

Romania's Western Road through the East

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Executive summary

Romania's unique position in the region can be better understood if observed in close relation to its neighbours. A map of foreign policy relations in the region and of bilateral relations would show that Romania, while actively engaged with the EU, has hardly any direct contact with Russia. Nonetheless, as part of the eastern border of NATO and the EU, the country has border situations that engage it by proxy with the foreign policy of the Russian Federation. The Republic of Moldova, once a champion of the Eastern Partnership, is now drifting further away from European values following parliamentary elections in which the lack of coherence of right-wing parties led to a minority government supported by the Communist Party. The result is a potentially disastrous one for Chisinau, as necessary reforms could be blocked in parliament, which would be followed by a suspension of financial aid from Brussels. In such a scenario, the implications for Romania would be severe as Moldova has been the flagship of Bucharest's foreign policy for more than two decades (during which time Russia has managed to keep Moldova in check and away from Chisinau's foreign policy goals).

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Second is Hungary, a member of both NATO and the EU, whose leadership has adopted what it calls a “non-liberal democracy”, and in the past two years has pursued closer ties with the Russian Federation, mainly for economic motives. This framework, along with the growing nationalistic movement of Hungarians in Romania, has resulted in deterioration in Romanian-Hungarian bilateral relations.

Third, but not least important, is Ukraine, a country at war by proxy with the Russian Federation. Ukraine’s territorial losses affect Romania (Russia’s border with Romania is now just 300km away, by sea) and its stance in the region. The common denominator in all three cases is Russia. The position of Romania, although a NATO and EU member, is far from comfortable. It is caught between a country at war, one which is an ally but that has lost its predictability in the long run and, a failing democracy unable to commit to the European path. Furthermore, as an Eastern border of NATO (where a NATO command centre will be established in the summer of 2015 and where a part of the Ballistic Missile Defence (BMD) Shield is already being constructed), Romania has become the target of direct military threats from a Kremlin-associated think-tank and the target of Moscow for agreeing to be part of the BMD Shield, situations that turned the proxy implication into a direct one².

Romania without the Western lens

In the past 10 years, Romania has tied its development as a country to the status of being a member of Western alliances, and has

² “Russia threatens to aim nuclear missiles at Denmark ships if it joins NATO shield”, *Reuters*, 3 March 2015. Available at: <http://www.reuters.com/article/2015/03/22/us-denmark-russia-idUSKBN0MIoML20150322>

conducted its economic, defence and foreign policies accordingly. Romania's will to break with communist practices has been demonstrated through absolute compliance with Western practices and its resolve to oust political elements of the old regime. The past 25 years of continuous changes have led to a democratic status quo that is, at first glance, in line with the values promoted by the West. But, when the annexation of a territory of a state by another state turns from theory to precedent, when a military invasion turns from historical example to realpolitik, and when security guarantees become subject to pecuniary interests, the moment comes when a generation raised within a system developed around post-war treaties finds itself hostage to a contemporary reality for which it was never prepared. And when such a situation occurs at the borders of Europe, re-assessing priorities becomes a priority. In the same 25 years, the eastern region of Europe changed its status from a border for the West, into a border for the East which created vulnerabilities in the security perception of Russia. On the one hand, Russia sees "the biggest military alliance in history"³, built as a defensive alliance and purposed to prevent major threats (like another World War), as having overstepped its defensive mandate in the past decade, and as deploying against regimes and into regions in a way that threatens its neighbourhood. These internationally approved interventions took place, most of the time, in what the Kremlin calls "its near abroad" or against (some) traditional partners of Russia and were followed by a regime change, an increase in Western influence in the region and a sudden shift in bilateral relations between Moscow and the country in question. Furthermore, from Russia's point of view, NATO is expanding increasingly closer to

³ Thom Shanker, "Defense Secretary Warns NATO of 'Dim' Future", *The New York Times*, 11 June 2011. Available at: http://www.nytimes.com/2011/06/11/world/europe/11gates.html?_r=0

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its borders or is providing military equipment and know-how to countries in its immediate vicinity, while constantly rejecting their objections and threat perceptions as archaic and unfounded. Continuing the “defence” rhetoric, the same alliance has begun building the BMD (which is after all still a cluster of missiles capable of going in any direction, not only up) and has been taking up positions in Eastern Europe.

