



## **Podnestersko budúcnosti: liberálne hospodárstvo, sloboda a bezpečnosť**

Roman Konoplev | 15.09.2010

### **Introduction**

Pridnestrovskaja Moldavskaja Respublica is going to celebrate its 20 anniversary since it declared independence.

The people who created the republic in a nation-wide unity became disappointed by the situation in Pridnestrovie today, after they devolved power on the leaders of the country.

Many things happened since 1990. There was a military conflict with Moldova in 1991-1992, a transition to market economy and serious transformations in the European and world scale.

The change of the political elites has been an urgent thing for many times. There have always appeared certain prerequisites to different changes. One could see new faces appearing on the political stage. Different experts talked about president Smirnov's resignation and they were trying to promote "young and up-and-coming" people instead. Still, the boot is on the other foot.

At the moment, Igor Smirnov is still the president of Pridnestrovie, and Pridnestrovian society is now watching all possible imitations of "harmonization", "modernization" and other positive tendencies played by the press-services of executive and legislative powers of Pridnestrovie instead of profound and reasonable reforms.



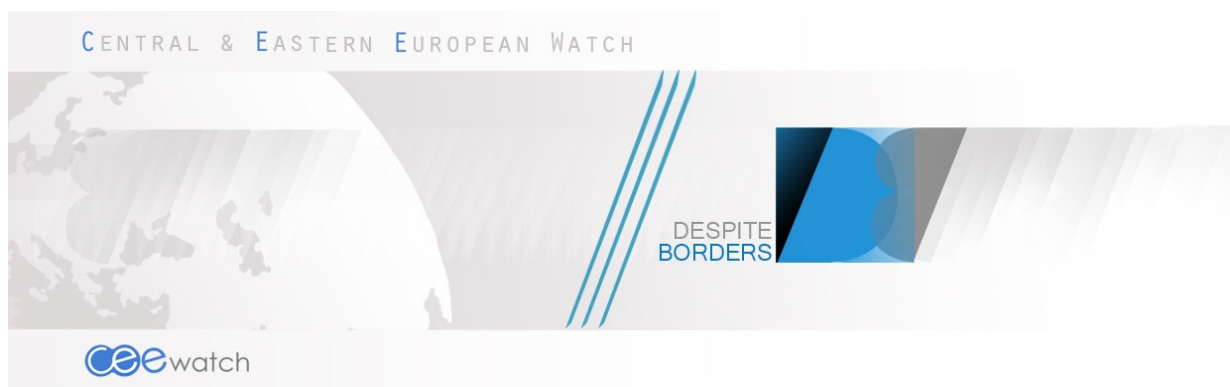
It is difficult to calculate whether any changes are going to happen in the medium term. The state propagandists calm down the society, but most of the labor pool has already left the republic and the young generation doesn't see its future in Pridnestrovie. These are not only young and energetic citizens who leave the republic – children and pensioners leave Pridnestrovie following their children and parents. Despite good weather conditions, Pridnestrovie is not a region with a warm existence in one's old age because all the medical institutions of Pridnestrovie totally degraded.

Global financial crisis that covered all the neighbor regions and the key donor of Pridnestrovie – Russian Federation - exacerbated all the destructive processes in Pridnestrovian economy. The growth of unemployment led to the fact that the republic is inhabited by pensioners, children and public sector workers. So, the imbalance between rich and poor is increasing. Prices and utility rates have been rising quickly since 1990s.

If the situation doesn't change, experts expect collapse of the social, health and municipal infrastructure spheres in Pridnestrovie. The territory of the republic is becoming condemned.

Still, state propagandists are sure that Pridnestrovie is moving towards recognition, that the life of the population is becoming better year after year, that the officials take care about investments, and that the epoch of poverty and economic chaos skirted Pridnestrovie.

The main goal of the report is not only to show truth about bad situation in Pridnestrovie. This is a thing well-known among the people, despite propagandist clichés. The main aim of the report is to demonstrate some ways out of the dead end, to show how it is possible to bring reforms to this soviet model of state structure which does not correspond either contemporary tendencies of post-industrial economy or the demands of the younger generation – the



generation of young people who immigrate from Pridnestrovie as soon as they have such a chance.

The report consists of four parts which demonstrate the advantages of the reforms in different spheres of state structure, economy and internal policies. The aspects of the economic security and Pridnestrovie's survival in the context of contemporary geopolitical tendencies are also described in the report.

The report is tailored to general reader, in spite of the fact that it is outspread in the Internet. A small edition is planned to be distributed among people who do not possess the technologies of modern communications.

### **Public administration crisis**

Pridnestrovie fell heir to the administrative-command system of the Soviet Union. This system is introduced in Pridnestrovie in the most pitiful variant. The growth of number of public sector workers, who are, in fact, feeding on the taxpayers, non-transparent governance models, overblown ministries, corruption verticals and inadequate legislation brought Pridnestrovie to the situation when job in the public sector gives absolutely secure opportunities for personal gain.

Pridnestrovie lost its self-reliance soon at a certain period. The officials started mouching on the non-transparent and multibillion dividends in the gas sphere.

The same happened with the national enterprises at the beginning of 1990s. The officials – directors of the factories – turned national enterprises to objects through which they could



absorb multibillion interests. Generally, the scheme was simple – export-import kickbacks when cash money was laundered. After the depletion of the reserves of the enterprises, a mechanism to avoid economic collapse was found – it was privatization.

The officials who could not administrate enterprises had to invite new owners. Since then, the state had to settle for tax dollars and the new owners made profit – this profit could have been made by the state itself with the effective management.

Similar situation came about in the agricultural sector when the-state-officials-directors dismantled the rests of the “soviet luxury items” - reclamation works, etc. Agricultural and industrial sector which was preyed upon by the state officials was transferred into private hands, but these individual businessmen need multimillion investments to remanufacture the production in this sphere. Thanks to such a tendency Pridnestrovie today looks like a Russian little out-of-the-way place, where grain crop and colza are produced instead of vegetables and fruits which Pridnestrovie used to grow for the whole Soviet Union.

