economic operators grew by 33% to 1277, in **2015** grew by 14% to 1460.<sup>5</sup> Currently, around 1800 Transnistrian economic agents are registered, benefiting from facilities provided by national legislation and bilateral and multilateral instruments in the field of trade and economic to which the Republic of Moldova is part.

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<sup>4</sup> [http://www.undp.org/content/dam/undp/documents/projects/MDA/00048695\\_EUBAM-8-2of6-Description%20of%20Actions.pdf](http://www.undp.org/content/dam/undp/documents/projects/MDA/00048695_EUBAM-8-2of6-Description%20of%20Actions.pdf)  
<sup>5</sup> [http://eubam.org/wp-content/uploads/2015/11/Report\\_2015\\_ENGL.pdf](http://eubam.org/wp-content/uploads/2015/11/Report_2015_ENGL.pdf)

### **1.3 Current economic situation of the region**

Economic and financial situation in the region worsened steadily in the recent years against the background of currencies' depreciation in the Republic of Moldova, Ukraine and the Russian Federation and relative stability of the "Transnistrian ruble" maintained by administrative tools. In the same time, exports from the region were considerably reduced and household income decreased considerably. Over this period, the Tiraspol administration did not take into account the regional developments and largely relied on Russian market and financial support of the Russian Federation. Meanwhile, the weakening of the Russian ruble has made problematic export operations of certain Transnistrian economic agents, including of those working in the agricultural sector. Decrease in almost all indicators of the industrial sector of the economy were amplified by transportation risks and sharply increased currency volatility.

According to official data, macroeconomic situation in the first three months of 2016 compared with 2015 continued to worsen. Thus, the volume of industrial production decreased by 2.9%; exports decreased slightly - by 1.4%, imports - by 36%. Overall, turnover dropped by 25.5%<sup>6</sup>.

Nevertheless, according to the Customs Committee of Transnistria, the region recently started to export more to the European Union than to the Russian Federation. Thus, in the same period of three months, exports to the EU increased from nearly 40 million dollars to 50 million dollars. Statistics also show that Transnistria exports twice as many goods in Romania than in the Russian Federation. Meanwhile, the Transnistria export to the Russian Federation worth only 7 million US dollars, almost twice less than in the same period of the last year.

Due to the acute crisis, the Tiraspol authorities have tried to experiment with different economic and financial methods, decreasing customs fees, introducing some taxes for trade exchanges with right bank or imposing restrictions on transferring hard currency (USD and Euro) outside the region. In this respect, it was decided to reduce import taxes aiming to improving the situation on the currency market of the region, which is facing a huge deficit, increasing competition and thereby contributing to lowering prices. According to the Tiraspol media, import duties on milk production, meat, fish and cereals were reduced twice, at some

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<sup>6</sup> Official web-site of the "Transnistrian Ministry of economy"; <http://mer.gospmr.org/novosti/v-pravitelstve-obsudili-predvaritelnye-itogi-i-kvartala-2016-goda.html>

meat and fish products were reduced even five times. The new fees will be in force until 1 July 2016 when their effectiveness will be examined and a new decision will be taken.<sup>7</sup>

At the same time, the general economic environment and difficulties in the foreign trade activity have led to serious problems in achieving social objectives by the authorities.

According to the official data, in the first quarter of 2016 the regional budget was able to cover only 66% of financial necessities for pensions and salaries in the public sector. Accumulations of the local budgets were only 77% from the planned revenue. Therefore, in April 2016, the regional authorities took a decision to use the remaining funds as of 1 January 2016 from the road and ecological funds to pay salaries of the public sector employees.<sup>8</sup>

## **2. Working groups on confidence building**

Temporary suspension of the negotiation process in the “5 + 2” format in 2006 and absence of other viable mechanisms for negotiations led to the idea of working groups that would stimulate the settlement process and create additional incentives to overpass the existing problems in different fields. Thus, on October 31, 2007, by its decision no.1178, the Government of Moldova created eight Working groups (WGs) in order to promote confidence building measures and security in the context of the Transnistrian conflict settlement<sup>9</sup>.