The question arises if NATO has created the impression of developing a policy of isolation of Russia or if the West has actively participated in the evolution of current events in Ukraine (or of past events in Georgia, Moldova, Armenia or Azerbaijan), by placing Russia in a strategically vulnerable position and by holding it captive to the capabilities or any possible intentions of the alliance. Those looking from the West might be confident of the peaceful intentions of the alliance and could find it difficult to understand some of the actions that Russia undertakes, but as far as Russian national security threats go, good intentions are the last thing taken into consideration by Kremlin’s strategists⁴.

On the other hand, the EU, although condemning transgressions against democracy in Russia, has enforced Moscow’s ambitions on the European scene through close economic co-operation. In the end, the commercial interests of influential players on the European market came head-to-head with the necessity of sanctions against Russia and drove a wedge between EU members (France and the Mistral deal could serve as one such example).

⁴ The last two paragraphs were previously published in Bogdan Nedeia, “The insecurity concept of the EU-r-ASIAN Borderline: The Caucasus”, in Valentin Naumescu, Dan Dungaciu (eds.): *The European Union’s Eastern Neighbourhood today: Politics, Dynamics, Perspectives*, Cambridge Scholars Publishing, 1 February 2015.

Even if the sanctions against Russia's transgressions were unanimously supported by all EU members, a precedent was set regarding the balance between the political will of Europe and commercial interests. If dependency on Russian gas was a problem Brussels had already acknowledged (and was working on finding a solution to), Russian investments in Europe and European investments in Russia proved to be a game-changer when the question of sanctions was raised. In this matter, individual national interests appeared to have prevailed over homogenous EU policy and especially over timely responses. This has left border countries (the Baltics, Romania, Poland, Bulgaria), the ones closest to the situation in Ukraine, fearing repercussions. Within this general context is Romania, a country that has aspired to Western values and has sacrificed some of its immediate interests in order to gain accession to the Euro-Atlantic community. Under the international paradigms that existed until late 2013, the benefits of this kind of membership were obviously higher than the costs, but 2014 brought about a series of changes that the international environment was hardly prepared for, which could raise the stakes for the member states as the unity of the Western systems may be put to the test.

In this respect, Romania's unique position in the region can be better understood if observed in close relation to its neighbours. Romania finds itself encircled by the effects produced by the economic and cultural ties between its neighbours and Russia.

One such effect was on the Republic of Moldova, a country that for the past year and a half has found itself in an economic tight spot because of the exports embargo enforced by Russia and by the abrupt decrease in money coming into the country from Moldovan workers whose access to the Russian job market was

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limited by Moscow (the decreases in exports and revenues from workers abroad amount to approximately 46% of Moldova's GDP)⁵. These elements, along with economic reforms that created austerity and high-level corruption among officials⁶, have led to a significant drop in public trust in the pro-European parties⁷. The new government, formed after the 2014 elections, is a minority one and is backed in parliament by the Communist Party that had been ousted from governance in 2009 following violent protests. In this new political framework, Moldova, once the flagship country of the Eastern Partnership, may be led astray from the European path. For Romania, Moldova's democratic success was the main foreign policy objective for the past fifteen years and its main lobbying topic in Brussels ever since Romania joined the EU. This means that any steps backwards taken by Chisinau have a direct impact on Bucharest's image on the international scene. This is a direct consequence of the fact that Romania has adopted a parent-like attitude towards Moldova, granting it social, economic and political benefits, despite the fact that sometimes such gestures were interpreted as interference or a policy of expansionism.

