

Why Moldova Matters



JUNE 4, 2019

**Briefing of the
Commission on Security and Cooperation in Europe**

Washington: 2019

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ABOUT THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE

The Helsinki process, formally titled the Conference on Security and Cooperation in Europe, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. As of January 1, 1995, the Helsinki process was renamed the Organization for Security and Cooperation in Europe (OSCE). The membership of the OSCE has expanded to 56 participating States, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia.

The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <www.osce.org>.

ABOUT THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The Commission on Security and Cooperation in Europe, also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance by the participating States with their OSCE commitments, with a particular emphasis on human rights.

The Commission consists of nine members from the United States Senate, nine members from the House of Representatives, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair rotate between the Senate and House every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

In fulfilling its mandate, the Commission gathers and disseminates relevant information to the U.S. Congress and the public by convening hearings, issuing reports that reflect the views of Members of the Commission and/or its staff, and providing details about the activities of the Helsinki process and developments in OSCE participating States.

The Commission also contributes to the formulation and execution of U.S. policy regarding the OSCE, including through Member and staff participation on U.S. Delegations to OSCE meetings. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from participating States. The website of the Commission is: <www.csce.gov>.

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June 4, 2019

Commission on Security and Cooperation in Europe Washington, DC

The briefing was held at 10:09 a.m. in Room 121, Cannon House Office Building, Washington, DC, Rachel Bauman, Policy Advisor, Commission on Security and Cooperation in Europe, presiding.

Panelists present: Rachel Bauman, Policy Advisor, Commission on Security and Cooperation in Europe; Dr. Cory Welt, Specialist in European Affairs, Congressional Research Service; Jamie Kirchick, Journalist and Visiting Fellow, Brookings Institution; and H.E. Cristina Balan, Ambassador of the Republic of Moldova to the United States.

Ms. BAUMAN. Hi. Thank you, everyone, for joining us this morning, and everyone watching on Facebook Live as well.

My name is Rachel Bauman. I'll be moderating the discussion today. I serve as policy advisor for Russia, Ukraine, Belarus, Moldova and the Baltics on the Commission on Security and Cooperation in Europe, also known as the Helsinki Commission. We're an independent agency of the Federal Government charged with monitoring compliance with the Helsinki Accords and advancing comprehensive security through promotion of human rights, democracy, and economic, environmental, and military cooperation in 57 countries.

Moldova, the topic of our discussion today, is a small landlocked country between Ukraine and Romania which is typically viewed as a state torn between Russia and the West. It's worth exploring, however—and today we will explore—whether Moldova's problems are more internal or external. The country remains in a precarious position since its February 24th parliamentary elections.

Today we'll look at Moldova in a regional context, as well as investigating some of the post-election internal politics. Will Moldova's deeply divided parliament be able to form a governing coalition? What influence will Moldova's oligarch Vlad Plahotniuc have on the process of forming a government? And is there real political will in Moldova, especially right now after elections, to become a full-fledged member of the EU? And finally, what's going on in the breakaway Russian region of Transnistria?

To speak to some of these questions we have today three distinguished panelists. And their full biographies can be found in your folders, so I'll just introduce them briefly. Speaking first will be Dr. Cory Welt, specialist in European affairs at the Congressional Research Service. Next will be Jamie Kirchick, a journalist and visiting fellow at the

Brookings Institution. And finally, we have Her Excellency Cristina Balan, Ambassador of the Republic of Moldova to the United States.

We're going to start by having each of the panelists make a statement, and then we'll get into some discussion and audience question and answer. Additionally, if you're tweeting, our Twitter handle is @HelsinkiComm; that's at Helsinki C-O-M-M, if you want to tweet about the event.

So without further ado, I will ask Cory to come up here and give a statement.

Dr. WELT. Good morning. Thank you to Rachel and the Helsinki Commission for convening this briefing and for including me in it.

I am going to sidestep the question of why Moldova matters in my opening remarks and leave that for my two esteemed panelists. Instead, what I'm going to do is set some context for you, focus on the state of play and the post-election talks on government formation, possible outcomes of those talks, and potential implications for Moldova and its foreign policy orientation. But first I'm going to give you a few words on U.S.-Moldova relations, since I am here in my capacity as an analyst for the Congressional Research Service.

The U.S. Government, including Congress, has generally considered Moldova as one of three states, together with Georgia and Ukraine, who are seeking greater integration with the West while coping with separatist territories—separatist conflicts that have been fostered by Russia. Now, this is generally an understandable frame. Among post-Soviet states, Moldova is considered to be relatively advanced in terms of its democratic freedoms, just behind Ukraine and Georgia, and akin to neighboring states in the Balkans such as Macedonia. Moldova also, among post-Soviet states, has a unique relationship to the European Union. At least half a million Moldovans, probably more, hold Romanian citizenship. Romanian is considered an ethnic kin of Moldovan. And so about 15 percent, at least, of Moldovans are also citizens of the European Union.

