



Moldova: An Overview

On June 14, 2019, a political crisis in Moldova ended when the formerly ruling Democratic Party of Moldova (PDM) agreed to dissolve the outgoing government in favor of a new, democratically elected coalition. The coalition consists of a reform-oriented, Western-leaning alliance, ACUM (or “Now”) and the socially conservative, Russian-leaning Party of Socialists, which placed first in Moldova’s February 2019 elections. The coalition came together to unseat the PDM; given the parties’ differing policy orientations, it is uncertain how long it will last.

Moldova is one of three post-Soviet states, together with Ukraine and Georgia, that have sought greater integration with the West while coping with separatist territories occupied by Russian forces. Many Members of Congress have long supported Moldova’s democratic trajectory and territorial integrity and have called on Russia to respect Moldova’s sovereignty and to withdraw its military forces.

Rising Discontent

Moldova’s political environment was increasingly contentious before the recent transition. The PDM gained power in 2016 after the prior government collapsed amid fallout from a bank fraud case involving the alleged loss of some \$1 billion, equivalent to more than 12% of Moldova’s gross domestic product (GDP).

ACUM leaders and many observers contend that the PDM, in particular then-party leader and wealthy businessman Vlad Plahotniuc, effectively “captured” Moldova’s state institutions for personal and party gain. In summer 2018, protestors opposed a court decision to annul a snap mayoral election in Chisinau, Moldova’s capital, which had been won by Andrei Nastase, who later became one of ACUM’s two co-leaders (and is now minister of internal affairs).

Political Transition

Elections to Moldova’s 101-seat parliament were held on February 24, 2019 (for results, see **Table 1**). International observers said the elections were competitive but “tainted by allegations of pressure on public employees, strong indications of vote buying, and the misuse of state resources.”

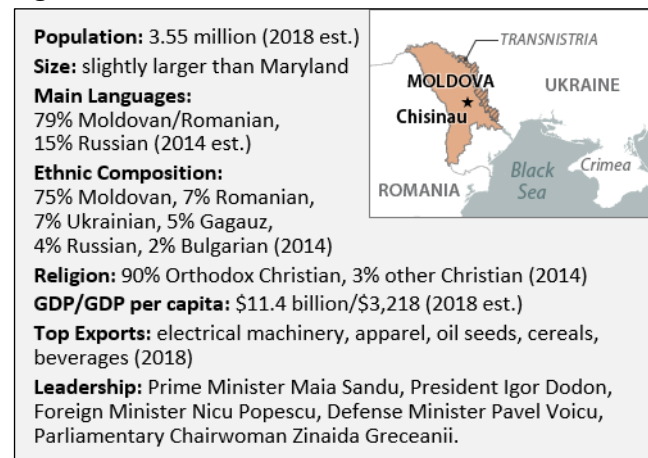
Table 1. February 2019 Parliamentary Elections

Party	Party List Seats (%)	Single Mandate Seats	Total Seats
Party of Socialists	18 (31%)	17	35
ACUM	14 (27%)	12	26
PDM	13 (24%)	17	30
Shor Party	5 (8%)	2	7
Independents	—	3	3

Source: Central Election Commission of the Republic of Moldova.

After the election, Moldova lacked a new government for almost three months, while leading parties held coalition negotiations. A political crisis arose on June 8, when the Constitutional Court, which observers considered to be under the PDM’s influence, issued a series of controversial rulings pronouncing the newly announced ACUM-Socialist government illegitimate and authorizing then-acting prime minister Pavel Filip (of the PDM) to act as president, dissolve parliament, and call new elections.

Figure 1. Moldova at a Glance



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

For a week, tensions escalated as Moldova had two rival governments. After parliament approved the ACUM-Socialist Cabinet, Prime Minister Maia Sandu appealed to Moldova’s civil servants and the international community to recognize its authority. PDM leaders, including Filip and Plahotniuc, insisted on the legality of the court’s rulings; they also claimed the Socialists had accepted illegal financing from Russia and accused Russia of plotting to establish dominance over Moldova by taking advantage of the inexperienced ACUM.

Facing unified international discontent, the PDM backed down on June 14 and Plahotniuc left Moldova (temporarily, he says). Another politician that reportedly fled was Ilan Shor, a regional mayor and head of another party to enter parliament. Shor is appealing a seven-year prison sentence for his alleged role in Moldova’s \$1 billion bank fraud.

After the transition, the Constitutional Court repealed its controversial rulings and the court’s chairman resigned. The court’s other judges followed suit, after the Council of Europe’s Venice Commission, an international legal advisory body, issued an opinion that found that conditions for dissolving parliament “clearly did not exist.”