Meanwhile there were certain adjustments, the number of WGs being increased to ten, half of them having a direct tangency to the activity of economic operators on both banks of Nistru River: on economy, commerce, external trade and banking; on agriculture and ecology; on telecommunication and postal services; on auto transport, infrastructure development, railway transport and communications; on customs. Other five WGs are related to education; civil status documents and issues related to population evidence; fight against crime and emergencies; healthcare; social issues and humanitarian aid. Usually, WGs are led by deputy heads of respective institutions.

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<sup>7</sup> <http://www.evzmd.md/actualitate/din-tara/296-din-tara/39160-tiraspolul-va-reduce-taxele-de-import-la-produsele-ali>

<sup>8</sup> <http://novostipmr.com/ru/news/16-04-26/dlya-vyplaty-martovskoy-zarplaty-privlecut-proshlogodniy-ostatok>

<sup>9</sup> <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=325687>



At the same time, WGs in many cases proved their inefficiency. On the one hand the activity was influenced by the general situation in the settlement process, on the other hand the atmosphere was dominated by momentary interests of the parties involved and absence of clear empowerments of the heads of WGs. Also, parties have failed convening regular meetings of WGs, even in urgent situations. Moreover, according to Victor Chirilă, Executive Director of the Foreign Policy Association (APE), many heads of WGs, especially from Chisinau were not prepared and instructed accordingly, creating the appearance of negotiations between two separate states. Lack of a clear strategy in negotiation process had also an adverse influence to the activity of the WGs.

### **3. DCFTA as a part of Association Agreement RM-EU: opportunities for the reintegration**

The Association Agreement's negotiations have created certain expectations in the settlement process, although the parties in the conflict perceived them differently. The Moldovan side expected that the process would offer reintegration opportunities, while Transnistrian side looked with great suspicions to all steps and movements towards European integration of the Republic of Moldova. Nevertheless, regardless of different approaches, the process gave an impetus in maintaining and stimulating contacts between parties and brought some elements of cooperation, including at the political level. Also, it has boosted the EU's involvement in the conflict settlement.

#### **3.1 Background for negotiations**

After more than two and a half years of negotiations, the provisional implementation of the DCFTA as a part of the Association Agreement with the EU started on 1 September 2014. Full implementation began on 1 January 2015; for the Transnistrian region has been allocated a transitional period until 31 December 2015.

Until September 2014, when the DCFTA provisional application came into effect, the foreign trade activity of the Republic of Moldova with the EU was based on Autonomous Trade Preferences (ATPs)<sup>10</sup>. In this respect, the Transnistrian region made full use of the ATPs using

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<sup>10</sup> Council Regulation (EC) No 55/2008 of 21 January 2008, [http://trade.ec.europa.eu/doclib/docs/2008/july/tradoc\\_139804.pdf](http://trade.ec.europa.eu/doclib/docs/2008/july/tradoc_139804.pdf)

quotas offered to the Republic of Moldova that allowed export operations to the EU market in a duty free regime. Consequently the trade balance of the region experienced a significant increase in exports on the EU market from about 20% in 2005 to 30% in 2015, and trade exchanges on the right bank of the Nistru River reached approximately 40%. In the context, economic realities of Transnistrian economic agents clearly dictates their interest in the EU and the Republic of Moldova economic space that constitute more than 70% of Transnistrian exports.<sup>11</sup>

Obviously, to operate on the European market was needed to respect certain conditions, among them registration by the State Registration Chamber of the Transnistrian companies in line with the Moldovan rules and regulations. In addition, the Transnistrian companies had also a specific regime on import operations which were allowed without any customs and ecological fees when the imported goods “remain on the territory uncontrolled by the constitutional authorities and their declaration as determined by Customs Service”.<sup>12</sup> In such conditions, the trade regime for Transnistrian producers was led by certain procedures that from the point of view of Tiraspol created some “commercial stability”, even if these rules were constantly criticized. From this perspective, any possible changes related to trade rules, including application of the DCFTA in the region, have raised concern being perceived as economic pressure.

