

**CENTER FOR  
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

**U.S. AND MOLDOVA:  
BUILDING A PARTNERSHIP FOR OPPORTUNITY**

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**JANUARY 21, 2010  
3:00 P.M.  
WASHINGTON, DC**

*Transcript by  
Federal News Service  
Washington, D.C.*

JANUSZ BUGAJSKI: Good afternoon. Thank you all for coming. Welcome to CSIS. We honored to have with us today –

MR. : Just English, though, guess you don't have to translate this.

MR. : All right, so what do I do?

MR. BUGAJSKI: Moldova – I'm going to be very brief; I could say much more. But Moldova is a country, I believe, in the heart of Europe that does not receive sufficient attention in Washington but hopefully this will now be rectified when you hear what we have to say today. Since gaining independence from the Soviet Union almost 20 years ago, Moldova has struggled with its territorial integrity, its political stability and not least, its economic development.

It is a country that is currently on the eastern border of both the European Union and of NATO but one which, hopefully, will move closer to both organizations over the coming decade. And, indeed, our speaker today is committed to the process of European integration, EU integration, as well as a closer relationship with the United States.

So let me introduce him very briefly. A little bit of background – Vlad Filat, following the 2005 parliamentary elections became a member of the Moldovan parliament and in March 2009, he became vice president of the Parliamentary Commission for Security, Public Order and Defense. After the July 2009 parliamentary elections, he signed a coalition agreement with four other parties to create the Alliance for European Integration.

Towards the end of August 2009, he became the candidate of the alliance for the post of prime minister and on September the 17<sup>th</sup>, 2009 parliament approved the new government with Vlad as the new prime minister – belated congratulations. And welcome to Washington. We are also happy to have with us today – before I hand over the podium to the prime minister – the minister of foreign affairs of Moldova, the minister of economy, the ambassador of the Republic of Moldova as well as the U.S. ambassador to Moldova. So we have quite a good crew here with us today.

And before the prime minister speaks, let me hand the podium over to Daniel Yohannes. Daniel is the CEO of the Millennium Challenge Corporation. For those of you who don't know, I'm sure he was going to give us a little bit more detail. In brief, it's a U.S. government agency created by Congress in January 2004 to reduce poverty through sustainable economic growth. And Moldova became officially eligible for MCC assistance a few years ago.

And Daniel is here to make an announcement about the new MCC compact with Moldova. And he will, again, introduce the prime minister so the prime minister's going to get two introductions for the price of one. So that's – I will stop there and hand over to Daniel. (Applause.)

DANIEL W. YOHANNES: Prime Minister Filat, it's a pleasure to be here with you along with Foreign Minister Leanca and the members of the Moldovan delegation. And many thank to CSIS for hosting us here today. We will gather at the State Department tomorrow to sign a 262 million (dollar) compact between Moldova and the Millennium Challenge Corporation. This is a milestone program to reduce poverty by investing in agriculture and transportation.

It is an agreement between the United States and Moldova. It is an agreement by and for the people of Moldova to create opportunities for growth and prosperity. We are excited to sign the Moldova MCC compact, yet, the real proof of the compact's success depends on what happen after it signed. Our sights must be set on implementing the compact and preparing for the future. Let me share a few thoughts on this. Looking ahead, the compact's success requires full and transparent implementation. It requires the hard work to translate the promise of the compact into action that matter to the people of Moldova.

Successful implementation builds on three key factors. First, sound policies matter. Moldova qualified for their MCC grant in the first place because of policies they pursued to further good governance, fight corruption, expand economic freedom and invest in health and education. A commitment like this must continue now with the same determination. MCC is performance-based model for awarding development assistance. We cannot ignore or set aside what we know for sure – growth flourishes when good policies take root.

And a policy climate that fosters growth must continue as Moldova moves forward with implementing this MCC compact. Second, country leadership matters. Moldovans worked together to develop their compact, they must do the same to implement it. Civil society, the donor community – including our friends at USAID – and the private sector played a key role in defining the compact's agricultural and transport projects.