Political Outlook

Prime Minister Sandu's government states it will seek to restore the rule of law and reform the political system. Her Cabinet includes economic and foreign policy professionals who have been educated or worked abroad (Sandu worked at the World Bank and served as Moldova's Minister of Education). The government seeks closer engagement with the European Union (EU) and the United States.

Prime Minister Sandu acknowledges the ACUM-Socialist coalition is not a "natural partnership." She suggests ACUM has united temporarily with the Socialists to combat corruption and restore the rule of law. For now, President Igor Dodon has called for the Socialists to set aside their differences with ACUM and work as "a united team" to implement needed reforms. As part of the coalition agreement, President Dodon and the Socialists have control of the security, defense, and conflict resolution portfolios.

How long the two parties will be able to govern in tandem given differing policy orientations remains to be seen. It is uncertain whether the Sandu government will investigate PDM accusations of illicit Russian financial support to the Socialists.

Transnistrian Conflict

Since becoming independent in 1991, Moldova has coped with the secession of Transnistria, a Russian-backed territory with more than 10% of the country's population and a substantial but faltering industrial base. Despite its separatist status, Transnistria has economic relations with the EU, the destination for more than half of its exports.

Russia stations approximately 1,500-2,000 forces in Transnistria, a few hundred of which Moldova accepts as peacekeepers. In 2017, the Constitutional Court ruled that Russia's troop presence was unconstitutional and parliament adopted a declaration calling on Russia to withdraw. In 2018, the U.N. General Assembly passed a resolution calling on Russia to withdraw its troops "unconditionally and without further delay."

A political settlement to the Transnistrian conflict remains distant. The Moldovan government supports a "special status" for Transnistria within Moldova, but the Russia-backed Transnistrian authorities have resisted agreement.

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. In 2016, Chisinau and Transnistria committed "to engage in a substantive, result-oriented dialogue" focused on a set of practical issues and confidence-building measures known as the "package of eight." Since then, the sides have resolved several issues related to transit, education, and agriculture.

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

Foreign Policy

Moldova has pursued a pro-Western foreign policy for many years, although a sizeable number of Moldovans support a closer relationship to Russia. Unlike the similarly pro-Western Ukraine and Georgia, Moldova is a constitutionally neutral state. Moldova does not aspire to join NATO but maintains close relations with the alliance and, especially, NATO member Romania. Moldovans are related to Romanians by ethnicity and language; at least half a million Moldovans hold Romanian citizenship.

The main framework for EU-Moldova relations is their Association Agreement, which entered into force in 2016 and includes a free-trade agreement. The EU also provides Moldovans with visa-free travel. In November 2018, the EU indefinitely suspended a €100 million macro-financial program, which had been conditional on respect for "effective democratic mechanisms." The EU has pledged to renew financial assistance to the Moldovan government, pending implementation of agreed-upon reforms.

Looming over Moldova's democratic political transition, and of interest to many in Congress, is the question of Russia's influence and intentions. During Moldova's crisis, Western and Russian positions were aligned, which observers considered unusual given their adversarial relations. For many, it is difficult to imagine Russia standing aside if ACUM appears successful in its efforts to lead Moldova into a European community of democratic and rule-of-law based states.

Economy

Moldova is a relatively poor country, although it has made "significant progress in reducing poverty and promoting inclusive growth," according to the World Bank. Moldova's annual GDP growth has averaged around 4.3% since 2010 and is forecast to grow 3.5%-4% in 2019 and 2020. Agriculture and agro-processing make up approximately one-third of GDP and one-third of Moldova's labor force. Moldova also depends on labor remittances, which have totaled almost 20% of GDP over the past five years.

In 2018, Moldova's top-five merchandise trading partners were Romania (18%), Russia (11%), Germany (8%), Italy (8%), and Ukraine (8%). As a whole, the EU accounted for 56% of Moldova's total trade and 70% of its exports.

U.S. Relations

The U.S. State Department welcomed Moldova's "peaceful transfer of power" and expressed a commitment "to working with all Moldovans as they build a more prosperous and democratic future." In recent years, U.S. assistance to Moldova has grown: \$45 million in FY2016, \$66 million in FY2017, and \$74 million in FY2018.

In 2018, during the 115th Congress, parallel resolutions were introduced in the House and Senate to support Moldova's sovereignty and territorial integrity, as well as an enhanced U.S.-Moldova partnership (H.Res. 745, S.Res. 629).

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