Moldova has concluded free trade and visa agreements with the EU, and the EU has been a major aid provider for Moldova, although it has made a new assistance package conditional on respect for democratic mechanisms and implementation of specified reforms. Moldova is also grappling, now for almost 30 years, with the territorial conflict in the predominantly Russian-speaking region of Transnistria, which seceded from Moldova in the early 1990s under Moscow's protection. Some progress toward resolving certain elements of this conflict has taken place in recent years. It's an issue I'll leave for the ambassador, or we can take it up again in Q&A. It is important to remember, however, that Moldova, unlike Georgia and Ukraine, is officially a neutral state and it does not seek formally NATO membership.

In terms of U.S.-Moldova relations, U.S. foreign aid to Moldova has increased substantially in recent years, particularly after Russia's 2014 invasion of Ukraine. Moldova currently is the third-largest U.S. aid recipient in the Europe and Eurasia region after Ukraine and Georgia. And in terms of Congress' policy toward Moldova, in the last Congress resolutions were introduced in both the House and the Senate supporting Moldova's sovereignty and territorial integrity and calling for an enhanced U.S.-Moldova partnership and more focused U.S. assistance for domestic reform.

Now I'd like to offer a few remarks on the current state of play in Moldovan politics, possible outcomes of the current post-electoral talks, and implications. So according to international and domestic observers, Moldova's recent parliamentary elections were

democratic but somewhat flawed. And these flaws included allegations of vote buying and the misuse of state resources. Nonetheless, the outcome of the elections appears to reflect longstanding domestic divisions within Moldova, between what you might characterize as a European-leaning majority and a Russian-leaning minority.

It's difficult to precisely parse out what percentage, and I'm going to refrain from trying to do so, but in terms of party representation the European-leaning majority itself was split in the last elections electorally between supporters of the establishment ruling party, the PDM, the Democratic Party of Moldova, and supporters of a party that has characterized itself as a more firmly pro-Western reform party or alliance, called ACUM, or Now. The Russian-leaning minority in Moldova is represented by the Socialist Party, which is the party of Moldova's president Igor Dodon.

With over 3 months of negotiations and discussions and some political posturing over the last few months, no government has been formed yet, and time is running out. The president is able to call elections very soon, within a matter of days or weeks if I'm not mistaken. And so the talks have in fact intensified in recent days, including visits to Chisinau of representatives of the EU, the United States, and Russia. In addition to the three main parties that are involved in these talks a fourth party is in the mix, the Sor Party, which is named after and run by a wealthy businessman and regional mayor, Ilan Shor, who is providing an interesting element in the postelectoral talks, as he had been indicted for bank fraud and is currently appealing a 7-year prison sentence—actually sentenced for bank fraud.

The deadlock that the parties in Moldova are experiencing is not a new feature in Moldovan politics. In 2009–2010, it took three elections before a government could be formed. But it's also important to keep in mind that this deadlock is not unique in today's European context. Recent elections in several nearby countries, in the Baltic States and Israel last week, have led to a highly fragmented political landscape that has made it difficult to form governments. And Israel last week called for new elections.

The way I see it, there's five—at least five potential outcomes to the discussions that are taking place in Moldova today. Let me briefly go over them. Two of those outcomes, in my mind, appear the most likely. It's difficult to predict which one has the upper hand. One outcome, which is the one most folks are talking about now, is the possibility of snap elections. It's the logical outcome when the government—when the parties can't come to an agreement on a coalition. The main question about snap elections is to what end would these elections be held.

It is difficult in the current political context to see how politics will shift substantially and lead to a different kind of outcome within a matter of months. And in several months' time Moldova could still be in the same situation as it is now, lacking a government. Yesterday an EU representative in Moldova suggested that snap elections could lead to other problems, including the possibility that the IMF might suspend its financial program with Moldova, leading also to difficulties in terms of renewing EU assistance. But snap elections are a very real possibility.

A second likely outcome is a coalition of what I call the parties in power—a coalition between the Socialist Party of the president and the PDM, the ruling party. This is a coalition that many expected would emerge out of the elections. And it would arguably serve the immediate political interests of both parties and reflect a recent history that they've had of tactical cooperation. Such a coalition, however, risks damaging the PDM's

standing with the West, as there would be many questions as to its interest and readiness to ally and turn into government with a party that is avowedly, openly pro-Russia.

Three other possible outcomes—one that is less-often discussed, but I think is still a possibility that needs to be considered, is that the PDM will repeat the steps that it took to come to power last time around. The PDM came to power in 2016 not through elections, but instead it cobbled together a coalition within parliament after the previous government collapsed by peeling off MPs from other parties. It could conceivably do so again, even though it's entering on this post-electoral timeframe in a somewhat weaker position.

A fourth possibility is what I would consider to be a quote/unquote “pro-Western coalition.” That would be a coalition between the ruling PDM and the opposition ACUM alliance. From the West's point of view, a PDM-ACUM alliance might make a lot of sense, two of the avowedly pro-Western parties overcoming their differences, uniting to continue to further promote Moldova's European integration. This alliance, however, has not been politically feasible to date. The PDM has expressed a willingness to ally with ACUM, but ACUM views the PDM as corrupt. ACUM leaders even implied before elections that the PDM or some of its operatives may have been guilty of poisoning them. It's not an allegation that I can affirm or deny, of course. And ACUM also feels that allying with the PDM would require it make a 180-degree turn in terms of its electoral promises and its commitment to fighting corruption and overthrowing the existing government.