More than 50% of the population left Pridnestrovie and it is a serious problem. The current ratio of the taxpayers and dependents is 1:4 – it means that state can't meet its obligations in such spheres as medicine, pension and welfare schemes, education and science.

So, today military men and state officials have priority of the young generation and of the specialists of different spheres. If nothing changes – the future Pridnestrovie will be the country of soldiers and officials. So, one can't help but wonder – who and why will support them?

### **Investment crisis**

### **DespiteBorders**



In spite of regular populist affirmations of the propagandists, Pridnestrovie has never been a territory with investment attractiveness. Along with the objective reasons coming from the problem of the status of the republic and information confrontation with Moldova, the more serious problem for Pridnestrovie is its soviet administrative governance model. It is enough to look at a much more successful example - Turkish Republic of Northern Cyprus. It is an unrecognized country with the population of 200 000 people and the territory of 3300 km<sup>2</sup>. The country is financially supported by Turkey and the financial support is about 3 billion dollars during 35 years of existence of Turkish Republic of Northern Cyprus. This country has been demonstrating quick economic growth during the last ten years. According to CIA World Factbook, Northern Cyprus's GDP 2007 was \$1.829 billion, per capita GDP - \$11 700. It is almost a European index.

Let's see the same data about Pridnestrovie. The territory of Pridnestrovie is 4163 km<sup>2</sup>, the de-facto population is about 350000 people and Russia's financial support is about \$2.5 billion during 20 years. According to data provided by Ministry of economy of Pridnestrovie in 2009, Pridnestrovian GDP was \$960.9 million, per capita GDP – \$1830.2.

It is important to note that Northern Cyprus economy is mostly represented by the services sector – 69.1%. Other sectors – agricultural: 8.6%, industry (consumer goods industry). Services sector and tourism are not developed in Pridnestrovie at all, but in comparison with agricultural-beach Northern Cyprus, Pridnestrovie looks like industrial Eldorado. Unfortunately, it is almost non-competitive in open economy. They like to be proud of the morally obsolete USSR industrial giants in Pridnestrovie.



It should be noted that Northern Cyprus has plenty going for Pridnestrovie because of its good resort location, but Northern Cyprus used to be behind Pridnestrovie 30 years ago because it has more “problematic” conflict with the Greek part of the island.

Northern Cyprus as contrasted with Pridnestrovie, was into luck – they didn’t have USSR, planned economy, command-and-control central planning system which abetted corruption and degradation of the public authorities.

The investment crisis is a fundamental reason of all Pridnestrovie’s misfortunes in the economic and social politics. The depletion of the middle class from Pridnestrovie led to many related problems: growing drug and alcohol use, smoking, venereal diseases and tuberculosis. Not a single country of the Commonwealth of Independent States can be a competitor for Pridnestrovie speaking about these “hard” criteria, not to speak of the European countries.

### **Liquidation of illusions**

We got used to state propaganda about “socially oriented state”, about Pridnestrovie’s authorities’ constant concern about either global crisis or flood, or some other world-shaking troubles.

To analyze the nature of such mythopoetics, one should estimate several criteria of Pridnestrovie’s budget policy orientation.

The head of “Finances and credit” subdepartment of Pridnestrovian State University, Ph.D. in Economics, Yuriy Safronov gives some figures and data which differ from those given by



Ministry of Economy of Pridnestrovie. According to Mr. Safronov, the real Per capita GDP in Pridnestrovie is about \$600 – \$800. Ministry of Economy of Pridnestrovie speaks about some \$1830.2. Anyway, both \$600 and \$1800 are close to Per capita GDP of such countries as Bangladesh - \$1500, Nepal - \$900, Afghanistan - \$600, Republic of Burkina Faso - \$1300, Myanmar - \$1200, Cambodia - \$2100, Cameroon - \$2400, Chad - \$1600, Cote d'Ivoire - \$1700, Ghana - \$1500, Tanzania - \$1400, Guinea - \$1100, Papua New Guinea - \$2300, Haiti - \$1400, Honduras - \$3700. Pridnestrovie's Media like to poke fun at Honduras.

Per capita GDP Statistics of the countries that are globally classified as “socially oriented” highlight key points: Canada - \$38 700, Sweden - \$37 300, Denmark - \$37 200, Australia - \$36 700, Finland - \$35 200. Speaking about our “ex-colleagues from the socialist camp”: Czech Republic - \$23 700, Estonia - \$20 200, Slovenia - \$26 700, Slovakia - \$18 700, Latvia - \$16 300, Bulgaria - \$11 300, Romania - \$10 700, Belarus - \$9 800, Macedonia - \$8 200.

It is important to understand that on the basis of per capita GDP it is possible to calculate budget expenses for different articles of expenditure individually for every citizen of Pridnestrovie.

The population of Pridnestrovie was 730 000 in 1990. According to the Report of the Ministry of Economy of Pridnestrovie “About social and economic development of Pridnestrovskaja Moldavskaja Respublica in 2009”, economically active population, including both employed and unemployed citizens, both businessmen and budget workers, as of 1 January 2010 is 154 300 people. Taking into account the fact that 521 400 people are registered to be resident and that about 30% of them haven't actually lived in the republic for many years, there is no reason to believe that propagandist slogans about prosperous and successful socially-oriented state have never inspired confidence.



According to Pridnestrovie's Economy Ministry, healthcare budgetary expenditures equaled 2.87% of GDP.

Taking into account the corruption, everyone can estimate possible "defects" of this figure. Nevertheless, our purpose is to trace the authorities' attention to this or that sphere. That's why we will try to believe the Ministry of Economy of Pridnestrovie and take the figure given by their report – 2.87% of GDP - healthcare spending.

Let's look at the same data in the other countries. According to the statistics of World Health Organization: Bangladesh – 3.1%, Nepal – 5.7%, Burkina Faso – 6.4%, Cambodia – 6.0%, Cameroon – 5.2%, Chad – 3.6%, Cote d'Ivoire – 3.8%, Guinea – 5.7%, Haiti – 8.0%, Papua New Guinea – 3.2%, and finally "the very same" Honduras – 7.4%.

