



Moldova: Background and U.S. Policy

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Summary

Although a small country, Moldova has been of interest to U.S. policymakers due to its position between NATO and EU member Romania and strategic Ukraine. In addition, some experts have expressed concern about Russian efforts to extend its hegemony over Moldova through various methods, including a troop presence, manipulation of Moldova's relationship with its breakaway Transnistria region, and energy supplies and other economic links. Moldova's political and economic weakness has made it a source of organized criminal activity of concern to U.S. policymakers, including trafficking in persons.

Moldova is governed by the Alliance for European Integration, a center-right coalition of three parties. Prime Minister Vlad Filat has said he is focused on dismantling the country's Communist legacy and building a state ruled by law. However, conflicts with the Communist opposition and tensions within the coalition appear to have slowed reform efforts. Moldova is Europe's poorest country, according to the World Bank. Remittances from Moldovans working abroad amounted to 22% of the country's Gross Domestic Product in 2010. The global financial crisis has had a negative impact on Moldova. Moldova's currency weakened and remittances dropped, as Moldovan emigrants lost jobs in other hard-hit countries. Moldova's GDP dropped by 7.3% in 2009, rebounded by 6.9% in 2010 and 6.5% in 2011, only to stall in 2012.

As a self-declared neutral country, Moldova does not seek NATO membership, but participates in NATO's Partnership for Peace (PFP) program. Moldova is currently negotiating an Association Agreement with the European Union (EU), which provides for cooperation in a wide variety of spheres, including a free trade agreement. Moldova hopes to become a candidate for EU membership, although the EU is unlikely to accept Moldova in the foreseeable future, due to Moldova's poverty, the EU's own internal challenges, and possibly also due to concerns that it would set a precedent for the candidacy of other former Soviet states, such as Ukraine.

The United States and Moldova have enjoyed good relations since the country's independence in 1991. In a visit to Moldova in 2011, Vice President Joseph Biden outlined U.S. policy toward the country. Biden praised Moldova for its commitment to reform and democratic values, including the holding of free and fair elections. He called on Moldova to continue its efforts to create a transparent legal system, to fight corruption, and to end human trafficking. He said that the United States would continue to support a settlement for Transnistria that preserves Moldova's sovereignty and territorial integrity within its internationally recognized borders. He said U.S. aid would help the Moldovan government create policies to spur economic growth and attract foreign investment, train civil society to become more effective advocates, and help improve Moldova's schools.

The 112th Congress addressed a longstanding Moldovan concern by adopting legislation to grant the country permanent normal trade relations (PNTR) with the United States (P.L. 112-208).

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Political Situation

Although a small country with a population of just over 3.6 million people, Moldova has been of interest to U.S. policymakers due to its position between NATO and EU member Romania and strategic Ukraine. Some experts have expressed concern about Russian efforts to extend its hegemony over Moldova through various methods, including a troop presence, manipulation of Moldova's relationship with its breakaway Transnistria region, and energy supplies and other trading links. Moldova's political and economic weakness has made it a source of organized criminal activity of concern to U.S. policymakers, including trafficking in persons.

The Communist Party of the Republic of Moldova (PCRM) held power in Moldova for most of the 2000s after winning parliamentary elections in 2001 and 2005. The PCRM's leader is Vladimir Voronin, who was elected by the parliament as president of Moldova after each of the Communists' election victories.

From April 2009 until March 2012, Moldova suffered a protracted political and constitutional stalemate. On April 5, 2009, Moldova held parliamentary elections. The PCRM won 60 seats in the 101-seat parliament. Three parties from the center-right opposition won the remaining seats. International observers said the vote met many international standards, but noted shortcomings in some areas. The Communist victory sparked demonstrations on April 6 and 7. As many as 10,000 persons demonstrated in Chisinau, Moldova's capital, on April 7. Many demonstrators were peaceful, but some sacked and looted the parliament building and the offices of the president. More than 200 people were injured in clashes between the police and the rioters, and one person died. The authorities later arrested more than 300 people, allegedly for engaging in violence. Observers noted that young people predominated among the protestors, many of whom reportedly found out about the demonstrations through messaging tools such as Twitter and SMS.