⁵ Kamil Całus, *Russian sanctions against Moldova. Minor effects, major potential*, Centre for Eastern Studies, 2014. Available at: http://www.osw.waw.pl/en/publikacje/osw-commentary/2014-11-06/russian-sanctions-against-moldova-minor-effects-major-potential#_ftn1

⁶ Ludmila Gamurari and Cristian Ghinea, *It has only just begun: EU and anticorruption institutions in Moldova*, EPC, 1 August 2014. Available at: http://www.epc.eu/documents/uploads/pub_4683_eu_and_antikorruption_institutions_in_moldova.pdf

⁷ "Partidele AIE se prăbușesc în sondaje, PCRM calcă totul în picioare", *Timpul.md*, June 5 2013. Available at: <http://www.timpul.md/articol/partidele-aie-se-prabuiesc-in-sondaje-pcrm-calca-totul-in-picioare-44415.html>

Continuing south, we find an EU and NATO member whose traditional ties with Russia were closer than any other state in the region. Bulgaria has come a long way from the times of Todor Zhivkov (the communist leader of Bulgaria from 1954 to 1989) and his “indestructible bond” – as he used to call it - to Soviet Russia, but the Russian influence still lingers in Sofia in the form of lobbies. The country's dependence on Russian gas imports (more than 90%) and for raw material for the Kozloduy nuclear power plant, as well as the fact that Lukoil controls most of the oil trade in the country, has put pressure on Sofia governments to solve the energy security problem of the country⁸. This had led Bulgaria to sign on to being the access point of Russia's South Stream gas pipeline project into Europe, a deal scuttled by the EU, which forced Sofia to suspend work on a vital part of the project on penalty of breaking the competition law⁹. The episode attracted the attention of both the US and the EU and led to high-profile visits (US Secretary of State John Kerry and British foreign secretary Phillip Hammond) in mid-January 2015 and appears to have sped up the process of finding solutions for the country's energy vulnerability¹⁰. Due to its geography, Bulgaria could be a key energy player and in regard to the situation developing in Eastern Europe, is becoming a key political player as well. Sofia's historical sympathetic view of Moscow as well as

⁸ Vlad Mixich, “Romania incercuita – bomba SWIFT”, *hotnews.ro*, 23 February 2015. Available at: <http://m.hotnews.ro/stire/19464765>

⁹ “Bulgaria halts work on South Stream gas pipeline”, *European Dialogue*, 11 June 2014. Available at: <http://www.eurodialogue.eu/Bulgaria%20Halts%20Work%20on%20South%20Stream%20Gas%20Pipeline>

¹⁰ “US's Kerry, UK's Hammond Met over Breakfast in Sofia”, *Novinite.com*, 15 January 2015. Available at: <http://www.novinite.com/articles/165962/US's+Kerry,+UK's+Hammond+Met+over+Breakfast+in+Sofia#sthash.DMQsHozU.dpuf>

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the pressure Russia can exert by playing the energy card could make it a potential weak link for Europe, which is trying to present a united front against Russia over Moscow's violation of international law in Ukraine. Even though Sofia has a direct interest in seeing the conflict in Ukraine come to an end – in the form of the large community of Bulgarians in Ukraine living close to the conflict area¹¹ - there are some political forces that continue to treasure its relations with Russia while the same political forces still hope for a positive outcome regarding Bulgaria's participation in South Stream¹². With almost 37% of the population preferring the Eurasian Union over the EU¹³, with pressure from companies that benefit from Russian gas monopoly¹⁴ and a constant victim of Russian soft power, backing up the pro-Western government in Sofia is a test for Brussels, which has to match the influence that the Kremlin has traditionally had in Sofia¹⁵.

¹¹ “Bulgaria Facilitates Issuing of Visas for Ethnic Bulgarians in Ukraine”, *BTA*, 10 February 2015. Available at:

<http://www.bta.bg/en/c/DF/id/1012529>

¹² Kerin Hope, “Bulgarians see Russian hand in anti-shale protests”, *Financial Times*, 30 November 2014. Available at:

<http://www.ft.com/intl/cms/s/o/e011d3f6-6507-11e4-ab2d-00144feabdco.html#axzz3OuZ78udw>

¹³ “22% of Bulgarians want to join Russia's ‘Eurasian Union’”, *Euractiv*, 8 January 8 2015. Available at: <http://www.euractiv.com/sections/eu-elections-2014/22-bulgarians-want-join-russias-eurasian-union-302163>.