For a change one can look at the example of the most close to us European neighbors – Romania – 3.6%, Poland – 6.2%, Serbia – 7.6%, Belarus – 6.4%, Bulgaria – 6.9%.

Eventually, let's look at the countries which have international reputation of "socially oriented" states: Finland – 7.6%, Sweden – 8.9%, Canada – 10.0%, Norway – 8.7%, Australia – 8.7%.

Similar situation can be found in the educational sphere. According to Pridnestrovian Ministry of Economy's report, 50% of the graduates of the organizations of professional education get job placements. In practice state suggests job placement with \$65-85 salary, which, in fact, is predisposing young specialists to immediate emigration. Usually this tendency is the predominant one.



According to Pridnestrovie's Economy Ministry, education budgetary expenditures equaled 2.14% of GDP. Let's make a comparison: Bangladesh 2.56%, Guatemala 3.1%, Nicaragua 3.14%, Ethiopia 5.49%, Ghana 5.44%, Uganda 5.24%, Belarus 5.21%, Australia 5.16%, Canada 4.93%, Cote d'Ivoire 4.46%, Bulgaria 4.24%, Cameroon 3.87%, Cambodia 1.6%, Burkina Faso 4.51%, Jamaica 6.53%, Finland 6.1%, Denmark 8.26%, Iceland 7.72%, Norway 6.59%, Sweden 7.02%. Taking into account per capita GDP in the leading "socially oriented" countries in the world, the reader won't find it difficult to estimate the real parameters of the healthcare and education budgetary financing "there" and to compare the situation in those countries with that in Pridnestrovie.

State propagandists are sure that the authorities of Pridnestrovie are building "socially oriented state". However, simple mathematical calculation demonstrates that, in fact, citizens of Pridnestrovie do not live in the "socially oriented country" but rather in "military and bureaucratic" country. Moreover, the objects of social infrastructure degrade year after year.

The expenses for the officials and for defence and law enforcement agencies are state secrets, and the official reports published by Ministry of Economy do not let citizens into the secret. There are no such "secrets" anywhere in the world except, may be, North Korea.

Keeping such information from citizens is not usually produced by the interests of security. It is just a propagandist trick. However, one doesn't need access to a military secret to understand through the fog of propaganda the very core of things: there is no "socially-oriented" Pridnestrovie. It is impossible, taking into account GDP of Pridnestrovie and its infrastructure. The situation is even worse because of depopulation. Government revenues are



not even enough to depress enormous wolfish appetites of the exaggerated and absolutely corrupt state machine and members of power ministries.

After 20 years of propaganda, citizens of Pridnestrovie have the only thing – military and bureaucratic state. The state with a very difficult present and future buried in mystery. The earlier the constructive way out of the situation will be found, the sooner Pridnestrovie will get some chances to become something worth of attention and respect.

### **Propagandist clichés dead ends**

State propagandists and “system” politicians often keep current the theme of “harmonization” of Pridnestrovie and Russia. They explain their position saying that Pridnestrovie and Russia have common social, cultural, religious and geopolitical space. The question is - is there any use to eat cake and have it? How are economy and state administration correlated to Dostoevsky, Suvorov and Orthodox Church?

The notorious “harmonization” unfortunately appeared to be one more simulated bubble, which distends from time to time and then blows up at the worst possible moment.

The same situation is with the economic growth which stopped at the moment when European consumers didn't want to buy Pridnetrovian products. Development sphere is the same bubble which blew up and disappeared.

All the imitations can only have influence on some groups of the society, mostly on pensioners.



Moreover, it is not worth talking about economic developments and investments. Pridnestrovian pensioners are not the investors. A real investor doesn't need any illusions or imitations. A real investor needs positive economic environment for business development. Neither today's Pridnestrovian elites nor regular taking the name of Russia in vain create such an environment. There is no good economic environment in Pridnestrovie.

To start discussing the problem of "harmonization" one needs at least to get an idea and to form a clear view of modern Russia – not through TV series but through analyzing Russia's strategy.

Russian Federation today is not great speaking about Legislation and financial institutions, but it has its own oriented economy. It is market economy based on European principles. It is looking up to export of petroleum.

The political class of Russia is divided into different groups today. Part of the Russian elite is sure that it would be good to expand export opportunities of Fuel & Energy Complex. This group is represented by Putin and Sechin. Medvedev and his experts have alternative ideas.

The president of Russian Federation and his experts are sure that Russian economy should kick the petroleum habit. This part of the Russian elite supposes that attention should be paid at industrial capacities – raw material processing, modern technologies, aircraft industry and other spheres that could stop the migration outflow of specialists to the USA and Europe. This is the thing about "modernization", and Russian Federation has some reserves to bring such initiatives to life – the country has oil and gas resources, and in comparison with Pridnestrovie, Russia "has" many things.



Both groups of Russian elite have one thing in common – their intention to follow Western standards in all the spheres of economy and public life. From the point of view of Russian political class, Russia doesn't have another way but to build open peaceful country with attractive administrative and legal environment. However, the authorities of Russian Federation often emphasize that Russian “rules of game” do not correspond to modern western standards of liberal economy.

Russian experts and politicians often admit that they are not “harmonized” enough with such standards, that there are serious problems speaking about European standards in the sphere of civil rights and corruption. “Oil” budget is disappearing because of the problems in the management system, because of non-professionalism and corrupt state managers. Russia is stable only because of Fuel & Energy Complex.

However, Russia is likely to be critical, and the country listens to outside criticism. That's why Russia is capable of changing. Pridnestrovie, unlike Russia, can neither be critical nor listen to criticism from outside.

Today's Pridnestrovie's authorities hear and listen only to themselves. Twenty years of self-admiration is too long for any critical self-concept. It is something age-specific, it can't be cured.

### **Economy of Freedom**

Pridnestrovie, without oil and gas, without any financial resources for modernization can't put into action any of the Russian models mentioned above.

