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Classified By: Ambassador for reasons 1.4 (b,d).

1. (C) Summary: Deputy Foreign Minister Veselovsky told EUR DAS Kramer, NSC Director Sterling, and Ambassador March 19 that he would continue to hold the concurrent duty as Ukrainian special negotiator for Transnistria, despite rumors to the contrary. National Security and Defense Council (NSDC) Secretary Haiduk earlier March 19 said the U.S., Ukraine, and Russia needed to develop a common approach to Transnistria, but consensus would be difficult, since Russia was not only a 5-plus-2 mediator, but also had interests in Transnistria. NSDC Deputy Secretary Pyrozhev (also Ukrainian ambassador-designate to Moldova) assured visiting Embassy Chisinau POL/ECON Chief that the political decision to extend the EU Border Assistance Mission had been taken; only the technical details remained to be worked out. Veselovsky and, separately in a March 21 meeting with Ambassador, Moldovan Ambassador to Ukraine Stati, expressed concerned that Romanian actions vis-a-vis Moldova were destabilizing and unfriendly. Veselovsky and Moldovan Embassy counselor Caras described four bilateral issues that Ukraine and Moldova are attempting to resolve. End summary.

The Wrong Policy?

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2. (C) During a March 19 meeting, NSDC Secretary Vitaliy Haiduk touched on the Transnistria issue. He told EUR DAS David Kramer, NSC Director Adam Sterling, and Ambassador that Ukraine would continue to support continuation of the EU Border Assistance Mission (EU BAM) and the Ukraine-Moldova customs agreement. However, Haiduk said that this policy was "a mistake." In Haiduk's view, Voronin and Smirnov had common economic and business interests and these could be exploited. He did not expand further on his comment. Later at lunch, Deputy Foreign Minister Andriy Veselovsky said he



could not explain Haiduk's opinion, although he speculated that NSDC was feeling pressure from government agencies such as the State Border Guards Service and Customs Service to do away with both EU BAM and the customs agreement.

3. (C) On March 20, NSDC Deputy Secretary (and Ukrainian ambassador-designate to Moldova) Serhiy Pyrozhkov told visiting Embassy Chisinau POL/ECON Chief Martin McDowell that the Ukrainian government had taken the political decision to request an additional 24-month extension of the EU BAM mandate; only the "technical arrangements" to implement the decision remained. The details included requirements for the EU to provide training and equipment to the Ukrainian Border Guards Service and Customs Service. Pyrozhkov noted that the measures were necessary to ensure wider agreement within the Ukrainian government for the EU BAM extension.

#### The Russia Angle

4. (C) Haiduk opined that Moldovan President Voronin's personal relationship with Transnistrian leader Smirnov was a potential obstacle to a Transnistrian settlement, especially regarding their common business interests. Voronin was manipulating the process even as Ukraine and other mediators attempted to work with Russia on the basis of the Yushchenko plan to formalize a document. He was talking to the U.S. on the basis of the Yushchenko plan, while using the Kozak plan with Russia and elements of each with the international community. In Haiduk's view, the situation would progress only when the U.S. and Ukraine sat down with the Russian side and proposed a common format. Now that Russia was playing a dual role, as a mediator in the 5-plus-2 talks while being involved in Transnistria, such an approach was difficult. Kramer agreed that the Russians were playing an unhelpful role in their support for Transnistria and the status quo. Voronin had presented a package plan to Russia that included the best elements of the Yushchenko and OSCE plans, which the U.S. viewed favorably. However, Russia was not taking it seriously.

5. (C) During a lively and frank conversation, Pyrozhkov said he would report for his new posting in Chisinau within two weeks. He recalled that he had visited Transnistria together with Russian Security Council Deputy Secretary Yuri Zubakov in February 2006 as well as meeting with EU BAM Head General Ferenc Banfi a number of times. Pyrozhkov said he had recently discussed the possibility of transforming the peace-keeping force in Transnistria with Zubakov. Zubakov had said Russia was willing to restructure the peacekeeping force so that it would operate under some international mandate, probably OSCE, with Russia, Ukraine, Moldova, and

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Transnistria each contributing a quarter of the personnel for the force.

6. (C) Pyrozhkov regretted that Moldovan President Voronin had retracted his agreement to implement the "Kozak memorandum," since his decision meant the rejection of a federalist structure to reintegrate Transnistria into Moldova. McDowell noted that there were other elements of the Kozak memorandum that the U.S. had found troublesome.

#### Changing Assignments

7. (C) When Kramer asked, Veselovsky assured his lunch partners that he would continue in the capacity of Ukrainian special negotiator for Transnistria. In a March 21 meeting with Ambassador, however, Moldovan Ambassador to Ukraine Sergiu Stati said he had heard similar assurances from Veselovsky and other Ukrainian officials, but he had also heard "unofficially," on the level of rumors, that Pyrozshkov would assume the position of special negotiator simultaneously with his duties as ambassador to Moldova. Stati surmised that the proposal had been floated to test Moldovan reaction, which, he noted, was negative. Chisinau held the view that, although Pyrozshkov was a competent and experienced official, a special negotiator based in Chisinau would not be as effective as one located in Ukraine's capital.