Including from these reasons, initiation of the negotiations on the DCFTA has not been received with much enthusiasm in Tiraspol, nevertheless a representative of the Transnistrian authorities participated as observer in several rounds of negotiations without having any comments and proposals. So, from this point of view, the Moldovan authorities considered that authorities in Tiraspol were well informed about the state of negotiations on the DCFTA as well on the future impact to the foreign trade activity of Transnistrian entrepreneurs.

Nevertheless, this attitude of openness did not impress too much Tiraspol authorities, who over the period of the DCFTA negotiations continued to insist to another vector of the development

<sup>11</sup> Julian Groza, Analiza tematică: „Pregătirea implementării Zonei de Liber Schimb Aprofundat și Cuprinzător (ZLSAC) în regiunea Transnistreană a Republicii Moldova”, <http://ipre.md/portfolio/analiza-tematica-pregatirea-implementarii-zonei-de-liber-schimb-aprofundat-si-cuprinzator-zlsac-in-regiunea-transnistreana-a-republicii-moldova/>

<sup>12</sup> Decision of the Government of Moldova No 1001 from 19 September 2001 <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=295592>

of the region – Eurasian Union. For instance, in October 2015, the Transnistrian chief negotiator Vitaly Ignatiev reiterated that “the focus on the Eurasian integration is a priority of the foreign policy of the region, enshrined in the so-called „Foreign Policy Concept of 2012”.<sup>13</sup>

Closer to the end of 2015 and completion of the ATPs application for Transnistrian companies, Tiraspol was forced by circumstances to change its position. Starting with 1 January 2016 with the entry into force of the DCFTA for Ukraine, the region could have become an island in a space of a new trade regime.

This was well understood in Tiraspol. According to Transnistrian leader E. Shevchuk, in case the region would not benefit from the ATPs regime, the consequences for the economy of Transnistria would be extremely severe: “We could lose about 46-48 per cent of the foreign market. Approximately 10 thousand people could lose their jobs and according to various estimates approximately 30 to 50 million USD budget revenues”<sup>14</sup>

Therefore, on 28-29 October 2015, the Conference on confidence-building in Rottach-Egern (Bavaria) has brought compromise results that enabled a solution by providing a transition period for implementing the DCFTA throughout the entire country. Neither Chişinău nor Brussels made too many comments on these decisions leaving room for speculations and interpretations, including from Transnistrian side. For instance, on 1 December 2015, in an interview to Infotag, the Moldovan Political Representative for the Transnistrian conflict negotiations, Deputy Prime Minister for Reintegration Victor Osipov spoke about the conflict settlement, results of the Bavaria Conference, but did not say a word about DCFTA implementation in the Transnistrian region.<sup>15</sup>

### **3.2 Approaches of the parties involved**

In accordance with the Association Agreement „The Parties reiterate their commitment to a sustainable solution to the Transnistrian issue, in full respect of the sovereignty and territorial integrity of the Republic of Moldova, as well as to facilitating jointly post-conflict rehabilitation. Pending its resolution and without prejudice to the established negotiating

<sup>13</sup> <http://www.geopolitica.info/vitaly-ignatiev-transnistria/#sthash.CLx32ajv.dpuf>

<sup>14</sup> E. Shevchuk interview to Regnum, <http://regnum.ru/news/2043627.html>

<sup>15</sup> Victor Osipov interview „Transnistrian settlement process is characterized with a waving dynamic” <http://www.infotag.md/interview-en/213857/>

format, the Transnistrian issue will constitute one of the central subjects on the agenda of political dialogue and cooperation between the Parties, as well as in the dialogue and cooperation with other interested international actors”.<sup>16</sup> These provisions constitute the guidelines for cooperation of the Republic of Moldova and the EU in the context of the Transnistrian conflict settlement, but also the basis for the negotiation of the DCFTA implementation throughout the country. Understandably, the parties in the conflict had different approaches in the process of the DCFTA negotiations, especially in the light of political divergences that have affected the whole negotiation process.