The last possibility is what I would consider to be a kind of grand east-west coalition between the Socialists and ACUM. Again, the Socialists, like the PDM, have expressed readiness to form a coalition with ACUM, but ACUM has rejected such a coalition. Unlike with the PDM, ACUM has expressed interest in cooperating with the Socialists, but they propose a very specific form of cooperation, some form of minority or interim government which would be led by ACUM, in which ACUM and the Socialists cooperate to change the election rules, carry out what they call the de-oligarchization—I practiced that word—[laughter]—of Moldovan politics which in practice, to ACUM, means removing the PDM from the political scene, and removing the influence of PDM party leader Vlad Plahotniuc. And then hold early elections in which the Socialists and the ACUM would be the main contenders. The Socialists, however, have expressed little interest in this.

So five—at least five different possibilities. And I invite you to come up with more. And none of them, except early elections, are really being talked about actively publicly right now. It's difficult to know what's going on behind the scenes. But given the kind of pressure that the parties face and the message they've received from the outside, I wouldn't be surprised if some kind of government is formed in the coming days.

And finally, a few comments on the international implications. It's a very complex postelectoral process, but the implications aren't just domestic. Many consider that they have implications for Moldova's geopolitical trajectory and, in particular, Russia's influence in the country and the region. The main question is what happens if the Socialists enter the government. The Socialists are an offshoot of Moldova's old Communist Party, which governed Moldova in the 2000s. But the Socialists are even closer to Russia than the Communists were in their later years. Socialist leadership and MPs even visited Moscow during this period of negotiations for consultations.

If the Socialists were to enter into a coalition government, it's logical to expect that Moldova would risk tilting more toward Russia. Two caveats, though, to keep in mind. First, that kind of tilt could depend on how much resistance the Socialists would

encounter from their putative coalition partner, be it the PDM or ACUM. The ACUM in particular would try to present a much firmer balance against any excessive shift toward Russia. And second, it could depend on what the positions the Socialists would receive in government. This is a challenge that other countries have faced in Europe, in which parties that were considered to be Russia-friendly were taking positions in the security and intelligence establishments. If that were to happen in Moldova, that might be a greater cause of concern.

If the Socialists are excluded from government, which is a very big if—it would require ACUM and the PDM to get over some major differences—it might enable Moldova to maintain its pro-Western trajectory, but it would be an alliance that could be fraught with tension and lead to internal deadlock on reforms, perhaps in some ways similar to the kind of politics that had occurred in Ukraine for the last several years, when Ukraine was run both by some oligarchic interests still and reformist elements.

The EU and the U.S., to conclude, officially say, and repeatedly have said, that they'll accept any coalition that is consistent with Moldova's laws, although the EU is on record as saying that it doesn't think that somebody implicated in a \$1 billion bank fraud, being the leader of the Sor Party, ought to be in government. But other than that, the message has been that the important thing is for this process to culminate in a democratic electoral outcome.

Thanks.

Mr. KIRCHICK. Thank you to the Commission for hosting us today and for the important work that you do. Thank you all for coming.

I was in Moldova recently as a part of a delegation with the International Republican Institute to monitor the elections. IRI's one of the two party institutes that are part of the National Endowment of Democracy to encourage democracy and liberal values abroad. They had a long-term observer mission with people who were there for months in advance to chart the progress of the electoral campaign. And then they had a short-term observer mission with a delegation.

And we just came for about a week to make sure there was no ballot stuffing and what not. And it's important to understand that an election can seem perfectly above-board the day of, but there are obviously lots of things you have to watch out for both before and after. And I would refer you to the report put out by IRI and also the OSCE on these matters.¹ As for what I observed personally the day of the election, I didn't see any irregularities.

But I would probably say the one disappointment that I witnessed—I was in the southern region of Gagauzia, which is an interesting sort of ethnic Turkish part of Moldova. I saw in rural areas much less resources available in terms of ballot boxes, poll watchers, than there were in the sort of regional urban areas or cities. Meaning that there were long lines in rural areas, people waiting for hours to vote, rather chaotic in some places. Meanwhile, in the largest city that we visited, there was literally no one at all waiting in line to enter the polling station.

This is just one anecdotal observation I can give you. It's by no means in any way meant to describe the entire electoral process. You know, I would agree with what Cory

¹ <https://www.iri.org/resource/iri-preliminary-statement-moldovan-parliamentary-elections>; <https://www.iri.org/resource/moldova%E2%80%99s-electoral-reforms-signal-step-forward-echo-iri-parliamentary-elections-findings>; <https://www.osce.org/odihr/elections/moldova/389342>

said. If you look at the OSCE report, they cite that there were allegations of vote buying, and giving of gifts of people to vote certain ways. And you particularly heard this with the voters from Transnistria, who were being bused in. And I think that was a pretty chaotic process.

And we received reports, certainly in the run-up to the election we had a meeting with Mr. Năstase, who's the leader of the ACUM bloc, who had run for mayor in 2018. And his victory was actually invalidated by the government. So he was quite angry, understandably, because of that. And he was certainly making the case beforehand to us that there were lots of irregularities—the use of administrative state resources, the sort of typical complaints that you hear in this part of the world. So that's something to just keep in mind. But at the end of the day, the election, I think it's fair to say, was representative of the popular will.