### **DespiteBorders**



“The harmonization” of Pridnestrovie and Russian Federation can appear only as some appendix – just for fun and not for long, because Russia will have to make away with all the “histomas” which can prevent Russia from integrating to European and world economy.

Pridnestrovie can become an autarkic state only if large-scale investments will be brought to the region.

Speaking about changeover from “military and bureaucratic” state to “socially oriented” one – the beloved story of Pridnestrovie’s state propagandists, one should note, that such a changeover can only occur if there is a long “foot bridge”. What is meant here is liberal model. It is a model of a state with open economy, well-disposed towards external business and towards somebody’s positive experience.

One of the examples of effectiveness of such a model can be both the experience of state with unregulated status – Turkish Republic of Northern Cyprus, or new states – Georgia’s experience is one of the most interesting. This country is developing quickly despite military conflict. It develops because of the government’s effective work. Georgia’s economy is the best example of a good place for business, for foreign investments. They put out of existence corrupt administrators. Georgia is an example of a free country with liberal economy, the standards of which are estimated much higher than those of the countries of Eastern Europe.

As for Pridnestrovie, it should look at least like Georgia to attract investor from Russia, the Ukraine and Belarus, but good economic environment can’t appear through propaganda and all-possible imitations.



Investors can come to Pridnestrovie only if it will be better for them to work in Pridnestrovie than at home. Nobody wants to invest capital for charitable purposes. Nobody wants to feed bureaucracy. Business should bring money, so Pridnestrovie should become attractive, at least in the eyes of Russian citizens. Business should feel better in Pridnestrovie than in Russia. This is the only way. It means that Pridnestrovie's economy should start corresponding to all the world economic standards earlier than Russia. It is possible to keep pace with Russia, but it won't solve Pridnestrovie's problems. Pridnestrovie should be one step forward to change the situation inside for the better.

Pridnestrovie's authorities live in the world of prejudices speaking about foreign investments. According to ex-soviet politicians, Western money can bring harm to Pridnestrovie's nation and statehood.

However, it is interesting to pay attention at EU, USA and Russia. Russia tries to follow western logic – green light to the investments into the economy, red light – to corruption.

To make foreign investors “like” Pridnestrovie, it should first become attractive for Russian investments. It is the most simple axiom – if Pridnestrovie can't attract business of the most friendly country – Russia, then the problem is neither unregulated status, nor information war, but the arguments of Pridnestrovie's authorities – they look like bad workers who quarrel with their tools.

Russian business invests capital into the economies of the countries of Eastern and Western Europe, USA, Great Britain, Arabian countries. What is stopping Pridnestrovie's authorities to attract at least one per cent of these Russian investments? The answer is simple –

**DespiteBorders**



Pridnestrovie absolutely does not correspond to the standards of modern world economy and does not have any marketability.

Pridnestrovie's authorities make much of themselves to give external investors any opportunity to make business in Pridnestrovie on favorable terms. Today, if anybody wants to bring investments to Pridnestrovie, it is necessary to solve too many problems – to observe all possible irrational formalities in the field of document control, to feed corrupt state officials and to pay taxes that can't be compared to all the risks. Moreover, there are no real mechanisms to cover and defend business, because system of law of Pridnestrovie is closed from the international arbitration, ECHR and other structures that can support and defend business in case state starts any abuses.

There is no independent judicial system in Pridnestrovie, and every businessman here knows about corrupt needs of the closed and absolutely untouchable Pridnestrovian court community. In fact, Pridnestrovian judicial system today is a closed caste with criminal group manners. State propagandists can say and write anything, but business never believes propaganda. Every respectful company, every serious investor has own security service which unveils all the myths and puts businessmen off making business in Pridnestrovie.

Some governments, for example in the USA, ban businessmen by legislative action of investing corrupt administrations of other countries. The less corrupt an administration is - the more foreign businessmen invest into a country.

The second important element of successful investment climate is transparency and budget adequacy of the country which is attracting capital. A businessman chooses a bank taking into



account reputation criteria of the bank. The same criteria for a country are transparent and adequate budget parameters.

The success of the USA in the period of its becoming consisted in low taxes (2%) and “small” state – here the “small” is not the territory of the country, but the expenses on state machine. The number of state officials and public sector workers in Pridnestrovie is much higher than the number of citizens who work in the real economy.

The expenses also include inadequate standards of financial accounting. Pridnestrovie has been planning to use European standards of accounting records, but nothing happens.

Such an abnormal fiscal policy with a deficit of 50 – 70% is the first and the last reason for foreign business to avoid Pridnestrovie by hook or by crook. That’s why propagandist clichés about the problem of Pridnestrovie’s status lack real grounds. The problem is not the status. The problem is ineffective and corrupt state officials, irrational budget, high taxes and no transparent and accountable “game rules” for business.

Without intense and fundamental changes there are no chances in the investment sphere for Pridnestrovie neither today, nor in a year or in ten years.

### **National institutions**

There are two myths about Igor Smirnov existing in Moldova, Ukraine, Russia and European countries that have been formed during 20 years of Pridnestrovie’s history and that exist today. According to one of them, “Smirnov is a total good”, founding father of the republic, thanks to whom Pridnestrovie exists till today and didn’t disappear. The second myth is

### **DespiteBorders**



opposite to the first one – “Smirnov is an absolute evil”, and as soon as Smirnov is put out of the way, everything will go for the better and Pridnestrovie will become a Klondike from the soviet memories with cheap wine, good rest, fruits and women.

Both of the myths have no ground. The first one has been self-disclosed thanks to Pridnestrovian propaganda, but despite this fact some part of the population of the republic continue to respect their leader who is not wanting in charm, charisma, recklessness and political headpiece.

However, most of the labor pool denied this thesis by their “voting by legs” i.e. through emigration. Smirnov is not “good” for the young generation – 100% of the young people regardless of their nationality or social status do not see their future in Pridnestrovie.