### **3.2.1 The European Union**

The latest events related to migration crisis brought fears that the EU being “captured” by this sensitive issue, would draw less attention than needed to the developments in the Eastern countries, including the Republic of Moldova. The EU Council conclusions on Moldova from 15.02.2016 is an indication that despite all existing problems, the EU is still interested and follows with attention the Moldovan developments.

From this perspective, it is important to mention the EU position on Association Agreement implementation which obviously remains in line with previous commitments. On 14 March 2016, in a Joint Press Release after the second EU-Moldova Association Council, it was called for stepping up efforts towards reaching a comprehensive, peaceful settlement of the Transnistrian conflict based on the sovereignty and territorial integrity of the Republic of Moldova with a special status for Transnistria. The EU stressed that “the Association Agreement including its Deep and Comprehensive Free Trade Area offers modernization and development opportunities to the entire internationally recognized territory of Moldova and that the EU stands ready to support its full implementation to the benefit of all the people of Moldova and its international partners”.<sup>17</sup>

### **3.2.2 The Republic of Moldova**

The Republic of Moldova has seen the negotiations and further implementation of the Association Agreement and the DCFTA as an exercise that would permit identification of solutions for the

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<sup>16</sup> Association Agreement EU-Moldova, article 8.2, [http://eeas.europa.eu/moldova/pdf/eu-md\\_aa-dcfta\\_en.pdf](http://eeas.europa.eu/moldova/pdf/eu-md_aa-dcfta_en.pdf)

<sup>17</sup> Joint Press Release following the second Association Council meeting between the European Union and the Republic of Moldova, <http://www.consilium.europa.eu/en/press/press-releases/2016/03/14-second-association-council-eu-moldova/>

Transnistrian conflict settlement, first of all by creating conditions for building a common economic space, including a common foreign trade regime. In the context of negotiations, both the Moldovan authorities and EU representatives declared that the Transnistrian conflict is not an obstacle in advancing the country's EU integration process. More than that, the Republic of Moldova and the EU promoted an inclusiveness policy related to the participation of representatives from Tiraspol in the negotiations. The main aim of this policy was to negotiate an agreement that would be applied throughout the entire country. From this perspective, negotiations of the Association Agreement, especially of the Deep and Comprehensive Free Trade Area (DCFTA), was seen by Chisinau as an important instrument to bring closer the two banks of Nistru River.

### **3.2.3 The Transnistrian region**

Transnistrian authorities did everything possible to accredit the idea that the Association Agreement negotiations are the sovereign right of the Republic of Moldova and have no real tangency with Transnistrian region, although acknowledged that the DCFTA has a direct impact to the trade capacity of Transnistrian producers.

According to Transnistrian leadership, DCFTA put additional pressure on Transnistria in order to get certain political results, "which were not achieved in 1992 by military means"<sup>18</sup>. In October 2015, in a message to the people of the left bank of Nistru River, the Transnistrian leader Shevchuk accused the Republic of Moldova and the European Union of trying to "undermine the state and future of the country" and "economic independence" of the region by manipulating public opinion. "The new free trade regime with the EU, which will be imposed to Transnistrian enterprises from 1 January 2016, is part of a geopolitical war against Transnistria, Russia and its allies. If accepted, the price would be the loss of our statehood and freedom of every citizen of "Transnistrian Moldovan Republic". Regardless of any threats, they will not be able to impose us to betray ourselves, to betray our country or Russia,"<sup>19</sup> said Shevchuk. In reality, there is a clear understanding that this position promoted by political elites of the region is largely influenced from outside in order to avoid any political implications on the DCFTA implementation.