8. (C) Stati said Ukraine's continuing support for EU BAM and the Ukraine-Moldova customs agreement was the most important factor that could lead to a Transnistria settlement, outweighing Russian approaches to Transnistria. Ukraine also supported Chisinau's efforts to come to agreement with Moscow on a common approach to a Transnistria settlement. Ukrainian officials, including Prime Minister Yanukovych, understood that Transnistria was not just a Moldovan problem but a potential threat to regional security. Unfortunately, Stati commented that Yanukovych had told him during their meeting that the Ukrainian government would coordinate all of its approaches on Transnistria with Moscow.

#### Romanian Influences

9. (C) At the lunch, Veselovsky also aired his concerns about Moldova-Romania relations, a concern that he noted was also shared by Presidential Secretariat Deputy Chief of Staff Oleksandr Chaliy (then a leading candidate to become foreign minister), who had been Ukrainian Ambassador to Romania. The Ukrainians saw that Moldovan politicians, in promoting pro-European policy, were quietly advocating Moldova's entry into the EU through Romania, with the possibility that Moldova on the right bank of the Dniester could potentially unite with Romania and the left bank (Transnistria) revert to Ukraine. Instead of becoming absorbed into Romania, right-bank Moldova could unite with Romania in a supra-national structure, "Romanova."

10. (C) In his meeting with Ambassador, Moldovan Ambassador Stati charged that Romania was pushing Moldovans to apply for Romanian citizenship by slowing down and complicating the visa-issuance procedure for Moldovans to travel to Romania. Stati claimed that, when Romania and Russia concluded a framework agreement, the agreement had included a protocol critical of the World War II Molotov-Ribbentrop Pact, which put Moldovan independence into doubt. Stati said he saw his role as Moldovan ambassador to Ukraine as promoting a close and cooperative Moldova-Ukraine relationship that could balance Romanian pressure on Moldova. (Note: The Molotov-Ribbentrop Pact assigned the Bessarabia region of pre-war Romania to the Soviet Union and led to the Soviet Union's subsequent annexation of Bessarabia. The Bessarabia region, with the addition of Transnistria, formed the basis of the Moldavian Soviet Socialist Republic, which then became independent Moldova.)

#### Bilateral Irritants

11. (SBU) Veselovsky told poloff before lunch that, in addition to Transnistria, Ukraine was working to resolve three bilateral issues. The first had to do with ownership

of the Dniester hydroelectric power station located on the Dniester river near the Ukrainian town of Novodniestrovsk (Chernivtsi region) at the Ukraine-Moldova border. (Note: The Dniester Hydropower Complex was developed in the 1970s, with the main dam completed in 1983. The reservoir and one side of one of the complex's two dams lies in Moldovan territory, but the Moldavian Soviet Socialist Republic provided the area free of charge to the hydropower complex in 1981 for development of a pump storage plant that Ukraine was

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to construct. In 2000, the Moldovan government advised Ukraine by memorandum that it was revoking the transfer. In July 2003, Moldovan border guards entered the hydropower complex without warning, ejecting workers and setting up a guard post. The Moldovans are demanding 20 percent of the hydropower complex's revenues as their "share" based on demarcation of the bilateral border along the midline of the Dniester river.)

12. (SBU) Veselovsky said the second bilateral Ukraine-Moldova issue was related to property rights to the Palanca road. (Note: This is a 7.77 kilometer stretch of the Ukrainian Odesa-Reni highway that enters Moldovan territory near the Moldovan village of Palanca where Moldova nearly cuts off Ukraine from the areas of Odesa region that previously formed part of historic Bessarabia. A supplementary protocol to the Ukraine-Moldova border treaty, signed August 18, 1999, transfers property rights to the Odesa-Reni highway and the land under it to Ukraine.) Veselovsky explained the Moldovans had transferred rights to the road, but had yet to transfer rights to the land under it, leading to the odd situation that the Ukrainians were unable to conduct routine maintenance on the road. The third involved what Ukraine claimed were its environmental concerns regarding construction of the port at Dzhurdzhulets, Moldova, on the Prut.

13. (C) In a March 20 meeting with Embassy Chisinau POL/ECON Chief McDowell, Moldovan Embassy Counselor Eugen Caras provided the Moldovan view of the bilateral issues and a fourth one regarding Ukrainian Aerosvit airlines request for landing rights at Chisinau airport. He acknowledged that Ukrainian operation of the Dniester hydropower complex weakened Moldovan co-ownership claims arising from the argument that the original construction of the plant had been undertaken not by Ukraine but by the Soviet Union. Caras claimed delay in the transfer of land under the Palanca road resulted from the absence of the legal and regulatory authority to carry out such a transfer, but that it would be resolved in time. He noted that Ukrainian concerns regarding the construction of the Dzhurdzhulets port were not environmental but based on a fear of the competition that it would create for existing Ukrainian port facilities such as Reni. Finally, Caras agreed that Moldova would have to grant landing rights to Aerosvit, but he argued that the Ukrainian threat to revoke Moldovan overflight privileges (including for the lucrative Chisinau-Moscow flight) had been excessive.

14. (U) Visit Embassy Kyiv's classified website:  
[www.state.sgov.gov/p/eur/kiev](http://www.state.sgov.gov/p/eur/kiev).  
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