However, the myth about Smirnov as “absolute evil” has no ground as well. The problem is not Smirnov’s personality. The problem is command and administrative governance model that he created thanks to his “soviet” experience of the director of a plant. Still, there existed some control over the regional managers during the soviet time. This control helped to stop corruption processes. It could not help to stop degradation of the state officials in the all-soviet scale. It is useless to jump upon Smirnov today – he uses the experience he has and he is absolutely sure that there are no other ways out of the situation. He is sure that economic security of the European democracies is the propaganda fruit, intrigues of the imperialist wolves, etc.

This command and administrative model – or “military and bureaucratic state” – has lived its own life during all these twenty years and it continues to live “beyond” Smirnov’s personality. This model has been cloning, replicating and it is producing certain instincts for



self-preservation. This model is bringing up new generation of “soviet” bureaucracy, localizing and rejecting, as if it were virus, any alien elements. Surely, Smirnov is not the only responsible person for non-magnificent results and for the collapse of economic policy. Political class of Pridnestrovie is responsible for what is happening and for what we see today none the worse than president of Pridnestrovie.

“Military and bureaucratic” state can’t disappear if Smirnov will be changed for “somebody who is younger”. All that talk is buncombe. The presidents and prime-ministers of many European countries are not a year younger than Smirnov. The difference is that neither they nor the political class of those countries lived all their life in the USSR – the country which disappeared and left behind too many problems. The first problem is slave command and administrative mentality of the “crowd, common people”, and “superiors” - those who degraded as the result of dissolution of the country.

The degradation of the elite brought to degradation of all the mechanisms of Pridnestrovie’s activity. Today everybody can see the administration crisis, corruption, the collapse of public services, the decay of public road system, absence of full-fledged health system and welfare. The collapse of pensionary and education spheres is onward.

The problem of Pridnestrovian elite is the problem of conservation of the “soviet” mentality. If you invite these people to visit Germany, Switzerland, any other place – it won’t help, because these people got used to live a little bit different – they create “Germany” for themselves, but they bequeath the same ominous and beggarly “military and administrative” model. This model can’t be hidden by PR – in the end, Russia will have enough of helping local bureaucracy. One day the leading Russian TV channels will announce that “someone is not expected in Moscow anymore”. That will be all about it.

**DespiteBorders**

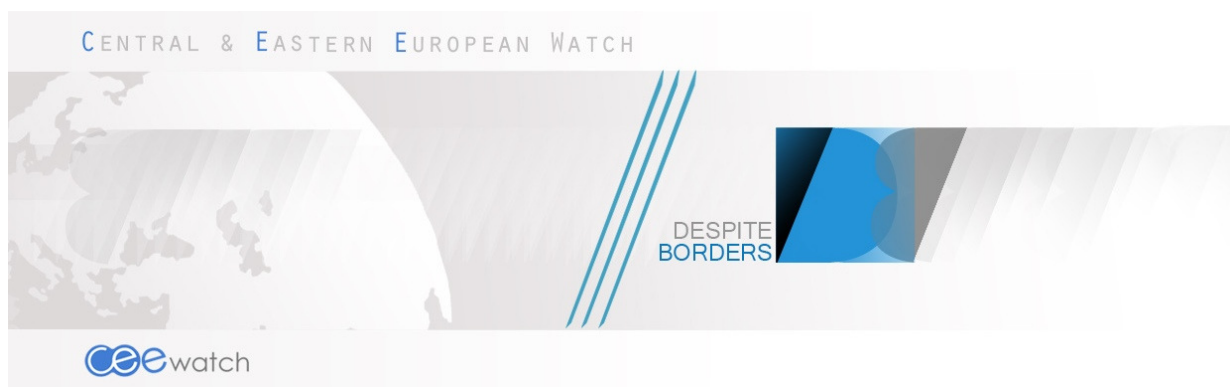


There is a way out of the situation.

It is necessary to make sure that “military and bureaucratic” model will be changed for modern, liberal model at any cost. This modern model can create a field for investments and improve economic situation. After 50 years of investments, Pridnestrovie will have a chance to think about “socially oriented” model. No sooner than in 50 years. There are no other variants.

It is necessary to create a system, where elites will change regularly. It is only regular change of the administration that can provide fatuity of corrupt embedding.

It is neither Igor Smirnov, nor his administration, who realize new opportunities for the country with transparent economy. To make evolution process possible speaking about a new model, one needs to make a certain system of guarantees for the outgoing “post-soviet” Pridnestrovian elite. This system should include a true amnesty in the fiscal and administrative spheres. It is possible to give a new life to the republic by legal methods. It is really possible to turn over a new leaf and to turn a blind eye to all possible sins of today’s administration for the sake of benevolent intentions – to build a modernized economy based on European standards. It is only European-based economy that can be attractive for Russian investors, who choose today where to invest between such countries as USA, Great Britain, Bulgaria, Romania, Czech Republic, etc. It is necessary to make a huge step forward to add Pridnestrovie to this list, because it is important to give the investors a wide economic scope, stable game rules, and to make sure that there are no abuses on the part of bureaucracy.



A transparent economy of the republic would need money, and the incomings of the today's elite in the economically and politically free Pridnestrovie in the future could become higher than today. And this money will be transparent, net cash, and nobody will feel ashamed for this money. Liberal model free from corruption can solve many problems, of which the authorities of the republic are afraid to think today.

Pridnestrovie needs modern European model of state structure – it means that the republic needs at least two powerful competitive groups which will change each other at all branches of power. Moreover, Pridnestrovie needs independent judicial system and non-corrupt law-enforcement bodies.

These groups can be political parties which will form governments and executive bodies one after another, on the basis of free and civilized elections.

One-party system is not effective. Overwhelming advantage of one party of the others – like in Russia – is not the best scenario, which smells too much “soviet”.

Russian political and administrative model will be reformed in the coming several years and it is good not to repeat others' mistakes. Unlike Russia with its petroleum resources, Pridnestrovie has no right to make a mistake. The citizens of Pridnestrovie have no time for the experiments, speaking about flirt with bureaucracy. It is a costly affair, and none of the European countries can afford it. It is necessary to look at the countries that have the same initial situation as Pridnestrovie has. It means that sooner or later Pridnestrovie will have to learn and to use experience of the countries that do not have oil wells and gas pipes. The transit from obsolete model to a modern and actual should be evolutionary in Pridnestrovie. At



the same time this transit should happen as quickly as possible without propaganda and imitations.