Now, their ongoing engagement is necessary for implementing this projects. MCC does not do the work for partner countries nor tell them in which sectors to invest. Rather, our partners build their own capacity to lead their own development efforts. This will deliver the results and build the sustainability Moldovans are expecting. And this will also prove to American taxpayers that our investment in Moldova is well placed.

And third, the private sector matters. Rehabilitating irrigation systems, helping farmers diversify into high-value agriculture and building modern and safe roads to markets create new opportunities for the private sector. I invite entrepreneurs, producers, agriculture service providers and farming enterprises to explore how they businesses can benefit from the compact. Removing obstacles and creating incentive for the private sector can and should happen alongside our efforts to move more Moldovans above the poverty line.

Policies that mean growth, leadership that build homegrown capacity and opportunities that engage the private sector will contribute to the success of Moldova's MCC compact. We must continue to work together to realize success in Moldova as partners for opportunity. We must deliver results that will mean – that will improve the lives of Moldova's poor and that will

open new opportunities for innovation, growth and investment. This will increase the standard of living for Moldovans today and well into the future. This is what Moldovans want, this is what our partnership through Moldova's MCC compact must deliver.

We at MCC are committed to this course and we welcome working closely with all of you who share the same commitment. With those comments, it is now my privilege and honor to introduce and yield the podium to His Excellency, Vladimir Filat, the prime minister of Moldova. Mr. Prime Minister, welcome again. All right. (Applause.)

(Note: Prime Minister Filat's remarks are delivered via translator.)

**PRIME MINISTER VLADIMIR FILAT:** Dear Mr. Executive Director of the Millennium Challenge Corporation, Mr. Director of the CSIS, ladies and gentlemen, I have the privilege and the happy occasion to express in the name of the government of Moldova and my own sincere gratitude to the government of the United States and the MCC Corporation for accepting the Republic of Moldova as a beneficiary of the full assistance compact program. Also I would like to thank the CSIS for hosting and organizing this important event which is part of this action aimed at strengthening democracy and sustainable development of the Republic of Moldova.

The United States are a valuable and trustful partner for the Republic of Moldova and we hope to aim on a new channel our relationship between our countries which is based on shared democratic values, mutually beneficial cooperation in the areas of security, economy, culture and science. In the program of activity of the government of Moldova, which is titled in European Integration Liberty, Democracy and Welfare for 2009-2013, our relationship with the United States are among the priority objectives of the foreign policy of our country.

The government has undertaken a series of measures aimed at attenuating the consequences of the economic financial crisis, democratizing the society and sustainable development of our country. What is important here is to underline the fact that the Moldovan society after eight years of communist government has passed the test of democracy. It is about the right to vote freely and to elect their own destiny. The last parliamentary elections in Moldova were not about different approaches about the future but more it was a fight between the past and the future.

I know that most of those present here have understood clearly the difference and have supported democratic value in my country. I would like to use this opportunity to thank you for your support. But the forces of the old regime have obstructed, from the very beginning, the activity of the coalition and the government. There wasn't a civilized transfer of power, the budget was emptied deliberately, there were attempts to divide the – there were a number of attempts to divide the society and the refusal to elect the president in order to provoke election was the last step in this logic of confrontation.

We cannot allow that this vicious circle of political games and elections continue endlessly if we do not approach with ability and responsibility, this inheritance of the past could compromise the European dream of the new generation and diminish the chances of this to have

a decent life in a normal European state. After this challenge, internal challenge, for Moldova – in 2010 – we'll have to implement reforms in key areas of democratic development of the countries – in particular in the political sphere in order to overcome the instability that was caused by the deficiencies of the legislation.

Another challenge, major challenge, in 2010 will be to overcome the financial economic crisis and to reset the Moldovan economy for the future. In order to achieve in both this objectives, the economic and political support continues on behalf of the United States, European Union and other relevant partners will be essential.

The road to democracy is never easy. We have to do this, though, decisively and with confidence and to have next to us our friends and partners. Please allow me to specify this. Friends cannot do more than they can do for us if we did not make the right choice and did not adopt the strategic – the correct strategic decision.