Some observers asserted that the demonstrators acted out of frustration with Moldova's limited economic opportunities and stagnation, which they associate with the Communists, as well as suspicions of electoral fraud. According to press accounts, in addition to anti-Communist slogans, some demonstrators chanted "we want to join Europe," and "we are Romanians," pointing to at least some support among the demonstrators for union with neighboring EU member-state Romania. President Voronin denounced the protests as an attempted coup d'état and vowed to put down any further riots with force. Opposition leaders charged that journalists and students were arrested and in some cases beaten by authorities in the days after the violence.

According to Moldova's constitution, a three-fifths supermajority (61 votes) of the Moldovan parliament is required to elect a president. The PCRM was unable to secure the presidency for its candidate, as it was one vote short. This stalemate triggered new parliamentary elections, which were held on July 29, 2009. The campaign featured sharp rhetoric, much of it dealing with responsibility for the April 2009 violence. The PCRM again was the largest party, but fell short of a majority. Four opposition parties—Liberal Democratic Party, the Liberal Party, Our Moldova, and the Democratic Party—formed a governing coalition, the Alliance for European Integration. As its name suggests, the AEI has focused on carrying out reforms with the goal of closer integration into Europe. The coalition elected Mihai Ghimpu of the Liberal Party as parliament chairman. After Voronin's term expired in September, Ghimpu became acting president, according to Moldova's constitution. Ghimpu then chose Vlad Filat, head of the Liberal Democratic Party, to form a new government.

In an effort to definitively solve the presidency issue, the government called a referendum in September 2010 to make the presidency a popularly elected office. However, the referendum was invalidated by a voter turnout lower than the 33.34% minimum required by law, and yet another round of parliamentary elections was held in November 2010, the third in less than two years.

The result of the vote was similar to those of 2009. The Communist Party won the largest single number of seats, while a group of center-right parties was able to reconstitute the Alliance for European Integration, with Filat again as prime minister. (However, one former AEI party did not win enough votes to secure any seats in the parliament, and was therefore dropped from the coalition.) Filat's Liberal Democratic Party holds 32 seats in the parliament, the Democratic Party has 14 seats, and the Liberal Party has 12. Marian Lupu from the Democratic Party was elected as parliament chairman and acting president of Moldova. The Communists had 42 seats, and were at first able to prevent the AEI from garnering the 61 seats needed to elect a new, permanent president.

However, the defection of several deputies from the Communist faction eventually allowed the parliament to elect a new president. In March 2012, the Moldovan parliament elected Nicolae Timofti as president. Timofti was a judge with long experience in the Moldovan judicial system dating back to the Soviet era. He has a very low political profile, which may have been a major consideration in his selection. Critics noted that very little reform occurred during his tenure as chairman of the Supreme Council of Magistrates. The PCRM boycotted the parliament, starting in February 2012, claiming that the parliament lost its legitimacy after procedural violations by AEI deputies during a previous attempt to elect a president in December 2011. The Communists returned to the parliament in June 2012, after the party was weakened by further defections.

The Moldovan government has taken steps that Communist leaders have decried as undemocratic. These include rescinding the broadcasting license in April 2012 of a pro-Communist television station for alleged lack of pluralism and parliament's approval of a law in July which banned the use of Communist symbols (such as the hammer and sickle) for political purposes. Communist leaders struck back by threatening to hold referendums on local autonomy in areas in which they are in control.

An incident in December 2012 underlined the country's continuing shortcomings in the rule of law, including a culture of impunity among high-ranking officials. Moldova's Prosecutor General and other high-ranking officials were hunting in a nature preserve (an act which itself may have been illegal) when one of them accidentally killed one of their party. The officials apparently tried to cover up the incident, but were exposed by an anti-organized crime activist in early January. The Prosecutor General then resigned under pressure and an investigation was launched by the parliament.

The scandal has sparked an exchange of accusations among the coalition parties, perhaps threatening the government's cohesion. On the other hand, it could prove a useful signal of Moldova's seriousness in making real progress in establishing the rule of law, if the perpetrators are brought to justice.