### **Press and civil institutions**

One of the most important mechanisms to estimate the civilized – non-civilized state and business guarantees is a freedom of press and independent television.

State media are extra-burden on the budget, moreover, state media play a destructive role. The USSR faced it when at one moment most of the population of the country lost state propagandists' credibility. It is necessary to formalize state media ban in the Constitution. It is also necessary to formalize economic and political freedom constitutionally and to introduce criminal sanctions for aggression upon these liberties.

Independent media in the region is not a meaningless phrase for the prospective investor. Independent media is one of the mechanisms, which cover business, the same as international arbitration, for example. The image of “non-free country” is the same menace to foreign investments as corruption and unhealthy budget policy.

Different international ecological and human rights organizations monitor the situation at the territory of Russian Federation. Despite “cold war” and negative attitude towards Pridnestrovie, Pridnestrovie's elites must be more attentive to the findings of the outside observers. As a rule, there exist criteria for international standards acceptance in different spheres – children and women rights, independent advocacy, transparent economy and transparent elections. Pridnestrovian state managers should seriously take into account both the conclusions made by international experts and the problem of its correspondence to the

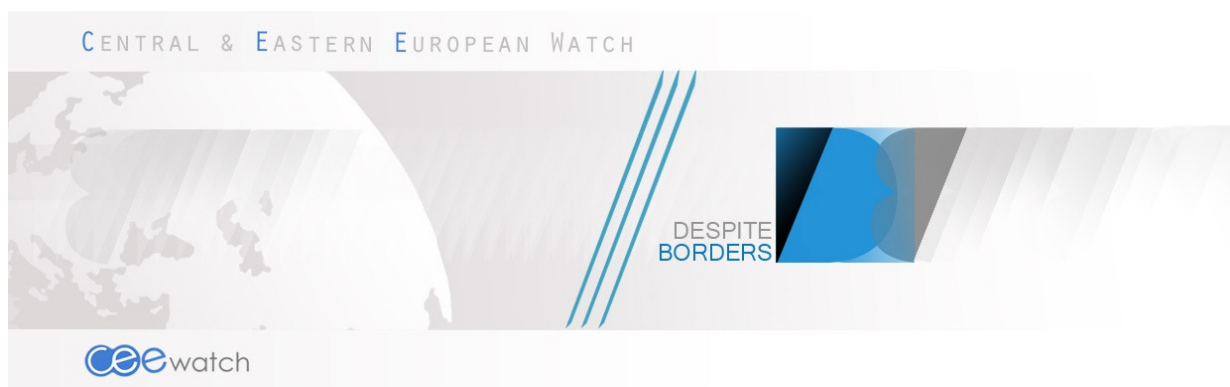


criteria. Today the situation is absolutely unhealthy – Pridnestrovie’s authorities reject all possible external estimates and they accuse “West” of the “cold war” against Pridnestrovie. However, citizens of Pridnestrovie, especially young people, leave the republic. Pridnestrovians are interested in absolutely particular things. Despite state propaganda they do not make long-going plans at home. Pridnestrovians consider state system of Pridnestrovie to be archaic and inadequate. It is impossible to listen to oneself for 20 years and then to complain that everybody left and that nobody is going to listen to stately speeches about successes.

### **Pridnestrovie on the European map**

From the point of view of outside observer, Pridnestrovie has two images, thanks to its administration and state propaganda: “Soviet Pridnestrovie” and “Long-suffering Pridnestrovie”. So, the prospective investors look at Pridnestrovie with a smile or with pity and sympathy. When the authorities of Pridnestrovie say to foreigners something like “When at rome, do as romans do”, they look at least stupid. However, both of the versions of Pridnestrovie’s image are the main components of the ideology and these two images are constantly broadcasted through state media, television and officials.

The world has become smaller retrospectively. The countries, capitals and people have become closer to each other. Tens of millions of ex-“soviet” people visited different parts of the planet, they evaluated the advantages and disadvantages of these or those systems. The criteria of prosperity of this or that country has changed during the last 20 years since the collapse of Soviet Union. A prosperous country does not respect communism and its attributes, including Lenin and other things like that. One of the most important things for a good image is demonstration of the successes and developments in any possible sphere,



including industry and military sector. The second thing about good image is putting all the mournful dates on the back burner. Only the success and opportunities for success bring up generations in the modern world.

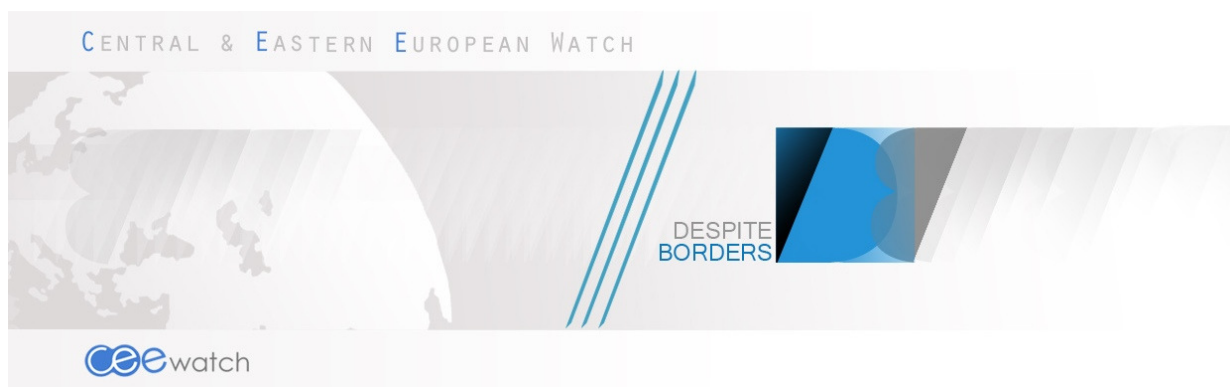
That's why Pridnestrovie in the eye of both foreigners and its own population looks like a monument to the epoch of communism and like a cemetery, where funerals happen much more often than holidays.