As to the geopolitical questions here—why does Moldova matter—I think it matters because the United States has been committed to a policy of a Europe whole, free, and at peace, really since the end of the cold war, and consolidating democracy and good government. And Moldova is a pretty sore spot. It's the poorest country in Europe. It's the site of very high corruption. It's the site of Russian influence. It's the site of a lack of territorial integrity. And we've seen now that there are three nations in this region—Georgia, Ukraine and Moldova—that all have Russian troops stationed on them. And this is something that should certainly concern the United States and its democratic allies.

The political situation now seems to be frozen. There seem to be three irreconcilable political blocs, that we just heard a pretty fair description of them. I mean there is a Socialist Party that is basically the kind of, you know, dregs of the former Communist Party, very pro-Russian. President Dodon has already been to Moscow several times in the past couple months.

Along with, I believe, every deputy who's a member of the Socialist Party has also visited Moscow since the election. Then you have the PDM, the Democratic Party, which claim to be pro-Western.

I'm not really sure what that means. They seem to be more what a colleague, a scholar at the University of Pennsylvania, Mitchell Orenstein—he refers to Mr. Plahotniuc as a flexible oligarch, who can go either way. He doesn't seem particularly committed to Western values, I think, in the same way that other leaders, certainly Mr. Năstase, are, which brings us to the third party, ACUM, which I think is really genuinely a pro-Western party. It's driven by anti-corruption which is, I think, just judging by the popular polling that's been done by IRI, 49 percent of Moldovans consider corruption to be the major issue. And that's, by far, the most important issue in Moldova—fighting corruption.

So you have this party which is basically a pro-Russian, post-Communist Party. You have a party that's controlled by an oligarch, who's not even elected to anything. It reminds me of Bidzina Ivanishvili, the former prime minister of Georgia, who similarly is not elected to any position, yet is the most powerful man in that country. And I think that's not really a good sign in terms of the country's democratic development and Westward path, when the important, powerful person in the country is not elected to anything. That's a bad sign.

And so it's hard for me to see how this political stalemate gets resolved. I would personally think that the most likely one would be some sort of alliance between the PDM and the Socialist Party, just because the PDM seems to be more opportunistic in this

regard. And that seems like more of a natural fit than any other potential alliance. I also think it is important to look at Moldova as a potentially negative example of where Ukraine could go. Ukraine is a much larger country. It's one of the largest countries by population in Europe, the largest country by landmass in Europe. It's a place that the EU and United States have been investing a lot in. I think there are more geopolitical considerations in Ukraine than there are in Moldova.

There's a serious push and pull in Ukraine about joining the EU or not, about moving toward NATO. There's actually real NATO cooperation there. And I think—you know, looking at Moldova and looking at the control of oligarchs in Moldova, I think that that is something that those of us who are concerned about Ukraine—if things don't go well in Ukraine then they could move in that direction, in having more oligarchic control. And I don't think that the Russian goal here is necessarily to bring the country back into its fold, to necessarily have it join the Eurasian Union and to completely forgo any possibility or intent of moving westward. I think it's to create failed states on the periphery of Europe, to create countries that are basically, black holes of corruption and human trafficking, and drug running, and arms dealing, and all that.

And that is what I fear the direction that Ukraine could be moving in. But ultimately, I think we shouldn't sort of obsess or make these things out to be more geopolitical than they are.

And I don't think the average Moldovan who went to the polls in February, certainly not the ones that we've talked to—NATO membership wasn't the main thing on their mind. Even EU membership I don't think was the main thing on their mind. I think just having a decent life.

I mean, as I said, this is the poorest country. And I was traveling out into rural areas, and these places are really poor. I mean, the living standards remind one of parts of the Middle East or sub-Saharan Africa in some places. So, you know, day-to-day living is the most important thing. And I think, What's Putin's game here? Those sorts of questions are ultimately not what's driving most Moldovans. What American policymakers, I think, should be concerned about is how we can help this country progress forward into becoming a more prosperous, liberal, democratic country.

So, thank you.

Amb. BALAN. Dear colleagues, thank you very much for your interest in my country, the Republic of Moldova. And thanks a lot to the Helsinki Commission for keeping the focus on our region and on all the challenges that Moldova is going through.

It's pretty difficult for a small country like Moldova to be always on the radar for the U.S. stakeholders, as the world is on fire right now, there are so many events going on in the United States and abroad. And of course, what's going on in our country is not as important. But it is very important for the 4 million people that are living in my country. And it's also important for the region in which we live. As you know, Moldova is at the border with a NATO country, with Romania. And it is also a member—Romania is a member of the European Union. Back in 2014, we signed an Association Agreement with the European Union, and we are following a road map of reforms to align our legal framework to the European Union's.

We have been also proving throughout the last years that we are a reliable partner and ally to the United States. We have confirmed that in many ways. Even though Moldova is a small country, but just to give an example, we are supporting the U.S. initia-

tives in international fora, I'd cite just the U.N. We've been supporting several resolutions of the United States in the United Nations despite the trends of the European Union even.