¹⁴ Keith Johnson, “Sofia's Choice”, *Foreign Policy*, 16 January 2015. Available at: <http://foreignpolicy.com/2015/01/16/sofias-choice-bulgaria-russia-gas-energy-kerry-hochstein/>

¹⁵ Jim Yardley and Jo Becker, “How Putin Forged a Pipeline Deal That Derailed”, *The New York Times*, December 30, 2014. Available at:

http://www.nytimes.com/2014/12/31/world/europe/how-putin-forged-a-pipeline-deal-that-derailed-.html?_r=1

The intricate picture of Bulgaria is completed by Russian investments in the country that add up to the pressure: about \$5 billion worth of property bought by Russians in Bulgaria in the past two years and the sale of six Bulgarian strategic companies (among them Vivacom, the largest Bulgarian telecom company, the Dunarit Ruse explosives factory, Avionams Plovdiv airplane factory, TV7 television channel) by the fugitive businessman Tsvetan Vassilev¹⁶, for the sum of one euro to the LIC 33 company, associated to the Russian oligarch Konstantin Malofeev (part of the Siloviky and alleged sponsor to Ukraine separatists)¹⁷. At the same time, the notion of Bulgaria as a potential weak link need not be overstated, given that the traditional pro-Russian parties currently are on the back foot and the current centre-right government appears, going by the more reliable opinion polls, as having every chance of remaining in office for the remainder of the four-year term in office that it began in late 2014.

So, with Hungary as an example of an EU member that put its energy interests over its membership status, Romania has reason to remain watchful for any theoretical effects of the former “traditional” relation between Bulgaria and Russia. In this situation, the most compelling case is made not by the EU but by the Rus-

¹⁶ “Interview given by Russian Foreign Minister Sergey Lavrov”, *Focus Bulgarian News Agency*, 7 July 2014. Available at: http://www.mid.ru/brp_4.nsf/o/9622873A34AD5F5C44257D10002F049D

¹⁷ “Rusia muta in Romania si Bulgaria”, *Flux24*, 27 March 2015. Available at: <http://www.flux24.ro/rusia-muta-in-romania-si-bulgaria/>

¹⁸ Vessela Tcherneva, *View from Sofia: A difficult choice between Russia and the West*, European Council on Foreign Relations, 9 March 2015. Available at: http://www.ecfr.eu/article/commentary_view_from_sofia_a_difficult_choice_between_russia_and_the_west31

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sians: in 2006 Russian Ambassador to the EU Vladimir Chizhov stated that “Bulgaria is the Trojan horse of Russia in the EU”¹⁸.

To the south-west, Serbia, one of Romania’s strategic partners and a country aspiring to EU membership, is also a traditional ally of the Russian Federation, especially after the refusal of Moscow to recognise the independence of Kosovo (which was not recognised by Romania either). Moreover, in 2008, Serbia signed an agreement with Russia on energy imports (Gazprom owns 56% of the national company of Serbia, NIS) and in 2009 another one from which it received a billion euro loan from Moscow¹⁹. President Nikolic has openly declared that he intends to develop relations with both the EU and Russia but the main steps he has undertaken have been primarily towards the East: from announcing new joint military exercises with Russia (the first exercises of this kind took place in November 2014), in 2015, to receiving both president Putin and State Duma president Sergey Narashkin (who is on the sanctions list and is banned from travelling to the EU), with military honours²⁰. The Serbian president appears to have the support of the population in his endeavours, as more than 50% of Serbians have favourable opinions about Russia and more than half are not favourable towards NATO while only 46% of the population supports the EU membership of the country²¹.

¹⁹ *Ibid*, p. 5

²⁰ Ioana Bojan, “Serbia intentioneaza sa efectueze exercitii militare cu Rusia”, *gandul.info*, 1 March 2015. Available at: <http://www.gandul.info/international/serbia-intentioneaza-sa-efectueze-exercitii-militare-cu-rusia-13914663>

²¹ Jelena Milić, “The Russification of Serbia”, *New Eastern Europe*, 16 October 2014. Available at: <http://www.neweasterneurope.eu/interviews/1360-the-russification-of-serbia>

Among all of Romania's neighbours there is one whose actions and attitude could generate immediate effects for Romania: Hungary. The tensions generated in recent years in bilateral relations were created around the Hungarian minority in Romania and their claims for autonomy.