Russia, like many other countries in the world, took part in many wars and many people died during those wars. However, only in Pridnestrovie people watch on TV and on the web-sites of state media how the prevailing authorities, the adepts of "military and bureaucratic" state model demonstrate their patriotic feelings and make an address about how they keep up the traditions and "memory about ancestors".

Against a backdrop of demographic collapse and gradual physiologic aging of Pridnestrovian elite, both "Soviet Pridnestrovie" and "Long-suffering Pridnestrovie" aggregate in the eye of the young people and prospective investors – they all feel like in hospice, a hospital for death-struck. Pridnestrovie looks like a place where it is possible to stay for some time for moral purposes, but this is one of the worst places in Europe and in the world to invest or to build future, with the exception of the most unstable African territories like Somali.

Nobody dreams to live in the country where everybody is always mourning. Hundreds of thousands of Russian citizens buy apartments and houses in Bulgaria to go there in summer. Bulgaria – open and happy – is more attractive for Russians than Pridnestrovie – menacing and long-suffering "outpost" with many monuments to Lenin. Russians buy apartments in Bulgaria and drive there through Belarus, Ukraine, and (Crazy!) through Romania.

### **DespiteBorders**



And no nationalists follow them there. Antonescu is burning in Hell. Common people do not care about geopolitical games and megacorporations' plans. Europe has lived without hatred for a long time already and not many people are interested in geopolitics, enough of propaganda.

Nobody is dreaming about recognition of Pridnestrovie, it is not the main thing in people's lives, it is not a great necessity. Pridnestrovie can exist without legal status for many years, but neither local people nor tourists or potential investors care about the status – nothing depends on it. People care about their emotions, their lives and careers. People need the feeling of freedom, security from the officials, they need hope.

Nobody believes that the Hell begins behind the Dniester and continues through the whole planet – up to the Pacific Coast of Russian Federation. Nobody believes that outside Pridnestrovie everybody waits for Pridnestrovians to scoff at them, to remove their organs, to sell them into slavery and to oppress them.

The internet is full of the photos of the ex-citizens of Pridnestrovie and of Russians who travel by car along Europe. So, when listening to the speeches of Pridnestrovian leaders, one can think that these people really believe in the world they invented. They think that somebody from Russia estimates their striving to “preserve USSR”, “to preserve soviet production” and so on. All fine and dandy, but these abstract thinking doesn't help Pridnestrovie's economy. But all the massive monuments to the epoch of socialism are around us everywhere. Against it the zest of Pridnestrovie is lost - it is a unique socio-cultural environment, good nature, nice location – everything is close – Ukraine, Russia, Europe, Turkey with its Oriental flavor.

**DespiteBorders**



Instead of all these things, they try to make an illusion that we are in “the USSR, surrounded by the enemy”. Moreover, they try to make us believe that there is nothing worthy in the world except poor Soviet-era symbols, still, Pridnestrovian authorities say there is some “Great Russia” and we are its outpost, fortress. Only Russia doesn’t constitute itself “Great”, and wants to demonstrate the whole world its kind sweet glance, its modernity and adequacy. The same with “Great Japan”, “Great Germany”, “Great Romania” – they do not exist today, because people have changed. People consider Europe to be their big home and they see the borders as a formality. Even the Turkish Cypriots, who live in the better economic and climate conditions than Pridnestrovie, want the borders to disappear.

Northern Cyprus is the same as Russia and the Ukraine – the supporter of the Eurointegration and visa-free regime, of the flow of capital between countries, but it manages to save its identity. Young people do not leave Northern Cyprus. Turkey is a powerful regional player, interested in Northern Cyprus’s Eurointegration, because Turkey understands that it will be good for the people of Northern Cyprus. According to international experts’ estimates, Northern Cyprus today is a more free country than Turkey. It is one of the locals’ bragging rights, a reason to stay and live in their country. It could not have been otherwise - in the contrary case, after being unrecognized for 30 years, the people of the Northern Cyprus would have left for Turkey and other more prosperous countries.

The will to correspond all modern standards in economy and politics together with the course for eurointegration do not prevent Northern Cyprus from defending its identity. Northern Cypriots aim for independence from the Greek part of the island. Northern Cyprus, like Pridnestrovie, has problems with security and private property, but these things are not the obstacles for the regional development. Many international structures work with the problem of Cyprus. There is a certain plan proposed by UNO and sooner or later the parties will find a

### **DespiteBorders**



fair settlement of the problem. The European Union supports Greek part of the island in the conflict. However, Northern Cypriots - Turks, managed to separate these spheres, and European Union is not their enemy.

Northern Cyprus saw many transparent elections and it was not an obstacle in their strive to preserve their identity and to hold negotiations from a position of their interests. Democracy and economic freedom haven't annihilated Northern Cyprus, but strengthened it. Pridnestrovian negotiators will have poor arguments - the peeled and wasted remnants of 750 thousand population and the results of the referendum of 2006. Let's say, today's demographic dynamics helps Moldova to look more adequate. If the economic reforms of the liberal government of Moldova are a success, it will be difficult for Pridnestrovian diplomats to advocate one's interests in 5 years. Whose interests? The interests of the militarymen and bureaucracy? What if the population of Pridnestrovie will sink for several tens of thousands?

Let's go back, however, to the European integration.

Modern Pridnestrovie of future can become the only Russian enclave in Europe. Russians, who do not feel good in the Baltic countries, may want to move to Pridnestrovie. It may happen that people from cold Siberia would like to move to future prosperous Pridnestrovie, to live close to the seaside...

What does Pridnestrovie's administration consider to be good for people? It is a difficult question. It is difficult to say whether they have such questions or they live for the day?..