Transnistria

Conflict between Moldovan forces and those of the breakaway “Dniestr Republic” (a separatist entity proclaimed in 1990 by ethnic Russian local officials in the Transnistria region of Moldova, also referred to as Transnistria) erupted in March 1992. More than 300 people died in the violence. A cease-fire was declared in July 1992 that provided for Russian, “Dniestr Republic,” and Moldovan peacekeepers to patrol a “security zone” between the two regions. Each of the peacekeeping contingents has roughly 400 personnel. They are overseen by a Joint Control Commission, which includes the three sides, as well as the OSCE as an observer.

The causes of the conflict are complex, involving issues of national identity and maneuvering for power and wealth among elite groups. Ethnic Russians and Ukrainians together make up a majority of Transnistria’s population of fewer than 500,000 persons, while Moldovans are the single largest ethnic group, at 40%.

Many analysts believe a significant factor obstructing a settlement is the personal interests of the leaders of the “Dniestr Republic” and associates in Moldova, Russia, and Ukraine, who control the region’s economy. They also allegedly profit from illegal activities that take place in Transnistria, such as smuggling and human trafficking. The 2011 State Department human rights report sharply criticized the poor human rights record of the “Dniestr Republic,” noting its record of harassment of political opponents, independent media, many religious groups, and Romanian speakers.

Negotiations over the degree of autonomy to be accorded the Transnistria region within Moldova have been stalled for many years.¹ The two sides have negotiated over Transnistria’s status with the mediation of Russia, Ukraine, and OSCE. In 2005, at the urging of Ukraine and Moldova, the United States and the European Union joined the talks as observers, resulting in what is called the “5+2” format. From 2006 until late 2011, formal 5+2 talks were not held, due to Transnistrian leaders’ anger at Moldova’s cooperation with the EU and Ukraine to monitor Moldova’s Transnistria border with Ukraine, in an effort to deter smuggling. Informal 5+2 consultations

Figure 1. Transnistria and Gagauz Regions



¹ Another potential secession issue was defused in 1994, when the Moldovan parliament adopted a law establishing a “national-territorial autonomous unit” for the Gagauz minority. The region has its own elected legislative and executive authorities and would be entitled to secession from Moldova in the case of Moldova’s reunification with Romania.

were held regularly, however. Expert groups discussed confidence-building measures between the two sides, but no progress occurred on larger political questions. Formal 5+2 talks have since resumed, starting in late 2011.

The current Moldovan leadership favors a substantial degree of autonomy for Transnistria, but only as part of a united Moldova. It is seeking the withdrawal of all foreign (i.e., Russian) troops from Transnistria and the replacement of the current peacekeeping force by civilian observers, preferably led by the EU. In an effort to secure Russian support for a resolution, Moldova is willing to reaffirm its military neutrality. Moldovan leaders are also reportedly willing to guarantee Russian property rights in Transnistria. They have also said that they hope to improve the climate for Transnistria's reintegration into Moldova by improving non-governmental, person-to-person links between the people in Transnistria and the rest of Moldova. They also hope that Moldova's growing integration with the EU will increase Moldova's attractiveness to people living in Transnistria.

For their part, Transnistrian leaders reject autonomy. In September 2006, Transnistria held a referendum on independence and union with Russia, which passed with 97% of the vote. The Transnistrian leadership demanded that Russia recognize the independence of their republic, as Moscow did with Abkhazia and South Ossetia, two secessionist regions in Georgia, in 2008. Russia rejected these entreaties, however.

In December 2011, Yevgheni Shevchuk was elected "president" of Transnistria, beating longtime hard-line leader Igor Smirnov in a runoff vote. Observers have characterized the election as a vote by people in Transnistria for a normal life, as opposed to the image of a besieged fortress projected by the Smirnov leadership. Shevchuk made a clean sweep of the government, replacing supporters of the former regime, often with young people who have grown up in a de facto independent Transnistria, never having felt themselves as part of Moldova or the Soviet Union. Shevchuk established good personal ties with Prime Minister Filat upon coming to power. Shevchuk called for focusing on practical issues such as lifting trade restrictions between Transnistria and Moldova, and restoring communications links such as trains and telephone service.