We also have demonstrated that we are supporting the Jewish community in the Republic of Moldova and worldwide, and we were not indifferent to the United States' calls to action by adopting an international definition of anti-Semitism. And now we are teaching young students in schools and universities about the horrors of the Holocaust. And a lot has been done in this respect during the last years.

Also I'd like to mention that Moldova has marked 20 years during this year of a special partnership with North Carolina. Thousands of citizens from North Carolina have been involved in a variety of social, economic, educational, cultural, and military programs in Moldova. And our country has enjoyed, of course, the support of a caucus in the House of Representatives, co-chaired by David Price and Pete Olson, who introduced the resolution in support of our country's independence and Western integration last year.

So this is just a general outline, and then I would not bother you with many other details because my distinguished co-panelists have pretty accurately described to you the situation in the Republic of Moldova. Probably what's most interesting is what is going on in Moldova right now. It's been 3 months since we had our general elections. A year ago, when I arrived to Washington, D.C. in my capacity of an ambassador of the Republic of Moldova, the situation was pretty difficult. And while looking to the polls, we were seeing that the Socialist Party was enjoying much larger popularity than right now, than it proved to be after the elections.

The polls were showing that the Socialist Party would take about 46 percent. And that would make their mission pretty easy to form a majority coalition and to get Moldova closer to the Russian Federation. But after the elections we have seen that the Socialist Party took 35 seats only in the Parliament. And this is—according to some analysts, because they've been promising and not delivering, despite the fact that the President Dodon, who is a member of the Socialist Party, is traveling on a monthly basis to Russia, if not more often, and having pictures with Mr. Putin. And Mr. Putin, according to the polls, is still a very popular person in the Republic of Moldova due to the multiple TV channels that are directly and freely broadcasting to Moldova and showing how great is life in the Russian Federation and how great is its leadership.

So they are falling down because they haven't been delivering. They have been promising, the president has limited capacities, and they've been promising and not delivering. The Democratic Party, which is the ruling party right now, has 30 seats in the Parliament, and the bloc of two pro-European parties, ACUM, has 26 seats. And there is the Sor Party, which has seven seats in the Parliament, after the elections, which have been recognized as free and fair by international parties—my colleagues already cited allegations, but we are talking about official reports.

After these elections, the parties which ascended in the Parliament have been trying to form a coalition. And it's been 3 months now. The deadline for forming the coalition is June 9th. Basically, it's the end of this week. If the parties will not achieve an understanding, then the Parliament will be dissolved, and the president of our country will name another date for early elections. And most probably it will be in October or November this year.

What would this mean for Moldova? We'll go through the first scenario of early elections. Basically, if you think about the fact that we started the year of 2019 with an election campaign, okay, so everything stopped basically and we had an election campaign. In February, we had elections, then 3 months of negotiations. Then if there will be no agreement, then, again, we'll have a campaign, then again elections, and then again negotiations. Basically 2019 is a lost year for Moldova. It's a lost year for our reforms, for our economic growth that we have registered throughout the years, and many other commitments that Moldova assumed by signing the EU Association Agreement.

And as my colleague also mentioned, the IMF agreement is due. It expires in November this year. And I just had recently discussions with the IMF mission here. And they said: We need a government—fully any potential government to be able to discuss the problem. If there will be no government, then of course there will be no IMF program.

What does it mean for a country like Moldova not to have an IMF program? The loans which are coming from IMF are not that big compared to the total amount of loans that we are taking, but it's very important for the country rating. If the country rating goes down, it means that the interest rates for the other loans go up. It means that our economy will be suffering. It means that prices will go up. It means that the social crisis will increase. There will be more unhappy people. And we already can anticipate how will be the mood if there will be early elections.

Unfortunately, Moldova has been developing not as successfully and wasn't as successful as the Baltic States, for example, probably because there is more political maturity in the political class. And there is more responsibility among the citizens of those countries. However, Moldova is striving toward the West. It is, together with Ukraine and Georgia, very bold about its aspirations, even though there is a considerable part of people—older generation, probably—who are still looking with nostalgia toward Russia. It's all right. It's something that we have inherited. But the younger generation really aspires toward the West.

The early elections will definitely not do any good to our country. And just the fact that we haven't been developing so much, it's also because we are in a very tough neighborhood. And all this political instability and continuous economic crisis and social crisis, it really probably was also facilitated by some of our neighbors which operate the best in conditions of instability.

There are several scenarios, of course, that the current political parties might form a coalition. The ACUM bloc is actively trying to negotiate with the Socialist Party. On Monday, we had EU Commissioner Hahn, who visited Moldova. And he discussed with all the political leaders—and he emphasized the fact that the European Union will work with whatever coalition, which will be formed according to the law.

He also drew our attention to the fact that early elections are not good for the country. Because of the IMF, but also if there is no IMF program then the European Union cannot provide macrofinancial assistance, which is also very important for Moldova. And he also expressed his hope that the EU Association Agreement will be implemented and all the reforms that have been undertaken within the framework of this agreement will be continued. Also on Monday we had Dmitry Kozak, who is the deputy prime minister of Russia, who visited Moldova after over a 10-year break. He wasn't in Moldova for over 10 years, and now he came. And he also made some statements. He said that the position of the Russian Federation is that the Socialist Party should form a coalition with

the ACUM, a temporary coalition, and prepare for inevitable early elections. I'm just quoting him.