This is how we look like in the eye of Russia – poor, long-suffering threatened relative. Where will the investments come from? Who would call Israel “a long-suffering country”? Is



Karabakh positioning itself like a “long-suffering” country? Both Karabakh and Israel regularly conduct warfare. It is time for Pridnestrovie’s authorities to stop taking the year of 1992 in vain in every speech, in every interview. It doesn’t help feel better those people, who haven’t left yet, who are waiting for the changes in the economy, for better salaries, pensions, medicine. This “long-suffering” image erases positive expectations. There is nothing worse for Pridnestrovie than preservation of the “military and bureaucratic” model, which has already forced most of Pridnestrovie’s population out of the country.

If Pridnestrovie is not going to become open and good for its citizens and for the whole world, who will remember about it in 20 years? Who will take care of all the monuments if everybody leaves?

### **Identity crisis**

When you meet a stranger in Russia or in Europe and when you say you are from Pridnestrovie, Europeans and Russians react differently. Everybody heard or read something about Pridnestrovie. As a rule, Russians try to express sympathy, sorrow. They usually ask something like “Is the war over?”. Pridnestrovie is seldom mentioned in the Russian Media. Usually, it is either the war of 1991-1992 which is mentioned or the interviews of Pridnestrovian officials. They are making the image of Pridnestrovie abroad. This image doesn’t inspire many people to come to Pridnestrovie, although any little thing – like a glass of beer or a bottle of brandy or cognac help make some profit for the local businessmen, help form the budget.

The Europeans picture another image to themselves: “Pridnestrovie is a piece of the USSR, KGB and Lenin”. Of course, Europeans have no sympathy to such places. Europe saw many



murderous wars during the last 20 years, and question is not about the victims. Several Pridnestrovians, who live in Europe, look much better than hundreds of thousands of refugees from the former Yugoslavia.

The identity is not only self-sentiment. It is also how Pridnestrovie is represented by the authorities and by the local media. The outside observer would get positive emotions neither listening to Pridnestrovian officials nor watching local media.

If there can be a happy-end, Pridnestrovie will become a Russian-speaking enclave with a specific ethnic and cultural environment, where tens of nationalities are mixed. It will also be an Orthodox region until people of another religion would want to come here. There is a special historical aura because of Bendery fortress and military memorial with the tombs of Russian soldiers of the Empire, the monument to Suvorov and memories about people, who made Pridnestrovie famous – they are the chemist Zelinskii and the artist Larionov.

When the leaders of Pridnestrovie speak about the aspects of “Russia’s presence” in the region, about “Russian influence”, they do not really understand how Russia interprets this terminology. Moscow of the 21st century is not likely to “threaten” somebody from Pridnestrovie. Nowadays Russia is much more interested in the European market of petroleum consumers. South Stream and Nord Stream play a more principled role than the “outposts”. In the end, USA and Russia may test the ABM system in Romania together. Some time ago, the authorities of Pridnestrovie were constantly frightening with this system everybody except perhaps children.

Russia must be really worried about Pridnestrovian administration’s inability to pay normal pensions. The collapse of the healthcare system, the absence of care about the veterans, 79%



budget deficit. One day Russia may be tired of watching this “besieged island” which instead of becoming the “the island of Freedom”, became the museum of sovietdom insanity. Is this the thing Russia needs? Does it resemble nowadays Russia? Pridnestrovie is absolutely not the same.

Strengthening the positions of Russian language in Europe, expanding Pridnestrovian ethno-cultural environment is the purpose of our interest. To make Pridnestrovie attractive for any Russian living in Europe will bring much benefit and sense. Russia, looking at such Pridnestrovie, would be happy for the local citizens.

Nothing prevents Pridnestrovie from being modern, open and attractive for business today. Regional conflicts will be solved sooner or later. It is time to think now, what economic and demographic potential Pridnestrovie will have when meeting the tomorrow.

## **Conclusion**

After 20 years of independence Pridnestrovie has very little chances to become a prosperous modern country. Post-soviet “industrial potential” can’t save the republic. Still, Pridnestrovie has a chance despite imperfect administrative model, corruption and other well-known abusive practice. There are just several things to do:

1. Pridnestrovie needs profound constitutional reform with the support of experienced experts – representatives of more prosperous countries similar to Pridnestrovie by their economic potential, human resources and other parameters.



2. A serious administrative reform is needed. Regular change of elites by political instruments should become a norm. Bureaucracy must be axed and the budget must correspond to day-to-day realities and expert estimation.
3. Political system balancing needs radical and populist parties to disappear. Communist organizations and the use of communist symbols for political purposes must be prohibited. The monuments to Lenin and other attributes of the communist past (emblems, etc.) must be removed. Russian imperial style in the architecture should be reborn and supported.
4. It is necessary to form non-corrupt and independent judicial system, the institution of independent advocacy and a system for the execution of sentences and to invite specialists who had the experience on the similar posts in the European countries.
5. It is necessary for Pridnestrovie to enter international arbitration and ECHR through Russian-Ukrainian “window” or directly.
6. It is necessary to claim for constitutional declaration of title to land and to create a mechanism of guarantees for the investors.
7. State media must be prohibited by the Constitution. The financing of the image publications from the budget or private sources in the private media must be prohibited. It is necessary to demonopolize Media market and to give the corresponding ministry the only function – allocation of radio frequencies and of other communications media.
8. Deradicalization, demilitarization and desovietization of the information flow coming from Pridnestrovie’s official structure must be conducted. Media must not be full of militarist rhetoric, which makes Pridnestrovie’s image of “besieged fortress”, “frontier post”, “empire outpost”, “piece of the USSR”, etc.



9. Open, free economic model transfer must be conducted. Tax reform is needed. Document flow must correspond to European rules and top-ranked specialists from the EU must be invited.
10. Military reform must be performed. All the relevant ministries and military structures (Cossacks, etc.) must be united into one power department. Active military service must be revoked. The united power department must be based on the contract system of completing.

All the above-listed and many other things, which are necessary for the citizens of Pridnestrovie, will give Pridnestrovie a chance to strengthen hand in dealings, to be rehabilitated in guarantor states esteem, and will improve the economic situation in the republic.

Pridnestrovie has no other chances to solve all the problems but thoroughgoing reforms. Without liberal reforms and European standards in economy and politics, Pridnestrovie has neither full present nor prospective future.