Minority issues had not created substantial problems in bilateral relations and Hungary as such had not been a major problem for Romania up to this point. The problem is that Hungary is no longer alone as it appears to have found an ally in Moscow. For the past two years, prime minister Orbán has been promoting a national policy in which the country's interests should be achieved regardless of violations of EU regulations, and he has come to harshly criticise Brussels' practices and even question its democratic values. Orbán's new political paradigm, which includes a lack of transparency in state affairs and limitations of the rights of the media and the population, has been called "illiberal democracy"²². According to the prime minister himself, the policy is centred on making his country more competitive and more economically viable. The extent of this policy included a sudden rapprochement towards Russia that culminated with a visit by President Vladimir Putin to Budapest in early 2015²³. Putting aside the historical transgressions by Russia, Budapest welcomed Putin with the highest honours and during his visit, the two signed five bilateral treaties. The two most important

²² Zoltan Simon, "Orbán Says He Seeks to End Liberal Democracy in Hungary", *Bloomberg*, 28 July 2014. Available at: <http://www.bloomberg.com/news/articles/2014-07-28/orban-says-he-seeks-to-end-liberal-democracy-in-hungary>

²³ "Hungarian prime minister gives Putin warm welcome in Budapest", *Deutsche Welle*, 17 February 2015. Available at: <http://www.dw.de/hungarian-prime-minister-gives-putin-warm-welcome-in-budapest/a-18264810>

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of these refer to the extension of gas imports (without any mention of the price) and the expansion of the nuclear power plant in Peks (In early March, the Hungarian parliament voted to keep details of this deal secret for 30 years²⁴) by Russian company Atomstroyexport²⁵. Also, in late March 2015, Budapest received the first part of a \$10 billion loan from Moscow apparently for the same Peks project, although it is widely believed that this is just an attempt from the Kremlin to buy favour with an EU member²⁶. Hungary, lacking any domestic production, is totally dependent on Russian energy imports. Further, more than 15% of the production of the Hungarian oil company MOL comes from Western Siberia gas fields. Putin vowed during his Budapest visit to support the activity of both MOL and Richter (Hungary's largest pharmaceutical producer), which exports 30% of its production to Russia²⁷. Orban is not the first Central European leader to maintain close relations with Moscow (the Czech, Slovak and Slovenian leaders are among those who do

²⁴ "Ungaria va secretiza pentru 30 de ani acordul nuclear încheiat cu Rusia", *gandul.info*, 3 March 2015. Available at:

<http://www.gandul.info/international/ungaria-va-secretiza-pentru-30-de-ani-acordul-nuclear-incheiat-cu-rusia-13925138>

²⁵ Paul Sonne, "Putin Offers Hungary Natural Gas Deal", *The Wall Street Journal*, 17 February 2015. Available at:

<http://www.wsj.com/articles/putin-warns-on-weapon-deliveries-to-ukraine-1424207946>

²⁶ Krisztina Than "Special Report: Inside Hungary's \$10.8 billion nuclear deal with Russia", *Reuters*, 30 March 2015. Available at:

<http://mobile.reuters.com/article/idUSKBNomMQoMP20150330?irpc=932>

²⁷ Gergely Tardos and Gábor Dunai, *Daily Report – Hungary*, OTP Bank, 18 February 2015. Available at: https://www.otpbank.hu/static/elemze-sikozpont/other/elemzesek/361u_Daily_Hungary_20150218.pdf

²⁸ Joerg Forbrig, *A Region Disunited?*, GMFUS, 19 February 2015. Available at: <http://www.gmfus.org/publications/region-disunited-central-european-responses-russia-ukraine-crisis>

the same) but he is notable as a prime minister of an EU member state willing to openly adopt a dualistic policy and criticise Brussels from inside the Union²⁸. Budapest alone did not represent a major European problem. But Budapest assisted by Moscow represents a threat to Bucharest as it could be a serious destabilising factor. Moreover, Budapest assisted by Moscow and unsanctioned within the EU could represent a regional threat for European unity, especially in the current situation where encouraging attitudes towards Russia are dangerous. We should not overlook the fact that Putin's first European visit since the outbreak of the conflict in Ukraine was to Hungary and the message he conveyed was not only strong but was strongly supported by Budapest.