What does it mean? It means that the parties' minds should form a temporary coalition just to make sure that the Democratic Party and its chairman Vlad Plahotniuc is not any more in power and change the voting system from mixed to the proportional, and then go for early elections.

There are many debates about this voting system. One of the reasons why the voting system has been changed is because if we are looking at the proportional voting system, the society was very much polarized, and the messaging was very much polarized. And so the country has been literally divided into one which is looking pro-West, pro-EU, another one which is looking toward Russia.

But having people voting in the constituencies, people were allowed to elect those who would address their local issues, their own needs. And as my colleague said, people are tired of geopolitical debates. They want better roads. They want better living standards. They want good health care, good schools. And all they care is normal, you know? They care about their lives, their living standards, and they care about the future of their children. So why did the Russian Federation, for example, suggest to change the voting system back to the proportional one? Probably because then this narrative of—or this division, or this polarization, will be back. You know, you choose either pro-West or pro-East.

So this is what happened in Moldova yesterday. We also had the director of the Eurasia Department from the State Department. But it was a planned visit. It wasn't a political visit. So luckily we had representatives from the U.S. Government who were also witnessing there on the ground what's going on in our country. Of course, Moldovans should assume the responsibility and not wait for foreign partners to tell them or to indicate which kind of coalition to do. We definitely hope that the political class will find the maturity and reach an agreement. We hope that the political parties will realistically assess the situation in the Republic of Moldova. It's not easy. It's not at all a perfect or ideal situation. And whatever scenario is not good. I mean, we need to understand which brings the least damages and risks for the country, for the region, and for the rest of the world.

So in any of these cases or scenarios that have been outlined, there are pros and cons. None of them is perfect. But we just hope that everything that has been done by the pro-Western coalitions throughout the last 10 years, we registered many tremendous results. And of course, there is so much more work to be done, including addressing corruption issues, including increasing our national defense capability, including resolving the Transnistrian conflict, and many others. There is a lot of work to be done. And you all have to get together, work on a team, and just make Moldova become a rightful member of the Western family of nations.

Thank you very much. [Applause.]

Ms. BAUMAN. Okay. Thank you, everyone on the panel. I'm going to try to speak a little loudly so we don't have to keep going up to the microphone. But I wanted to start with some question and answer and discussion. And I'll start by asking—I'm not sure who wants to take this question—but how dependent is Moldova's economy—we didn't talk too much about the economy—but how dependent is the economy on good relations with Russia? And is Moldova diversifying its economy away from Russia in preparation for greater European integration? I know there's been some issues with trade with Russia in

the past, and I'm interested in knowing a little bit about how Moldova's diversifying its economy. Anyone want to take that?

Amb. BALAN. Thank you very much. I don't know, I had some intuition—today I asked for from the minister of economy our trade balance with the Russian Federation, with the European Union, and with the United States. So I'll just tell you the facts and you judge, okay? [Laughs.]

So looking at the exports of the Republic of Moldova to the United States of America—and let's take 2018: \$21.77 million. Exports of Moldova to the Russian Federation: \$218 million, in 2018. And if we are talking about the exports of Moldova to the EU, it's \$1,862 million, okay? So 70 percent of our products are now exported to the European Union. The situation has changed from 2014. Before 2014, we've been traditionally dependent on the Russian Federation market. As a former part of the Soviet Union, if you know history probably you know that Moldova has been considered as a breadbasket of the Russian Federation. We are mainly, predominantly, an agricultural country. And we've been exporting most of our products to Russia.

In 2014, when we signed the Association Agreement with the European Union, Russia imposed embargos on all of our products, which of course led to an economic crisis in the country. Many companies, wineries and agricultural producers, suffered a lot. We had companies who witnessed companies which would go bankrupt. But this was probably a blessing in disguise, because we are in 2019 now, right, and we have 70 percent of our products already exported to the European countries—European Union countries. This is great, because we increased it. Of course, we had to adapt our products. We had to increase the quality of our products. Our producers had to invest in better technologies. But now we are in good shape.

Okay, it doesn't mean that we are neglecting the Russian market. We would like if the Russian Federation would be able to open the market for our agricultural producers.

There are discussions about this. We'll see how it goes. As of now, we have basically embargos on all of the products to the Russian Federation.

Ms. BAUMAN. All right. I will take the questions to the audience now. Are there any audience questions? Just speak up and state your name and affiliation for the transcript.

QUESTIONER. Sure, of course. My name is Justine Nuncio [ph]. I'm from Congressman Alcee Hastings' office.

I actually was in Moldova for the Fulbright, and so I actually have a domestic question. When I was there, I got to see a lot of villages—Comrat, Cantemir, Balti, all these cities and municipalities. What I noticed and what I spoke to a lot of people there is that there tends to be a very young population—little children, babies—and then elderly populations. So there seems to be a very large labor drain and brain drain from people getting Romanian citizenship and going to the EU to work abroad. What is the Moldovan Government doing to bring back these people to stay in Moldova and bring their ideas, bring their jobs to stay in Moldova?

