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Moldova: An Overview

Moldova is one of three post-Soviet states, together with Ukraine and Georgia, seeking greater integration with the West as it copes with separatist territories occupied by Russian forces. A small, landlocked state, Moldova is located near the Black Sea between Ukraine and Romania.

Politics

Observers consider Moldova a functioning democracy, although it has faced numerous political challenges. Most recently, in June-July 2018, mass protests were held against a court decision to annul the results of a snap mayoral election in Chisinau, Moldova's capital, which had been won by an opposition leader. The court's decision was criticized by outside observers, including the European Union and the United States.

The current government, formed in 2016, is led by Prime Minister Pavel Filip of the Democratic Party of Moldova (PDM). The PDM claims a pro-Western mantle, although critics argue that the party primarily represents the interests of its chairman, wealthy businessman Vladimir Plahotniuc.

Since 2016, Moldova has had a directly elected presidency. In November 2016, the Russian-leaning Igor Dodon of the Socialist Party was elected with 52% of the vote in a second-round vote. The president has relatively limited formal powers, but Dodon has sought to expand them.

The next parliamentary elections are to be held in November 2018. The Socialist Party is the country's most popular party (with 32% support, according to a spring 2018 poll). The second most popular party is the opposition Action and Solidarity Party (PAS), with 15% support. PAS leader and ex-presidential candidate Maia Sandu supported the efforts of Andrei Năstase to claim the Chisinau mayor's office in June 2018; their two parties are expected to unite for the upcoming elections. The ruling PDM is much less popular, with 8% support.

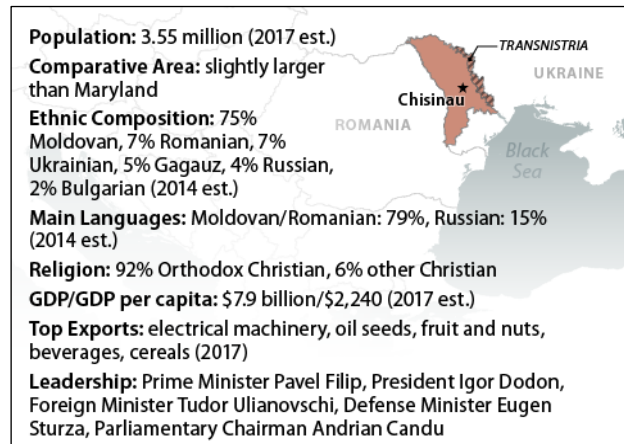
Although the PDM-led Cabinet and President Dodon have been divided on several issues, they have cooperated in support of a controversial new election code. The law replaces a party-list system for elections with a mixed system of party lists and single-member districts. The changes are said to favor the PDM and the Socialist Party at the expense of smaller parties.

In some cases, the Constitutional Court has ruled against Dodon. It has temporarily suspended him from office at least three times for not fulfilling what it said were his constitutional duties. The suspensions permitted parliamentary chairman Andrian Candu to appoint ministers and pass legislation while serving as interim president.

Public opinion generally is critical of the country's current course and government. Some 69% of respondents in the

recent poll said Moldova is going in the wrong direction; 61% disapproved of the government, and 29% approved. Public opinion toward President Dodon is almost equally divided, appearing to reflect an overall split between Western-leaning and Russian-leaning populations.

Figure 1. Moldova at a Glance



Sources: Moldova National Bureau of Statistics and IMF (does not include Transnistria). Figure created by CRS.

The PDM gained power after the previous government collapsed as the result of fallout from a massive bank fraud case involving the alleged loss of some \$1 billion, equivalent to more than 12% of Moldova's gross domestic product (GDP). This was Moldova's fourth pro-Western ruling coalition to collapse since 2013. From 2001 to 2009, Moldova was run by a reformed Communist Party. Pro-Western forces won a contentious election in 2009, but infighting, corruption, and popular protest gradually weakened their authority.

Transnistrian Conflict

Since independence, Moldova has coped with the secession of Transnistria, a Russian-backed territory with some 15% of the country's population and a substantial but faltering industrial base. Transnistria has economic relations with the European Union (EU), the destination for around half of Transnistria-origin exports.

A political resolution to the Transnistrian conflict remains distant. The Moldovan government supports the establishment of a "special status" for Transnistria within Moldova, but the Russia-backed Transnistrian authorities have resisted an agreement. Russia has stationed around 1,500-2,000 forces in the region, a few hundred of which Moldova accepts as peacekeepers. Russia also has distributed Russian passports to residents.

The conflict-resolution process operates in a "5+2" format under the chairmanship of the Organization for Security and Cooperation in Europe (OSCE), with the OSCE, Russia,

and Ukraine as mediators and the EU and the United States as observers. The process stalled in 2014 but resumed in 2016, when Chisinau and Transnistria committed “to engage in a substantive, result-oriented dialogue” that focuses on a set of practical issues and confidence-building measures known as the “package of eight.” In November 2017, the sides agreed to address several issues related to transit, education, agriculture, and telecommunications.