To the north-west there is Ukraine. Aside from the dreadful situation the country finds itself in at the moment, which requires special attention from Bucharest, relations with Kyiv could never be described as close. Romania and Ukraine have gone through two international court actions (one over the continental platform of Serpent Island and one over Bystroe canal) that have chilled bilateral relations. The matter of the Romanian minority in Cernauti has added to the problem, even if relations appeared to thaw during Yushchenko's term of office as president of Ukraine. Ukraine's interests in Russia are extensive and its dependence (energy and economic) even more so.

So, with a neighbour that has shown Putin that he is welcome in Europe while rejecting the premise of the system of which it is part (Hungary), one neighbour that is strongly drawn to the economic prospects presented by Russia (Bulgaria), another (with which Romania has a 600 km border) caught in a proxy war with Russia (Ukraine), one whose political will is almost evaporated

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and whose economy is almost entirely dependent on Russia (Republic of Moldova), and one that finds more political advantages with Moscow than the EU and agrees to hold military exercises with it in spite of its aggression (Serbia), Romania seems to be caught in the centre of a landslide of Russian interests and intrigues. These countries, displeased to varying extents by the EU political system and its requirements, are drawn by the “easy” policies of Moscow that offer energy and economic advantages without asking for reforms and transparency. Brussels, constrained by the notion of policy transparency, fundamental to the democratic values it is built on, lacks the option of “bribes” (economic advantages or loans with very little demand for reforms and policy changes) as it has to account for the money it spends. Moscow is free of such social dependencies and political accountability. That is why you will often encounter the perception that Brussels carries a stick bigger than its carrots (especially for the political elites forced to undertake unpopular reforms), while Moscow does carry a stick (not in plain sight anyway) and hands out huge amounts of large carrots to some countries.

In this context, Romania, whose relations with Russia are close to frozen, may be faced with possible destabilisation attempts, hostile policies by neighbours and even military threats²⁹. Even as a member of the EU, Romania may find itself faced with the “multi-speed Europe” concept, and its effects. In this respect, Romania’s relations with the US stand out (as a result of interdependencies, ergo a friendship with interests and subject to the limitations of benefits), but it nonetheless is a long distance one, which means that the country is more or less alone.

²⁹ George Visan, “Ameniniări rusesti vs atuuri românești”, *Civitas Politicas*, 20 February 2015. Available at: <http://civitaspolitics.org/2015/02/20/amenintari-rusesti-vs-atuuri-romanesti/>

Economic diplomacy, or what does Russian money buy?

As we have seen so far, soft power is Russia's middle name and Moscow has the means to exert economic pressure in Europe in retaliation for international sanctions. Romania is partly in the same situation as other countries in the region, although not as dire, due to its minimal dependence on Russian energy imports. Nevertheless these imports will continue to be controlled until 2030 by companies that are subsidiaries of Gazprom or Kremlin-affiliated Russian businessmen³⁰. Ever since 1993, Romania has stopped importing Russian gas directly and has done so through intermediaries. In 2007, WIEE and Conef, the two companies that intermediate gas deliveries to Romania, have renewed their contracts for a further 23 years. WIEE is a joint venture company between Gazprom and Wintershall. It is controlled by the German group BASF and under its contract it delivers about 80% of the energy imports of Romania (around 5 bcm in 10 years)³¹. The second company, Conef, with its direct subsidiary, Imex Oil, is a Romanian company owned by Russian oligarch Vitali Matitsky, who also owns the largest raw and aluminium products producer in Romania and Eastern Europe – ALRO Slatina³². The company was privatised in 2002 - under a shady arrangement, now being investigated by the Romanian authorities - by Vimetco company, which is owned by Matitsky. More than 90% of the gas Romania imports comes from the

³⁰ "România, printre puținele state care importă gaze rusești prin intermediari", *energynomics.ro*, 21 May 2014. Available at: <http://www.energynomics.ro/romania-printre-putinele-state-care-importa-gaze-rusesti-prin-intermediari/>