Amb. BALAN. Anyone from my colleagues want to answer that? [Laughs.] Okay, I will answer, and maybe my colleagues would like to add something.

Yes, indeed. This is a phenomenon that we are facing right now. Out of—we'll just talk roughly figures. Out of 4 million people, about one million are abroad—works abroad. Basically, it's 3.5 and 800, looking at it proportionally. Half of this—so, about 400,000 people work in the Russian Federation in construction sites, and half works in the Euro-

pean Union, as domestic workers, mainly. Well, of course, we have a brain drain as well. Young specialists, especially IT engineers, immediately after graduating the university are finding jobs in the European Union. You know, there is a high demand for this—in this specific industry.

And also, we have many IT engineers who find jobs here in the United States. And we have many Moldovans who live on the West Coast and in San Francisco, where the high-tech companies are. We need to understand also that this is a phenomenon which is not specific only for Moldova. This is something that even Poland is facing, or other countries which have a more developed economy. And of course, many people who receive their Romanian passport and are EU members, they can easily find jobs anywhere in the European Union.

This is a sad statistic for Moldova. People have been flooding out of the country throughout the last probably 20-something years. So it's not that unique. It's true that the government is seriously looking at these issues. How to address this issue?

First of all, we understand that we have to improve something in our country, right? What's the first problem we're talking about? The poorest country in Europe, means that we need to improve our economy. And we've been showing that during the last years our economic growth has been stabilized. And back in 2015, our economic growth was minus 0.5. Now every year we will be enjoying an economic growth of 3.5 to 4 percent.

It's not bad for the region. It's not bad for the country, given the entire situation. I'm not sure how our economic performance will be during 2019, given all this political turmoil. There are specific programs which are aimed to retain especially the most qualified specialists in the country. For example, the government of the Republic of Moldova has created a legal framework for virtual IT parks in Moldova. Basically, any company from anywhere in the world which would register virtually in the Republic of Moldova, become a resident—virtual resident of an IT park—can enjoy a flat rate—tax rate of 7 percent. So they do not pay any taxes, any wage taxes, anything else. You just pay 7 percent and you can hire the IT specialists from Moldova and perform and produce high-tech products in Moldova.

This is one of the problems that we are working on. We developed the legal framework. We already are witnessing the inflow of IT companies which are registering, that are willing to benefit from this legal frame or these taxation facilities. And we as an investor here in the United States and we have the entire program to promote this cause. And we are planning to organize some events, especially on the West Coast. And they would attract U.S. companies to Moldova.

Dr. WELT. Can I add?

Ms. BAUMAN. Oh, yes. Of course.

Dr. WELT. Just one quick point. I think one underappreciated fact that speaks to the importance of Moldova's trade relations with the EU, is the fact that even Transnistria, which is controlled, propped up by Russia, more than half of Transnistria's trade is with the European Union as well, not with Russia. And then overall, just to complement the figure of 70 percent of Moldova's exports to the EU, Moldova's total trade with Russia is around 10–11 percent. So it is relatively—it is quite small, and it's substantially less than it used to be.

The question of remittances is another issue, and the importance of the Russian labor market to Moldova is critical, but so is the European market as well.

Ms. BAUMAN. Yes.

QUESTIONER. Phil Sloberg [sp]. I'm with Congressman Ben Cline's office.

My mom is Romanian. I spent some time in Moldova, in Chisinau. Most of the people that I interacted with there believed that ultimately unification with Romania is the only path to a stable Moldova. Obviously that's a minority opinion in the country now. Ambassador, specifically to you, what is your position on that, due to the longstanding cultural, linguistic, ethnic unification between Romania and Moldova? Do you think that that's a possibility sometime in the future?

Amb. BALAN. I cannot express my personal opinion—[laughter]—because I am here in the capacity of a representative of Moldova. So I speak on behalf of the people of the country of Moldova. And I do not only speak on behalf of the government, but in general on behalf of all the people.

I'll just give you some statistics. I'm an economist, so just to give my background—that's why I always give figures, you know? So according to the polls—I don't know, I haven't looked at the recent polls to measure how many people from Moldova are supporting unification between Romania and Moldova. I know that the figure was about 11 percent. But when we are looking at the Parliament, at the parties which end up in the Parliament, we don't have a party in the Parliament which is supporting or promoting this cause, okay? So this is the level.

I know personally many people who really believe that this might be a solution, because Romania is already in the European Union, it enjoys a lot of support. And, you know, it's much easier for a small country like ours to be a part of something bigger, you know? And so therefore it becomes more resilient to all the challenges that it is overcoming. However, this is statistics. Most of the people of Moldova believe that Moldova should develop as an independent and sovereign and neutral state—neutral country.

QUESTIONER. Thank you.

Mr. KIRCHICK. I would just also add that Romania is a member of the European Union and NATO, and so it wouldn't be able to just absorb another country without—

Amb. BALAN. Consultations.

Mr. KIRCHICK. Yes. [Laughter.] You could say that. The United States and other members of NATO would have concerns about how having new territory to defend, particularly territory part of which is disputed or controlled by Russia.

Ms. BAUMAN. Yes.

QUESTIONER. Yes. I'm Draz Iascu [ph] from Congressman Meeks' office.