Moldovan leaders have hoped progress on these small steps will eventually lead to progress on the issue of Transnistria's status. However, that appears unlikely. In September 2012, Transnistria imposed customs duties on goods imported from Moldova. Shevchuk has rejected discussing the status issue at the 5+2 talks and stressed his support for Transnistria's independence. He has rejected Moldova's call to replace the multinational peacekeeping force stationed between Transnistria and right-bank Moldova with a civilian mission, saying that the Russian troops there as part of the force protect Transnistria's security. He has called for closer economic integration between Russian and Transnistria, including Transnistria's eventual membership in the Russian-led Customs Union and Eurasian Union. Some analysts believe that Shevchuk's seemingly less conciliatory policy toward the Moldovan government more recently may be due to a similar shift to a more hardline stand by Russia, on which Transnistria is highly dependent for political and economic support.

Economy

According to the World Bank, Moldova's per capita Gross National Income of \$1,980 in 2011 makes it the poorest country in Europe. More than one-fifth of the country's population lives in

poverty. More than one-quarter of Moldova's economically active population works abroad. Remittances from those working abroad amounted to 20% of the country's Gross Domestic Product in 2011, according to the Economist Intelligence Unit. Moldova's main natural resource is its rich soil. Agriculture, especially fruit, wine, and tobacco, plays an important role in Moldova's economy. In 2011, agriculture accounted for 12% of GDP, 41% of exports, and 28% of employment in Moldova. Most of Moldova's industry is located in the breakaway Transnistria region. Transnistria's economy has also suffered as a result of the global economic crisis, resulting in large-scale emigration. Transnistria's economy is dependent on remittances from Transnistrian working abroad and on aid from Russia, including direct aid and indirect subsidies in the form of unpaid debts for energy supplies.

The global financial crisis had a negative impact on Moldova. The leu, Moldova's currency, weakened and remains under pressure. Remittances dropped, as Moldovan emigrants lost jobs in other hard-hit countries. Moldova's GDP dropped by 6% in 2009, but rebounded to grow by 6.9% in 2010 and 6.5% in 2011. However, growth decreased sharply to an estimated 0.5% in 2012, due to the slowdown in the Eurozone. In addition, the country's agriculture sector has been affected by drought.

In 2010, the Moldovan government unveiled a medium-term economic reform plan, dubbed "Rethink Moldova." The plan is aimed at improving the business climate in the country; increasing exports, including agricultural exports; and upgrading the country's infrastructure. International donors, including the International Monetary Fund, the World Bank, the European Union, and the United States, pledged \$2.6 billion for the period 2010-2013 to implement the plan. However, the country's prospects for increased foreign investment remain hindered by serious problems with corruption and shortcomings in the rule of law.

In January 2010, the International Monetary Fund approved a \$574 million loan for Moldova. Under its terms, Moldova will have to cut its budget deficit. It has reduced the deficit from about 9% of GDP in 2009 to 2.5% in 2010, to 2.4% in 2011, and set a goal of 1.3% of GDP in 2012. The government has cut government administration costs and increased VAT, excise, and corporate taxes. Nevertheless, it has had difficulty in meeting its deficit targets due to slowing economic growth.²

Foreign Policy

Perhaps Moldova's most important foreign policy relationship is with Russia. More than 90% of its energy imports come from Russia, and Russia has been a significant market for Moldova's exports. Moldova has accumulated large debts to Russian energy firms, which has provided Russia with leverage. Russia has used negotiations over Transnistria to try to block real and potential Moldovan moves toward Euro-Atlantic integration.

The Transnistria issue is complicated by the continued presence of about 1,500 Russian troops in the breakaway region (including the approximately 400-person peacekeeping contingent in the security zone), as well as huge stockpiles of weapons and ammunition. Russia has refused to honor commitments it made at the 1999 OSCE summit in Istanbul to withdraw its forces from Moldova. Russian leaders have conditioned the withdrawal of Russian troops and weapons stocks

² Economist Intelligence Unit Country Report: Moldova, January 2013.

on the resolution of Transnistria's status. Russia has provided financial support to Transnistria, including grants and loans as well as energy supplies for which Transnistria does not pay. In return, Russian firms have assumed control over most of Transnistria's key industrial firms. Russian intelligence operatives hold senior posts in Transnistria's security structures.