³¹ "Proprietarul Alro intermediaza 20% din importurile Rmaniei de gaze rusesti", *Business24*, 8 January 2009. Available at: <http://www.business24.ro/alro/stiri-alro/proprietarul-alro-intermediaza-20-din-importurile-romaniei-de-gaze-rusesti-1449707>

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Russian Federation although the percentage of the imports is just 13% of domestic consumption (December 2013)³³. Nonetheless, the monopoly on gas imports controlled by Russian companies represents a risk for the Romanian economy as it has the power of raising prices (especially since the government doesn't negotiate directly with Gazprom) and also closes the market to any other companies. The gas crises of 2006 and 2009 affected Romania very little (even though at the time Romania imported almost 30% of its domestic consumption) as the country has gas reserves sufficient for 90 days (at average rates of consumption). The year 2014 was the first that gas imports have dropped below 10% due to low industrial consumption³⁴. The downside is that this figure will start rising with accelerated industrial growth.

The situation is more unnerving when it comes to the oil industry of Romania: two of the largest refineries in Romania are also owned by companies from abroad: in 1998 Lukoil entered the Romanian market by buying a majority share of the Petrotel Ploiesti refinery, while in 2007 the Rompetrol company, which owns the largest oil refinery in Romania, was taken over by Kaz-

³² Mugurel Manea, "Cum s-a "năruit industria Slatinei. Alro, "perla României", vândută la preț de nimic", *Slatina*, 2 February 2015. Available at: http://adevarul.ro/locale/slatina/cum-s-a-naruit-industria-slatinei-alro-perla-romaniei-vanduta-pret-nimic-1_54cf1362448e03cofd32329e/index.html

³³ "Rapoarte lunare de monitorizare pentru piata internă de gaze naturale 2013", *ANRE*, 2013. Available at: <http://www.anre.ro/ro/gaze-naturale/rapoarte/rapoarte-piata-gaze-naturale/rapoarte-lunare-de-monitorizare-pentru-piata-interna-de-gaze-naturale-2013>

³⁴ Eurostat, *Half-yearly electricity and gas prices*, European Commission. Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/File:Half-yearly_electricity_and_gas_prices.png

MunaiGaz, the national oil and gas company of Kazakhstan³⁵. Another major Romanian producer of oil is Petrom, the majority share of which is owned by Austrian group OMV, a company that is also involved in exploration and extraction of onshore and offshore gas fields in Romania. Given its privileged relations with OMV, Gazprom managed to buy a share of Petrom gas stations through its Serbian subsidy NIS³⁶.

In this intricate web, Romania stands to lose the most: besides the gas imports, which are under Russian ownership, Lukoil owns one Romanian refinery while the other is owned by KazMunaiGaz, a company highly susceptible to Moscow's influences as it depends on Russian transport infrastructure to deliver its gas to the West. In this respect, Lukoil owns a market share of about 20% (including 300 gas stations and exploration rights for an oil field in the Black Sea), Rompetrol (KazMunaiGaz) the same NIS an approximate of 10%, thus amounting to almost 50% of the oil market in Romania³⁷. On the other hand, OMV can decide to export the gas it extracts (and will extract from the Black Sea), to Gazprom or its subsidiaries. Another major risk is that OMV, in order to get significant concessions from Gazprom in Russia, could decide to sell (as it did with its share in Hungarian company MOL), the Petrom network. Moreover, the Russian-owned companies are major employers in Romania and a suspension of activity by Moscow as retaliation for sanctions could mean technical unemployment for thousands of employees.

³⁵ Emilia Olescu, "Tampiza: Lukoil va fi obligată să-și vândă și activele din România", *Bursa*, 7 August 2014. Available at: http://www.bursa.ro/daca-situatia-din-ucraina-se-va-inrautati-tampiza-lukoil-va-fi-obligata-sa-si-vanda-si-actiunile-d...&s=companii_afaceri&articol=243829.html

³⁶ *Ibid*, p.10.

³⁷ *Ibid*, p.10.

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Overall, the Russian ownership in Romania could, in time, constitute a critical mass, that would be able to influence prices, block access of other companies to the market and even exert pressure on political or strategic decisions.