The people of the Republic of Moldova has made its historical choice. It decided that democracy and integration to be the basis of stability, security and economic prosperity of Moldova. Although that through its history, culture and identity, the Republic of Moldova is an European country. Regretfully, it remains by far outside Europe as it is defined by the frontiers of the European Union and implicitly, outside the zone of stability, security and Euro-Atlantic prosperity.

The lack of European perspective is, therefore, the biggest challenge and the vulnerable point for the Republic of Moldova and will stay that way in the years to come if the situation does not change. To be more clear, if we are left to believe that because of this geopolitical challenges, because of the Transnistrian – unsolved Transnistrian conflict – or because we are very poor will not offer a future perspective for us. The hopes for the new generation of Moldovans will be seriously shattered. And the carpet will be pulled from underneath the feet of the reformers or pro-European parties. These will have to undergo authoritarian – the pressures on behalf of authoritarian forces, extremist forces or extreme left forces.

This forces will capitalize from the social cost of reforms, liberal policies, NATO threats and Western imperialism. One of the consequences of this deviation from the European dream at home will lead to a increase in economic migration which is in the detriment of the Republic of Moldova and the E.U. Therefore, this logic of now, constructive ambiguity integrated in the Neighbourhood Policy could be not as productive for certain countries, especially then, when they have preconditions for political transformation, social and economic transformation.

This also refers to Moldova. That is why it is very important for the government, for the pro-European government from Chisinau, which I lead, to obtain such recognition as soon as possible which will have to be truly and inevitably – (inaudible). We are waiting the ceremony to – looking forward to the ceremony of signing tomorrow with the State Department the compact agreement with the MCC between the United States and Moldova with the facilitation of the MCC, valued at \$262 million.

It's for the first time when my country beneficiaries from a program of assistance reimbursable with a value and impact so great. Concerning the new vision of the corporation about the methods of identifying and achieving priorities for the compact program, I have the firm conviction that this constitute a guarantee of achieving the proposed objective. In this sense, I would like to underline the attention paid to the interaction of the compact program with other programs of development – including on basis of other types of assistance from the United States and the whole community of development partners.

We would like to build a united and solidarity society in which every citizen participates directly to the achievement of the objectives of the government. The objective national priorities of the government are mainly the integration of the Republic of Moldova in the European space of prosperity and security, reintegration of the country by identifying viable and lasting solution for the conflict from the eastern regions of Moldova, the Transnistrian region, ensuring the rule of law and building a state of law overcoming the effects of the economic financial crisis and ensuring lasting economic growth, decentralizing power and ensuring local autonomy – eliminating consequences of the vertical of power practiced by the former government and to apply principles and norms – European principle norms – in public administration.

I would like to state with satisfaction that all the processes concerning the drafting and implementation of the compact program not only are in harmony with our aspiration but also will substantially contribute to their achievement. The compact program remains one of them real tools that will help us to escape from our hard past and to advance firmly towards a sure future. For us, this program is a connection between the priorities of the government and the possibilities to satisfy the needs of the citizens.

Practically, this is done through a continuous process of consulting the public opinion. We have the duty to ensure the necessary conditions for increasing agricultural productivity and to open new access to the markets and services by important investments in the infrastructure and the system of irrigation and consolidating development capacity of the agricultural sector and public roads. At the same time, the Republic of Moldova will cooperate with the United States within the agreement, in order to achieve the objectives of this partnership. My country is engaged to do everything as a sure quality and valuable partner – (applause) – in order to increase investments in the private sector.

MR. : Thank you.

MR. BUGAJSKI: Thank you very much prime minister. Let's open up to questions to both our guests today either to Yohannes or to the prime minister. Who is first? Okay, you forced me to be first in that case. Let me ask you a question Vlad. It's clear that your commitment, Moldova's commitment is to the European Union – how would you estimate European Union's commitment to Moldova? In particular, what is your view of this new Eastern Partnership program? Is it sufficient at this time or is something more necessary to boost Moldova's in its aspirations towards integration?

PRIME MIN. FILAT: Of course, we expect much more than that. But it's a tool that the Republic of Moldova must fully use to its advantage. We are presently negotiating an

association agreement with the European Union and to this sense, the objective of the Republic of Moldova is to become a full-fledged member of the EU.

