

EU-Moldova Relations

Internal political and economic situation

Moldova is a member of the Council of Europe and of the OSCE. The OSCE/ODIHR international election monitoring mission noted some shortcomings in the first round of local elections on 3 June 2007. The second round of local elections took place on 17 June 2007. The last parliamentary elections took place on 6 March 2005 and led to a clear majority of the Communist Party which re-elected President Voronin in April 2005. The next parliamentary elections are set to take place in spring 2009.

Transnistria

Transnistria is a separatist region on the eastern border of Moldova. After a short war in 1992 it has enjoyed de facto independence. Russian troops are stationed in the region. A mediation process, involving the OSCE, Russia and Ukraine has been ongoing since 1992. The key principles of EU support for the settlement process are: support to the OSCE mediation efforts aimed at establishing a viable and democratic Moldovan state; withdrawal of Russian armaments without further delay; readiness for a greater EU involvement. The EU has appointed a EUSR for Moldova (Dr Kalman Mizsei). The EU introduced a visa ban against the Transnistrian leadership in March 2003, which has since been renewed and extended. The EU has been invited to join the mediation process as observer (together with the USA) since October 2005, when talks in the so-called 5+2 format (Moldova, Transnistria, OSCE, Russia, Ukraine plus the EU and the USA as observers) were introduced. The latest round of mediation in the 5+2 format took place in February 2006. The mediation process continues with the EU together with other mediators and observers urging Moldova and Transnistria to resume the 5+2 talks.

Helping Moldova to ensure full control over its borders and customs territory is a key issue for the settlement. Following a joint request by the Moldovan and Ukraine governments, the EU has deployed since December 2005 an [EU Border Assistance Mission \(EUBAM\)](#) on the Moldova-Ukraine state border (including the Transnistrian section) organised by the Commission with the participation of customs and border guards from EU Member States.

Economic situation

Since 1999, Moldova's economic performance has been commendable, in contrast to its deteriorating performance during the early years of the 1990s. The country has successfully stabilized, launched structural reforms to stimulate growth, and started setting up an effective social protection system. As a result, real GDP grew from 2000 onward, reaching 7.3 percent in 2004. The upswing was driven by domestic demand caused by strong remittances from abroad. Net exports were strongly negative at -31.5% of GDP.

In 2006, Moldova's economy slowed down to a growth of 4%. This weakening of growth was the result of a combined shock caused by increase in the price of Russian gas and by the closure of the Russian market to its traditional exports products, wine, fruits and vegetables. Economic growth has also been affected by the fact that much of Moldovan industry is located in secessionist Transnistria.

The country's per capita real GDP is the lowest in Europe (real GDP in 2004 was still less than half of the 1989 level) and Moldova is classified as low-income by the World Bank. The country suffers from a high incidence of poverty, particularly in rural areas.

Moldova's economy is characterised by a large agricultural sector (the sector counts for almost one quarter of GDP and 38% of total exports) and is dependent on Russia and Ukraine. The country has few natural resources and is almost entirely dependent upon imports for its primary energy requirements as well as inputs for its manufacturing industries. Substantial emigration resulted in strong, and growing, inflows of worker's remittances (at least 25% of GDP in 2003-2004), which have been fuelling a boom in households' consumption.