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<sup>18</sup> <http://novostipmr.com/en/news/15-09-25/jevgeny-shevchuk-moldova-uses-dcfta-agreement-additional-way>

<sup>19</sup> [http://independent.md/video-sevciuk-vede-un-razboi-geopolitic-in-acordul-de-asociere-cu-ue-nu-vom-trada-rusia/#.Vu\\_9aUeRjIU](http://independent.md/video-sevciuk-vede-un-razboi-geopolitic-in-acordul-de-asociere-cu-ue-nu-vom-trada-rusia/#.Vu_9aUeRjIU)

#### **4. DCFTA Implementation**

As it was earlier announced, the DCFTA was supposed to be implemented throughout the entire country and replace the ATPs, including for the Transnistrian region starting with the 1 January 2016. According to art 462.2 of the Association agreement, „the application of this Agreement, or of Title V (Trade and Trade-related Matters) thereof, in relation to those areas of the Republic of Moldova over which the Government of the Republic of Moldova does not exercise effective control, shall commence once the Republic of Moldova ensures the full implementation and enforcement of this Agreement, or of Title V (Trade and Trade-related Matters) thereof, respectively, on its entire territory”<sup>20</sup>. So, the Republic of Moldova has assumed certain obligations in making efforts for full implementation of the Agreement on the entire territory.

However, the final phase of negotiations on the implementation of the DCFTA in Transnistria was not marked by a high level of transparency. Besides the fact that apparently the parties have agreed to apply the DCFTA, many things are still unknown for the public. It seems that parties in the conflict, with the support of the EU and OSCE, agreed on an agenda of gradual implementation of the Agreement’s provisions throughout the country, presumably making in the same time some derogations from the initial arrangements. Most probably this was done deliberately to avoid internal political pressure to authorities in Tiraspol. Modest available information and some comments on the subject have given indications that starting with 2016, the DCFTA provisions are not still fully applied for the Transnistrian economic agents.

Reviewing the public statements made by parties in the conflict do not offer a clear picture on the real situation with the DCFTA implementation in the region.

##### **4.1 The state of affairs: the Republic of Moldova**

Public Moldovan position is quite ambiguous, making difficult to understand exactly the stage of implementation DCFTA in the Transnistrian region. On 16 February 2016, in a meeting with ambassador Cord Meier-Klodt, Special representative of the German OSCE Chairmanship for the Transnistrian conflict settlement, Minister of Economy Octavian Calmăc did not bring too much clarity on the stage of the DCFTA implementation: “The Moldovan authorities are

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<sup>20</sup> Association Agreement EU-Moldova, article 462.2, [http://eeas.europa.eu/moldova/pdf/eu-md\\_aa-dcfta\\_en.pdf](http://eeas.europa.eu/moldova/pdf/eu-md_aa-dcfta_en.pdf)

interested in the implementation of the DCFTA throughout the country, including Transnistria. In achieving these objectives, the Government actively cooperate both with partners and EU experts, understanding very well that success in this area depends largely on the cooperation of all stakeholders in this process”<sup>21</sup>.

At the same time, on 29 March 2016, during his meeting with French officials in Paris, Minister of Economy Octavian Calmâc stressed that “from 1 January 2016, the DCFTA is applied throughout the Republic of Moldova and this is the most effective platform for restoring and deepening of relations with the Transnistrian region”. The first part of the statement of the high level official conflicts with the second part: “More than 70 % out of the total goods are delivered or exported by the Transnistrian region to Republic of Moldova and on the EU market. Therefore, the cooperation between us is inevitable (Republic of Moldova and Transnistrian region - NA). At the last meeting within the EU, Moldova and Transnistria format, the parties agreed that within the next three years the Transnistrian authorities would implement a series of reforms to eliminate trade barriers referring to the exclusion of customs duties on imports, gradually introducing the VAT system, modernization of quality infrastructure, as well enhancing cooperation at expert level between Chisinau and Tiraspol”<sup>22</sup>.