At the same time, we understand that in order to achieve that status, we must be prepared. There is a period that we have to go through – meaning deep reforms inside the country. At the same time, before we reach that goal we have to ensure that our citizens benefit from as many values citizens in Europe. For example, freedom of travel to offer possibility to Moldovan companies to promote freely their products and services and capital in Europe – values that can be obtained on the way to European integration. Our objective of European integration is not just a declaration, it is covered by concrete actions and steps.

MR. BUGAJSKI: Okay, thank you. Please, microphones?

Q: Armand Scala, Congress of Romanian Americans – (inaudible, technical difficulties).

MR. : It's not working?

(In Moldovan.)

PRIME MIN. FILAT: We have had different sentiments in that period of time. Moldova at that time has undergone a dramatic period of time, but I want to assure you that Moldovan citizens got enough support from the outside, just enough for them to resist. And as we have seen, the Moldovan citizens have resisted and offered a new perspective to the country by electing a democratic government. I would like to thank all of those who were with us in that difficult time.

Q: How will the USA and the – (inaudible) – activities be – (inaudible, off mike.)

MR. YOHANNES: We work in coordination with the USA – (inaudible). The government of Moldova has received technical assistance to help small-to-medium farms – (inaudible).

Q: Millennium Challenge is not providing funding for the energy sector. I want to ask the prime minister what he is going to do to open up the energy sector.

PRIME MIN. FILAT: Please give your name and information so the prime minister can answer.

Q: Tom Fergus, Commonwealth Energy Fund.

PRIME MIN. FILAT: We would have wanted to solve all our problems by means of this program, although the issue of energy security is very important to us – its solution.

Today the first meeting in the morning that I had was dedicated to this issue particularly. So on the basis of the strategy that we will adopt concerning energetic security in Moldova, to

offer the necessary conditions to attract investments, to ensure efficient management – internal management, efficient – but also attracting for an investment.

If you have the ability and willingness to participate to ensuring Moldova's energy security, you are mostly (sic) welcome.

Q: Just a quick follow-up question. I am Robert Krause of Quatrex Energy International, and I work – also work with the Millennium Coalition in Moldova, and we have been qualifying bio-energy projects for the last two-and-a-half years. As you know, Moldova already has a blending law. It has a GSP Plus agreement with the EU for the duty-free import of ethanol there, or export from Moldova. What do you think the government of Moldova can do today to encourage the further development of bio-energy, and also, municipal waste to energy?

PRIME MIN. FILAT: First of all, the government must ensure the legal framework for these initiatives to be of value. We have adopted a set of laws dealing with energy. By the end of 2009, we have managed to join the European Energetic Community, which opens a new – a clear perspective, including to the investors, that want to invest, with access to the European energy market. But what you mentioned about renewable energy, this is – this is a field that needs to be looked efficiently in Moldova, because we do not have our own energy resources.

Q: I am Jay McCrensky; I am an investment banker here in Washington, D.C., that's financing projects in Moldova and Romania, but I'm also the head of the International Private Infrastructure Alliance, and the Moldovan-American Chamber of Commerce; I'm the executive director of that.

The question I have is that, as you well know, the appetite for lending by major financial institutions in Moldova is very small, if at all, in the current economic environment, for infrastructure projects in particular. And my question is, are there plans in conjunction with the MCC, or USAID or otherwise, to establish policies or programs for sovereign guarantees, and putting credibility behind those guarantees, in order to enable foreign lending for infrastructure projects?

PRIME MIN. FILAT: We hope very much that our development partners will have projects that will ensure the security of investments. But we have to recognize that the banking sector is a weak one in Moldova, and we want to attract investments in such a manner in order to have operators with sufficient resources to ensure the volume of financing for the projects in the suggested timeframe.

Q: Good afternoon, prime minister. Kristie Walton, with Wes Wal Consultants. My question for you today is, what immediate opportunities do you have for Moldova in regards to the private sector, besides energy?