Economy

Moldova is one of the poorest countries in Europe, although it has made “significant progress in reducing poverty and promoting inclusive growth since the early 2000s,” according to the World Bank. Since 2010, Moldova’s GDP growth has averaged around 4.5% a year; it is forecast to grow between 3.5% and 4% a year in 2018 and 2019.

Agriculture, especially fruit and wine, plays an important role in Moldova’s economy. The sector, together with agro-processing, makes up approximately one-third of GDP and one-third of the labor force. Moldova also depends on remittances from labor migration which, over the last five years, have equaled almost a quarter of GDP.

In 2017, Moldova’s top five merchandise trading partners were Romania (18%), Russia (11%), Ukraine (8%), Italy (8%), and Germany (8%). As a whole, the EU accounted for 55% of Moldova’s total trade.

Foreign Policy

Moldova pursues a pro-Western foreign policy. However, unlike the similarly pro-Western Ukraine and Georgia, Moldova has proclaimed neutrality. The pro-Russian President Dodon has been at odds with the rest of the government, which has sought closer relations with NATO and the West while seeking to reduce Russian influence. A sizeable number of Moldovans support closer relations with Russia; in the above-mentioned poll, 46% of respondents supported membership in the EU and 36% supported membership in the Russia-led Eurasian Economic Union.

The EU’s main framework for engagement with Moldova is the EU-Moldova Association Agreement (AA), which entered into force in 2016 and includes a free-trade agreement. The EU also has granted Moldovan citizens visa-free travel. The EU is a major provider of financial assistance to Moldova. In September 2017, the EU stated that the disbursement of a new assistance program would be conditional on respect for “effective democratic mechanisms” and implementation of specified reforms.

The EU supports conflict management through its Border Assistance Mission to Moldova and Ukraine, which seeks to help the two countries combat transborder crime, facilitate trade, and resolve the conflict with Transnistria, which shares a long border with Ukraine.

Although Moldova does not aspire to join NATO, it maintains close relations with the alliance. NATO-Moldova cooperation is structured around an Individual Partnership Action Plan. In December 2017, NATO opened a NATO Liaison Office in Chisinau. Moldova participates in NATO-

and U.S.-led military exercises and contributes troops to the NATO-led Kosovo Force, or KFOR.

Moldova has a close relationship with Romania. Moldovans are ethnically related to Romanians, and most of Moldova was part of Romania from 1918 to 1940. Several hundred thousand Moldovans are estimated to hold dual citizenship with Romania. Some Moldovans support unification with Romania, although most are opposed.

Moldova’s relationship with Russia remains difficult, even as President Dodon has sought to improve ties. Since 2013-2014, Russia has imposed bans on various Moldovan agricultural products, including wine and fruit (some of these bans have been partially lifted or periodically recur).

In May 2017, Moldova’s Constitutional Court ruled that the presence of Russian troops in Moldova is unconstitutional. In July 2017, the Moldovan parliament adopted a declaration calling on Russia to withdraw its troops. In June 2018, the U.N. General Assembly passed a resolution calling on Russia to withdraw from Transnistria “unconditionally and without further delay.”

Other issues have divided Moldova and Russia since 2017. Moldova has expelled Russian diplomats and accused Russia of harassing Moldovan officials. In Russia, attempted murder charges have been brought against PDM chairman Plahotniuc stemming from a 2012 incident in London. In February 2018, Moldova passed legislation that effectively bans Russian news broadcasts, and its parliament adopted a declaration accusing Russia of political interference and cyberattacks.

U.S. Relations

The United States and Moldova enjoy good relations. In 2013, then-Secretary of State John Kerry visited Moldova to congratulate the country on initialing its AA with the EU. In February 2018, the co-chairs of the Congressional Moldova Caucus introduced a resolution supporting Moldova’s sovereignty and territorial integrity and an enhanced U.S.-Moldova partnership (H.Res. 745). In June 2018, they joined the co-chairs of the congressional Ukraine and Georgia caucuses in cosponsoring a resolution affirming support for the sovereignty and territorial integrity of all three countries (H.Res. 955).

The United States has increased assistance to Moldova in recent years: \$45 million in FY2016 and \$57 million in FY2017. For FY2018-FY2019, the Senate Appropriations Committee recommended allocating \$59 million and \$52 million, respectively. In 2010, Moldova received a five-year \$262 million agriculture and infrastructure grant from the Millennium Challenge Corporation.

The State Department’s 2018 *Trafficking in Persons Report* notes that Moldova is “a source country for men, women, and children subjected to sex trafficking and forced labor.”

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