The statements confirm that there are certain less public commitments of the Republic of Moldova and the EU offering a kind of respite to the region for several years in order to adjust the internal “legislation” to the DCFTA requirements. To remind, initially Transnistrian region had available an entire year until 1 January 2016 to prepare itself for the DCFTA implementation.

Proving this assumption, the Moldovan officials from relevant institutions confirmed that there is a verbal commitment that parties concerned would not promote in public the achieved agreements on the DGFTA implementation in the Transnistrian region, thus avoiding any political complications for Transnistrian authorities. Apparently, this was done at the request of

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<sup>21</sup> Press release of the Ministry of Economy from 16.02.2016; <http://www.mec.gov.md/ro/content/ministrul-economiei-avut-o-intrevedere-cu-reprezentantul-special-al-presedintiei-germane>

<sup>22</sup> Press release of the Ministry of Economy from 29.03.2016; <http://www.mec.gov.md/ro/content/octavian-calmic-la-paris-pentru-tara-noastra-procesul-de-integrare-europeana-inseamna-o>

Tiraspol authorities and supported by the EU which considered that the most important is the real DCFTA implementation and not public reports and details on the way of implementation.

#### **4.2 The state of affairs: the Transnistrian region**

From its part, the Transnistrian side gave even more indications that implementation of the DCFTA in the region, at least for time being, has some particularities. In an interview from 25 December 2015, the Transnistrian leader E. Shevchuk mentioned that “the EU took a unilateral decision that the trade regime for Transnistrian economic operators with the EU will not be changed”. However, Shevchuk acknowledged the existence of a "closed part" of the agreement, which provides for certain conditions to be met by Transnistria.<sup>23</sup>

The Chairman of the Transnistrian Chamber of Commerce Yuri Ganin also confirmed that the EU granted a special trade regime which is not based on the existing autonomous trade preferences, but also is not the DCFTA. According to him, the special trade regime “is not temporary, as well the EU has a role of guarantor that the Moldovan authorities will not obstruct Transnistrian export and import operations”<sup>24</sup>.

Following discussions with the Transnistrian Chamber of commerce as well as with Moldovan relevant institutions (Bureau for reintegration and Chamber of commerce) and European partners, it was found that entrepreneurs from both sides face more or less the same problems, being subject of customs duties on import of raw materials originating from countries with which the Republic of Moldova has signed free trade agreements. Subsequently this raw material is used in processing final goods that are exported to EU countries.

#### **Conclusions**

Over the entire Transnistrian settlement process there were many attempts to separate the political aspects from economic cooperation, position that continue to be promoted by certain actors, first of all by Tiraspol and Moscow. From obvious reasons it has not been supported by Chisinau which rightly believes that all components of the settlement have to be examined in their total

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<sup>23</sup> E. Shevchuk interview to Regnum, <http://regnum.ru/news/2043627.html>

<sup>24</sup> <http://www.vestipmr.info/articles/2015/12/11/prezident-tpp-pmr-u-pridnestrovyia-budet-osobyi-torgovyy>



complexity. Any attempt to put in a legal background the foreign trade of the region were categorized as “economic blockade” that affects the welfare of the population on the left bank.

The recent developments have shown the importance of maintaining trade relations between the two sides, but also the Transnistrian region’s interest to benefit from the trade agreements to which the Republic of Moldova is party. Autonomous Trade Preferences and DCFTA are good examples how the region tries to use them both in economic but also political terms. However, the Transnistrian administration is unable to take by itself decisions that would have a major political impact on the future of the region. It is clear that such steps are made after proper consultations with Moscow, which in current conditions apparently became more flexible being under constant pressure because of events in Ukraine.

Moreover, new opportunities to involve the Transnistrian business operators in the process were created by the implementation of the DCFTA with the EU by the Republic of Moldova and Ukraine. In this sense, the increased economic and trade cooperation of both countries with the EU become a significant stimulating instrument to the entire conflict settlement process.