PRIME MIN. FILAT: First of all, we have to say the legal framework in Moldova creates the most attractive, regionally speaking, framework for investment. I refer to fiscal policy, to the conditions that ensure the investor; but it's important at this juncture in time to ensure most rapidly the stability and the security of these investments. The person that invests

must be sure that those investments will be secure. Investments don't mean, doesn't mean just energy, of course.

If we are to speak about priorities, we need investments in the infrastructure – I refer to roads, energy, social infrastructure – which would serve in this period of time, taking into account the crisis, as an engine for the sustainable economic recovery and development. In the next, in the immediate future, we will decide and we will launch actions in the field of privatization, our purpose being first of all attracting serious investors with technologies, but also with markets, for the companies that we own – that the state owns. In the nearest future we will define the strategy to this end, and I spoke yesterday on these issues. Of course, it's important to have revenues to the budget, but we need investors with the capacity to attract other investors in the economy of Moldova.

Q: My name is Patrick Harbor. I'm a director of the Weston NIS Fund and the Horizon Fund; we're private equity. We've been investing in Moldova for the past 14 years, and had very good success with my bank, Vetanta (sp), and Braternaver (sp). So my question is, how do you see the private equity companies like ours partnering, or co-investing, with the challenge, and also, would it be possible to, as you privatize companies – I know you're privatizing companies in Moldova – to participate in some of those, particularly in the agricultural sector?

PRIME MIN. FILAT: Agriculture is an important component of Moldovan economy. But here as well, we must ensure the conditions in what regulations are concerned. For example, a problem for an investment is the ability to purchase land; there are restrictions to this end. Liberalizing everything that deals with commercializing agricultural products, demonopolize services in the transport area, and I mean the railroad monopolies, the company – in Moldova – and ensure markets, and I don't only refer to the Eastern markets, but also Western markets.

And we are in negotiations with the European Commission in order to ensure more access for our products to those markets. We have sufficient examples, presently, of successful investments, including in the agricultural sector. We need to build on this momentum and develop this field.

Q: David Baxter, with Jacobs. Mr. Prime Minister, what have the impacts been of the secessionist movement in Dnistria, Transdnistria, on the economic prospects of Moldova?

PRIME MIN. FILAT: The Transdnistrian conflict is complicated, not only humanitarian, but has a direct – humanitarian and politically – but has a direct economic impact on Moldova. Taking into account the infrastructure that was set up initially, before the conflict in the Transdnistrian area, all the industry was concentrated there, and this system was disbalanced at that time. And once we identify a settlement to the Transdnistrian conflict, we hope to improve economic potential.

JANUSZ BUGAJSKI: Let me follow up to those, and ask a few questions on Transdnistria: I suppose, a political question. To follow up, what I said in my introduction is that one of the problems Moldova's faced is maintaining its territorial integrity. Do you think your government is more or less likely to find a solution, vis-à-vis Transdnistria, which will not hold

back Moldova from your aspirations towards European integration, closer relations with the United States, and so forth?

PRIME MIN. FILAT: On the contrary, I believe that the closer we get to Europe, and the closer relationship we have with the United States, the closer we will get to a Transdnistrian settlement, because as a consequence we will have benefits for the citizens – liberties, rights, and prosperity. This is the key and the solution to the country's reintegration. The better the people will live in the Republic of Moldova, the closer the reintegration will be.

Look at our current situation. Those from Transdnistria have at least three passports. Sometimes there is a – there is a competition between two countries; who will issue more passports? For the Moldovan citizens there is a problem in order to travel in the European area. At the same time we have about one million Moldovan citizens that are seeking a better life outside Moldova. There's a positive side of it: we have remittances that helped us to survive in this period of time. But it's necessary to look more thoroughly at the situation and see that we have divided families and kids – children – outside of the parental care.

And in our dialogue with the European partners, my question is: if this rigid visa regime has really stopped the desire of Moldovans to get there? And then the question is, if the Republic of Moldova will have the benefit to freely move in this space, and to come back to their family whenever they need to, would those from Transdnistria want to benefit from that as well? This would be a concrete and direct step towards the settlement of the issue, and there is a clear position that we expect, as far as direct subventioning that we witness right now for the so-called Tiraspol administration. But we can talk for a long time about Transdnistria.