And so my question is, it's hard for me to decipher which Romanian channels are actually not kind of pumping out propaganda. In Moldova, what Moldovan language, let's say, outlets, are more reputable than other ones? Is there a list of outlets that you would say that are probably more factually accurate, instead of just, like, spreading George Soros propaganda, or something?

Amb. BALAN. Well, propaganda in general is a very interesting subject in Moldova. And we're talking about different, you know, opinion flows. Soros propaganda is one thing that is happening in Romania and in other countries, and also in Moldova too. But the biggest concern is the Russian propaganda, because we used to have over 26 TV channels which were directly broadcasting to Moldova from the Russian Federation. Recently, during the last year, the Parliament of Moldova adopted a law to counter the Russian propaganda. And it provides that the Russian channels can—or any foreign channels can

directly broadcast to Moldova. However, the news or the political content has to be produced in Moldova. So this is a way to address this issue.

If we are talking about independent media, or objective media outlets, I also have a question to you in the United States, which are the independent and the objective media outlets.

QUESTIONER. Say, some are more adherent to journalistic standards than others. So I'll leave it at that. [Laughter.]

Amb. BALAN. It's just a rhetorical question. I'm not looking for an answer.

QUESTIONER. Yes. You know—

Amb. BALAN. I think it's a general phenomenon, you know? And of course, this is what we are living with.

Ms. BAUMAN. Anyone else have anything to add? Yes. Oh, you want to add something?

Dr. WELT. I wanted to—if folks were interested in talking about Transnistria a little bit.

Ms. BAUMAN. Oh, yes. Actually, that was one of my questions as well, so, anyone? Let's talk about Transnistria. [Laughter.]

Mr. KIRCHICK. Go ahead.

Dr. WELT. Sure.

Amb. BALAN. Go ahead. [Laughter.]

Dr. WELT. Okay, I'll start, and then I'll turn it over.

So of all the so-called frozen conflicts—and I think frozen is a terrible word, particularly in the context of Ukraine—but all the territorial conflicts in the post-Soviet region, what has been striking about the Transnistrian conflict is how advanced the conflict resolution process is—if not conflict resolution, the conflict management process. And unlike certainly Nagorno-Karabakh, between Armenia and Azerbaijan, or Abkhazia and South Ossetia, the territories in Georgia occupied by Russia, there are regular negotiations, discussions, and resolutions to the problems—very practical problems that residents of Transnistria and residents around the region face in terms of transportation, agriculture, education.

And it's frankly remarkable, from an observer's perspective, how many specific problems Moldovan authorities have been able to resolve with the de facto authorities in Transnistria, with the support of a very interesting cast of characters—the OSCE, the EU, the United States, and the Russian Federation. So it is a rather unique situation. One of the questions that I've always had—if I'm able to ask questions as well—is why the Russian authorities have been seemingly so supportive of a process by which Transnistria works together with the rest of Moldova.

But it is striking.

Amb. BALAN. Okay. Thank you very much for acknowledging the progress in Moldova, which has been registered 2 years ago. Before that, nothing has been done. And this has been done under the leadership of the government, which is led by the Democratic Party. I was in Moldova by that time, when all this progress was been done, and I was a part of the process. So you can find out firsthand of how this progress has been registered.

So there was a status quo. Nothing was going on. However, there were several issues that both Moldovans and Transnistrians were facing at the time. And they were simple issues. You know, these were issues related to their human rights. There were some of the cultural lands which Moldovans could not access. There were some schools in Transnistria teaching in Romanian, which also had to be supported, things like this. The government of Moldova had discussions with the Transnistrian authorities directly, without the involvement of the Russian Federation.

OSCE was a part of this process. I'd been meeting with the ambassador of OSCE at that time—who was an American, by the way. So we've been discussing and we've been working on this. And when the protocols have been signed, basically the Russian Federation found out about this a day before that signing.

Okay, and so this is how this progress has been achieved. Again, for those who don't know much about Transnistria, to just give you some facts. Transnistria is about 12 percent of Moldovan territory. It also consists of about 7 percent of Moldova's population. Moldova's national defense capacity, its military and others, is about 8,800 troops. The Transnistrian military capacity is 15,000 troops—almost double. Out of which, 2.5 thousand Russian troops.

These are facts and numbers which speak for themselves. We indeed achieved remarkable progress, and undoubtedly the Transnistrian authorities, and probably also even the Russian Federation would like to register some progress. They also need probably some success stories in the region, just to be able to advance in their relationship with the international community. This is my feeling from the discussions that I'm having here.

These results were, first of all, to bring our people together by just integrating the Transnistrians into Moldovan life, by giving them all the benefits that Moldovans are enjoying right now. We also think about the future of the integration of the Transnistrian region. However, the final solution of this conflict, frozen conflict, of course, depends, again, on Russia's willingness to give up a source of regional pressure. And of course, we count on the support of the United States and the European Union in the settlement of this process.

Ms. BAUMAN. So I think we're about out of time. I'm going to cut it off there. But I want to thank all of you for coming today, and for the panelists, and for an interesting discussion.

And thanks again. [Applause.]

[Whereupon, at 11:14 a.m., the briefing ended.]



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