Some analysts charge that Russia has also used energy supplies and other trade as weapons to pressure Moldova to drop its pro-Western orientation and to turn its energy infrastructure over to Moscow. On January 1, 2006, Gazprom cut off natural gas supplies to Moldova, after Moldova rejected Gazprom's demand for a doubling of the price Moldova pays for natural gas. Gazprom restored supplies on January 17, in exchange for a slightly smaller price increase. Moldova also agreed to give Gazprom, already the majority shareholder, a higher equity stake in Moldovagaz, which controls Moldova's natural gas pipelines and other infrastructure. Gazprom also sought to complete the purchase of Transnistria's stake in Moldovagaz. In 2005, Russia restricted wine and other agricultural imports from Moldova, allegedly over health concerns, dealing a heavy blow to the country's economy. Russia finally permitted Moldovan wine imports again in 2007.

Moldova continues to face pressure from Gazprom. As a signatory to the Energy Community Treaty, Moldova is obliged to implement the EU's Third Energy Package, which prohibits an energy supplier from monopolizing the pipelines used to transport that energy. Gazprom strongly objects to this policy and has tried to secure an exemption from it. Other difficult issues between Moldova and Gazprom include Moldova's gas debts, which are mainly those of Transnistria, for which Moldovagaz is currently responsible. Moldova is also trying to secure a lower gas price, so far without success. Gazprom has offered a lower price if it is exempted from the Third Energy Package.

Transnistrian authorities have called for Russia to grant Transnistria diplomatic recognition as an independent state, as Moscow did for Georgia's South Ossetia and Abkhazia regions in 2008. Over 170,000 people in Transnistria have Russian citizenship. Russia has sought to open a consulate in Transnistria, a proposal rejected by Moldova. This large population of Russian citizen could serve as a pretext for Russian action, as Russian leaders have asserted the right to intervene militarily in other countries to protect Russian citizens. However, observers note that the case of Transnistria is different from that in Georgia in that Moldova is very unlikely to try to retake Transnistria by military force. Moreover, they point out that Russia does not have a common border with Transnistria, as it does with Georgia.

Russia has so far rejected recognizing Transnistria as an independent country. However, Russian officials have warned that Moscow could change its mind if Moldova loses its status as a neutral country. Russian and Transnistrian officials have sharply criticized Moldovan plans to accept U.S. assistance at a Moldovan military base to bolster its peacekeeping capabilities and participate in EU crisis management efforts. Based on its past actions, observers believe that Russia favors maintaining the status quo in Transnistria, which in order to deter Moldova from pursuing closer ties with NATO and inhibit Moldova's EU membership aspirations. It could even cause serious problems with Moldova's projected free trade agreement currently under negotiation with the EU, given that Moldova is incapable of enforcing its provisions in Transnistria.

NATO and the European Union

As a self-declared neutral country, Moldova does not seek NATO membership, but participates in NATO's Partnership for Peace (PFP) program. The key foreign policy goal of the government is to accelerate integration with the European Union (EU). Moldova currently has a Partnership and

Cooperation Agreement (PCA) with the EU, which provides a framework for the EU's efforts to assist reforms in Moldova and for strengthening ties between the EU and Moldova.

In 2010, Moldova and the EU began talks on an Association Agreement to replace the current PCA. While the agreement would not recognize Moldova as a membership candidate, it would enhance EU-Moldova cooperation in many areas, including the establishment of a free trade zone. Moldova and the EU hope to sign the completed agreement by the EU's Eastern Partnership summit in Vilnius, Lithuania in November 2013. Moldova is also seeking a visa-free travel agreement with the EU. Moldova had developed detailed plans on what it needs to do to qualify for such an agreement, but much work still needs to be done in implementation.