MR. BUGAJSKI: Well, we'll have to get you back for this.

Q: Nadia Maconor (sp), U.S.-Ukraine Foundation. We, along with our friends Vlad Spânu, the Moldova Foundation and others – the Baltic Foundation – have created a Baltic-Black-Caspian Seas Initiative. And our top two priorities are conflict areas, like Transdnistria, and energy efficiency, and our niche is working at the municipal level, because we believe that presents the best opportunity for progress on all of these issues. Another area – and my question is, whether this is part of the Millennium Challenge opportunities that you have outlined – is tourism. We have also identified tourism as a priority area, and one of our colleagues was in Japan last month, because the Japanese are very interested in tourism and have a special program under their Guam initiative. So my question is, is there anything within the Millennium Challenge program that would focus on tourism?

PRIME MIN. FILAT: We'll have good roads. We'll facilitate tourism inclusively. But on a serious note, we wish that more people would know about Moldova, would know the people in Moldova, and to this end, we have to work very hard to become known – to bring – to make everyone aware of who we are, what we want, including those from Nebraska. (Laughter.)

Q: If I might just interrupt, I understand the road problem, because I was in Iași, and trying to get back to Ukraine was a challenge. But I just want to tell you, we see that wine tourism has great potential for Moldova – Ukraine as well.

MR. BUGAJSKI: Just as long as you don't drive at the same time, sorry! (Laughter.)

PRIME MIN. FILAT: On the roads that we have right now, you can have tourism only if you drink a little – (laughter) – so we have to combine both. I wouldn't want that Moldova is viewed only, speaking from the point of view of tourism, I don't want this to be reduced to wine. We have a lot of beautiful places, we have what – to display – and when we create that infrastructure, we want to ensure that people get there to see those things. It's a process that we must manage very carefully in order to be successful.

MR. BUGAJSKI: Let me jump in with a question, a – (inaudible) – question, let me put it that way, particularly concerning your relations with Romania. Do you see Romania as a strong sponsor for your European integration process, and how do you see relations developing with Bucharest under your government, under your administration? And how would you like them to develop?

PRIME MIN. FILAT: We have excellent relations. We have natural relations between two countries that are neighbors, which have a common history, a common language. We consider that we can help each other reciprocally. But I would like to underline that we do not want to be more important or less important in achieving our European objective. The result of the European integration process will be decided by a joint effort of the EU member states. To this end, we want to have more friends in the European Union. And I want to tell you, not without pride, that we have many friends, which support us, and I hope that this support will increase the speed of our integration.

President Basescu of Romania is in Chisinau next week. We will discuss a number of issues that we have outstanding in our bilateral relationship, and the current environment allows us – for these issues to be settled.

MR. BUGAJSKI: Good! (Laughter.)

PRIME MIN. FILAT: Maybe one more? Do we have time for one more? Because I know, the first question was Transdnistria, the second Romania, and so –

MR. BUGAJSKI: I didn't ask about Russia. (Laughter.) Too anxious; I was going to ask about Russia, but I didn't. And maybe one last question, if anyone has, please?

Q: Good afternoon. My name's Ken Stokes, from the Institute for Innovation and Management in North Carolina. I'd like to know about the Black Sea relationships that are emerging. Thank you.

PRIME MIN. FILAT: We are participants in all regional initiatives. We participate at all initiatives that – in the Black Sea region – the Black Sea Region Bank, both the government side of it and also the parliamentary side, but we want to see some kind of results from this cooperation. The deputy prime minister and minister of economy says that we have access to the Black Sea; but we don't, we have access through the Danube. (Laughter.)

MR. BUGAJSKI: Okay, on that note, let me thank – Mr. Prime Minister, thank you, Vlad, very much for coming. We hope that we at CSIS can be helpful for you, in achieving some of your aspirations. I mean, we don't have a lot of influence in the European Union, but maybe we can help you to develop closer relations with the United States in all dimensions. Thanks for coming, and see you in Chisinau. (Applause.)

(END)