



Moldova: An Overview

Moldova is one of three post-Soviet states—together with Ukraine and Georgia—that has sought greater integration with the West while dealing 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 withdraw its military forces.

Recent Developments

In November 2019, a short-lived coalition government fell after one coalition partner, the socially conservative, Russian-leaning Party of Socialists, filed a motion of no confidence against the government of then-Prime Minister Maia Sandu. Sandu is the co-leader of ACUM (or “Now”), a reform-oriented, Western-leaning alliance. President Igor Dodon is the Party of Socialists’ unofficial leader.

The Socialists initiated the no-confidence vote after Sandu moved to give herself greater control over the appointment of the country’s prosecutor-general. Sandu reportedly made the move because she feared Dodon and the Socialists were seeking to sabotage judicial reforms.

From the outset, many observers were uncertain if the reformist Sandu and Russian-leaning Dodon could jointly govern given their different policy orientations. After coming to power, Sandu said the coalition was not a “natural partnership,” while Dodon called for the Socialists to set aside their differences with ACUM and work as “a united team.” Strains within the coalition persisted. In November 2019, a Socialist candidate defeated ACUM’s other co-leader in a key election for the office of mayor of Chisinau, Moldova’s capital. Nine days later, Socialist deputies filed the motion of no confidence against the Sandu government.

The new government is led by Ion Chicu, who served in a previous government as minister of finance. Chicu and many other cabinet ministers have no party affiliation, although most have ties to Dodon or the Party of Socialists. The Chicu government was formed with the support of members of the Democratic Party of Moldova (PDM), which led the government from 2016 until June 2019 when it failed in an effort to use Moldova’s Constitutional Court to block the Sandu government from coming to power.

Political Background

The Sandu government formed after February 2019 parliamentary elections (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.”

After the election, Moldova lacked a new government for almost three months while leading parties held coalition negotiations. Eventually, ACUM and the Socialists, who had placed first in the elections, agreed to form a government. The two parties came together to unseat the PDM and then-leader Vladimir Plahotniuc, a wealthy businessman. Many observers say the PDM and Plahotniuc had “captured” Moldova’s state institutions for personal and party gain.

Table 1. February 2019 Parliamentary Elections

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

Source: Central Election Commission of the Republic of Moldova.

After the Sandu government formed, Moldova’s Constitutional Court, which observers considered to be under the PDM’s influence, issued a series of rulings pronouncing the new government illegitimate and authorizing the then-acting PDM prime minister to act as president, dissolve parliament, and call new elections.

For a week, tensions escalated as Moldova had two rival governments. Facing unified international discontent, the PDM backed down, and Plahotniuc left the country. Plahotniuc currently is wanted in Moldova on suspicion of money laundering and other crimes related to a bank fraud scandal involving the alleged loss of some \$1 billion, equivalent to more than 12% of Moldova’s gross domestic product (GDP). The PDM gained power in 2016 after the prior government collapsed amid fallout from the scandal.

Another politician who reportedly fled Moldova was Ilan Shor, a regional mayor and head of the fourth party in parliament. Shor is appealing a seven-year prison sentence for his alleged role in the bank fraud.

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 European Union (EU), the destination for more than half of its exports.

Russia stations approximately 1,500 soldiers in Transnistria, a few hundred of which Moldova accepts as peacekeepers. In 2017, the Constitutional Court ruled that

Russia's troop presence in Moldova 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 from Moldova "unconditionally and without further delay."

A political settlement to the Transnistrian conflict appears distant. The Moldovan government supports a special local governance status for Transnistria, but Russia and authorities in Transnistria 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. The EU also supports conflict management through a 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.

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, agriculture, and the recording of civil statistics, such as births and marriages.

Foreign Policy

Moldova pursued a pro-Western foreign policy for many years, although a sizeable number of Moldovans support a closer relationship with Russia. Unlike 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; reportedly at least half a million Moldovans hold Romanian citizenship (for a map, see **Figure 1**).

The main framework for EU-Moldova relations is an Association Agreement, which entered into force in 2016 and includes a free-trade agreement. The EU also provides Moldovans with visa-free travel. After suspending financial assistance to Moldova under the PDM government, the EU resumed assistance under the Sandu government, which the EU commended for engaging in a "significant and substantial structural reform process." An EU spokesperson said the dismissal of the Sandu government sent "worrying signals for the reform process in the country."

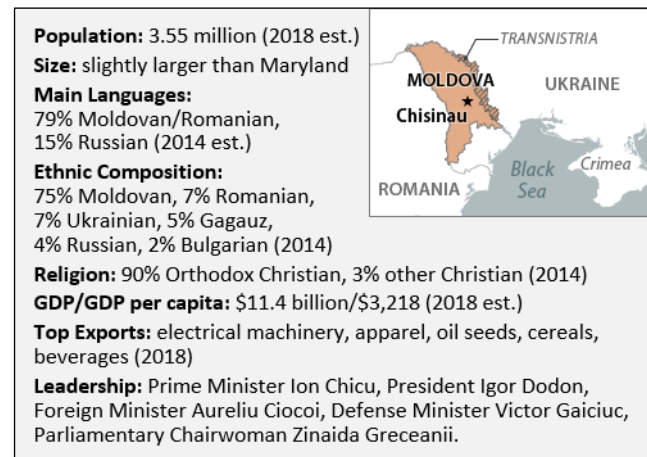
Looming over Moldova's political transition, and of interest to many in Congress, is the question of Russia's influence and intentions. Many observers believed it unlikely that Russia would stand aside as the Sandu government implemented reforms that could help promote Moldova's Western integration. Many consider the November 2019 consolidation of power by Dodon and the Socialists to be in Russia's interest. The Socialists, however, say they are maintaining a European orientation.

Economy

One of Europe's poorest countries, Moldova 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% in 2019 and 3.8% in 2020. Agriculture and agro-processing make up approximately one-third of GDP and one-third of Moldova's labor force. Many Moldovans work abroad; labor remittances have been estimated at 15-20% 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 70% of Moldova's exports and 56% of its total trade.

Figure 1. Moldova at a Glance



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

U.S. Relations

The United States "supports the OSCE-led 5+2 negotiations to find a comprehensive settlement that will provide a special status for the separatist region of Transnistria within a territorially whole and sovereign Moldova." In July 2019, a resolution was introduced in the House to affirm support for the sovereignty and territorial integrity of Moldova, as well as of Ukraine and Georgia (H.Res. 510).

In November 2019, the U.S. Embassy in Moldova said the dismissal of the Sandu government was "unfortunate" and that "Moldovans deserve leaders who will work for the good of the country and will free it from the corruption that has prevented Moldova from reaching its potential."

In January 2020, the United States imposed a visa ban on former PDM leader Plahotniuc (and his family) for involvement in "corrupt acts that undermined the rule of law and severely compromised the independence of democratic institutions in Moldova." U.S. Secretary of State Michael Pompeo said the visa ban "sends a strong signal the United States does not tolerate corruption and stands with the people of Moldova in their fight against it."

U.S. assistance to Moldova was \$66 million in FY2017, \$74 million in FY2018, and \$56 million in FY2019.

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