From 2011 to 2013, Moldova is slated to receive 273.14 million Euro (\$372.9 million) in aid from the EU.³ The aid is targeted at bolstering Moldova's reform efforts, including fostering good government, the rule of law, and the protection of fundamental freedoms. Other programs help Moldova improve its social protections, and its health care and education systems. EU aid also is allocated to help Moldova diversify its energy mix and improve energy efficiency. EU aid totals for the 2014-2020 period have not been set, but are likely to decline somewhat, given the EU's current financial difficulties.

The EU has granted Moldova trade preferences that permit it to sell more of its wine and agricultural goods to the EU, enabling it to reduce its dependence on the Russian market. In 2010, the EU was Moldova's largest trading partner, accounting for 45.3% of its trade. Russia accounted for 18.4%.⁴ Since 2005, an EU mission has helped to monitor Moldova's Transnistria border with Ukraine, in an effort to deter smuggling. Many Transnistrian companies have registered in Moldova in order to benefit from EU trade preferences, a move that it is hoped will reinforce Moldova's sovereignty.

Moldova hopes to become a candidate for EU membership. EU Enlargement Commission Stefan Fuele has backed a potential membership candidacy for Moldova. However, EU member states are unlikely to accept Moldova as a candidate in the foreseeable future, due to Moldova's poverty and the EU's own internal challenges. Some EU countries may also be concerned that a Moldovan candidacy could set an unwelcome precedent for the possible candidacy of other former Soviet states, particularly Ukraine. Moldova is part of the EU's Eastern Partnership initiative, part of the EU's European Neighborhood program. The partnership is aimed at developing a regional approach to the EU's relations with the countries lying between the EU and Russia, to supplement the bilateral ties that the EU has with these states.

Moldova's ties with Romania are a sensitive issue in both countries. Many Romanians consider Moldovans in fact to be Romanians, and support the eventual unification of the two countries. Although most independent experts consider the "Moldovan language" to be Romanian, the issue is a matter of political controversy in Moldova. After the incorporation of Moldova into the Soviet Union during World War II, Soviet authorities promoted the idea of a separate Moldovan language (using the Cyrillic rather than the Latin script), as a means of countering possible secessionist ideas. Those favoring the term "Moldovan" tend to favor Moldova's independence or

³ European Commission, European Neighbourhood and Partnership Instrument: Republic of Moldova National Indicative Program 2011-2013, at http://ec.europa.eu/world/enp/pdf/country/2011_enp_nip_moldova_en.pdf.

⁴ European Commission document, at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113419.pdf.

close ties with Russia. Many persons favoring the term “Romanian” support eventual union with Romania.

In a 1994 referendum, more than 90% of Moldovans rejected unification with Romania. Recent opinion polls in Moldova show that Moldovan support for union with Romania remains at less than 10%. The most pro-Romanian party in the government, the Liberal Party, won about 10% of the vote in the last parliamentary election, and has had to downplay pro-union views to avoid harming its electoral chances. However, it should be noted that Romania’s 2007 entry into the EU led to hundreds of thousands of Moldovan applications to Romania for dual Romanian-Moldovan citizenship.

The current Moldovan government has moved to improve relations with Romania, which deteriorated sharply under the Communists. It signed an agreement with Romania to liberalize small-scale border traffic, and removed barbed wire obstructions from the border dating from the Soviet period. In February 2010, Romania agreed to provide 100 million Euro in aid to Moldova over the following three years. In July 2012, Moldova and Romania agreed to build a gas pipeline between the two countries. It is hoped that the pipeline will help Moldova to reduce its energy dependence on Russia, although critics have noted that Romania itself receives much of its gas from Russia.

U.S. Policy

The United States and Moldova have enjoyed good relations since the country’s independence in 1991. In a significant sign of U.S. support for the current pro-Western government, Vice President Joseph Biden visited Moldova in March 2011. At a speech in Chisinau, the country’s capital, Biden praised Moldova for its commitment to reform and democratic values, including the holding of free and fair elections. He called on Moldova to continue its efforts to create a transparent legal system, to fight corruption, and to end human trafficking. He said that the United States would continue to support a settlement for Transnistria that preserves Moldova’s sovereignty and territorial integrity within its internationally recognized borders.

The Vice President said that the United States would continue to assist Moldova’s reform efforts. He highlighted the five-year, \$262 million Millennium Challenge Corporation aid program, signed in 2010, to bolster Moldova’s agricultural sector and road network. He said U.S. aid will help the Moldovan government create policies to spur economic growth and attract foreign investment, train civil society to become more effective advocates, and help improve Moldova’s schools.

Since 1999, Moldova and the state of North Carolina have worked together in such areas as civil emergency, expansion of markets, and cultural, scientific, and academic exchanges.

The United States has called on Russia to withdraw troops from Transnistria deployed there without the consent of the Moldovan government. The United States refused to ratify the adapted Conventional Forces in Europe (CFE) treaty until several conditions were met, including the withdrawal of Russian troops from Moldova. In November 2007, Russia suspended its observance of the CFE Treaty, attributing the move to the failure of the United States and other countries to ratify the adapted treaty.

The United States has called for continued cooperation on weapons proliferation and trafficking in persons. In May 2003, the United States imposed missile proliferation sanctions on two Moldovan firms for transferring equipment and technology to Iran. The 2012 State Department Trafficking in Persons report is critical of Moldova's record in this area. It notes that Moldova is a source of women and girls trafficked for commercial sexual exploitation, as well as men and women for forced labor. Moldova is a "Tier 2" country. Tier 2 denotes a country that "does not fully comply with the minimum standards for the elimination of trafficking," but is "making significant efforts to do so."

The United States has provided aid to Moldova to help meet political and economic reform objectives. From the country's independence in 1991 through FY2011, the United States obligated over \$1 billion in aid to Moldova, according to the USAID publication *U.S. Overseas Loans and Grants* and the FY2013 Congressional Budget Presentation for Foreign Operations. In FY2012 Moldova was slated to receive \$23.4 million in U.S. aid.

For FY2013, the Administration requested \$19.68 million in aid for Moldova, a significant cut that is in line with a general reduction in U.S. assistance to Europe and Eurasia. Of this amount, \$14.05 million comes from the Economic Support Fund to promote political and economic reform in Moldova; \$3.23 million is from the International Narcotics Control and Law Enforcement account; \$1.25 million is from the Foreign Military Financing account; \$0.75 million is from the IMET military training and education account; and \$0.4 million is from the Nonproliferation, Antiterrorism, Demining and Related Programs account. This assistance does not include aid from the Millennium Challenge Corporation.

U.S. aid is aimed at helping Moldova fight corruption and transnational crime, including trafficking in persons. U.S. assistance also supports independent media and non-governmental organizations in Moldova, as well as rule of law programs. U.S. economic aid is aimed at improving the business climate in Moldova, and helping the country diversify its exports. The United States donates humanitarian aid in the form of food and medicine to particularly vulnerable parts of Moldova's impoverished population. U.S. security assistance is used to help Moldova participate in Partnership for Peace exercises, and to develop its peacekeeping capacity and interoperability with NATO.

U.S. aid has helped Moldova interdict attempted sales of highly-enriched uranium (HEU). In an incident in June 2011, Moldovan police, including some officers who had received U.S. counter-proliferation training, conducted a "sting" operation against persons offering HEU for sale. The material, which probably came from Russia, transited Transnistria.

Congressional Action

Moldova has long sought permanent normal trade relations (PNTR) from the United States by terminating the application of the Jackson-Vanik amendment to Moldova.⁵ On November 16, 2012, the House approved H.R. 6156, which extends PNTR to Russia and Moldova. The Senate passed the bill on December 6. It was signed by the President on December 14 (P.L. 112-208).

⁵ For more on the Jackson-Vanik amendment, see CRS Report RS 22398, *The Jackson-Vanik Amendment and Candidate Countries for WTO Accession: Issues for Congress*, by William Cooper.

In June 2012, the Congressional Moldova Caucus was formed, in order to promote U.S.-Moldova cooperation on a wide range of issues, including Euro-Atlantic integration and the termination of Jackson-Vanik's application to Moldova.

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