Last but not least, 2013 brought forth a very important change in Romania's threat perception: following the Crimea annexation by Russia, Romania and Russia now share a common maritime border. In these circumstances, Russia may choose not to heed the 2009 decision by the International Court of Justice regarding the maritime border after a court dispute between Romania and Ukraine (which Romania won)³⁸. Such an action could be challenged in court but that could take years and there are no mechanisms to enforce it. Meanwhile, the effects produced by such an action could have serious effects on Romania's economic climate, discouraging investors and creating insecurity on the border.

Romania's priorities and policy

Many are talking about a hybrid war in Ukraine. For Romania it is time to realise that this hybrid war is happening a few hundred kilometres from its border and that there is no containment for the unknown. Ukraine was a sitting duck for this war that employs all methods from media to social harassment, because it was a weak state. A weak state is the perfect victim of this kind of aggression. Unless counter-measures are taken, it will not be long before the effects of this hybrid war are seen in Romania. One problem is that the political elites are still easily seduced by the opportunity to achieve personal goals and wealth

³⁸ "Analiză Foreign Policy:are Rusia poate lovi România", *Adevarul*, 15 June 2014. Available at: http://adevarul.ro/news/eveniment/cum-rusia-atatace-romania-1_539dcaaaod133766a89a6c34/index.html

rather than leaving a rich heritage. The system is still corrupt, even though there have been significant improvements in the justice system. The past few years, in which the justice system prosecuted and convicted a growing number of previously “untouchable” former officials, have made it riskier to be corrupt and have only raised the cost of bribes, but have not eliminated the problem.

- In this respect, the first recommendation is that Romanian decision-makers need to understand the international situation. The Romanian leaders have created a comfort zone out of a lack of initiative and conformism, the result being that Romania's foreign policy has been at times incoherent, timid, lacking a quick reaction and even contradictory. Given these aspects, it is important to realise that Romania could be a key player in the situation developing in Eastern Europe by becoming involved in the European debates regarding the situation and better capitalising on its stabilising role as a NATO member and US partner.
- Second, Romania should begin developing a multi-layered foreign policy (as opposed to the single-layered at the moment, focused on the Republic of Moldova): on the first layer should be the Republic of Moldova and Ukraine, second layer Turkey, Poland and Bulgaria, third Georgia, Azerbaijan and Armenia and fourth, reviving its connections to Middle East countries with which it had substantial commercial links during the communist period (e.g. Iran, Iraq).
- Third, Bucharest should begin reviving its projects that would have brought both political and economic advantages: The Black Sea Synergy (BSS) - a project that was put aside when the Eastern

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Partnership (EaP) was started. Now that the EaP has more or less failed, the BSS could serve as its potentially more successful replacement. With such a project, Romania could put the regional partnerships (with Poland for example) to good use and find ways to approach issues like EU-Turkey (with which Romania has had a strategic partnership with since 2011) relations or promoting stability in the South Caucasus. The BSS becomes even more relevant as the Black Sea has changed its dynamic due to the annexation of Crimea.

The Azerbaijan-Georgia-Romania Interconnector (AGRI) is another project that should be brought back to the table as it has the power to reduce gas imports from Russia for Romania and other European countries.

Threat perception

Two or three years ago, no one could have imagined a more intricate picture for Romania. Surrounded by states that not only build partnerships with Russia but also capitalise on them, Romania appears to be unable to make use of the same kind of assets. The only strategic partnership that produces some result for Romania at the moment is the one with the United States. But that is not the only option for Bucharest: there is a strategic partnership with Poland that never has been put to use and has enormous potential for the situation with which Eastern Europe is faced. Two NATO countries neighbouring Ukraine, able to understand the “occupationist” culture better than any American strategist, are an added value for a region at war. Both countries have sufficient resources to provide analysis and intelligence of the situation on the ground, as well as real solutions for the Ukrainian government.

In this respect both Romania and Poland could become the spearhead for analysis in the region. Creating a state-funded joint think-tank in which Romanian and Polish experts could produce analysis on the situation in Eastern Europe.

Experience donor

The fact of the matter is that we are not ready to approach a situation where individual partnerships that EU member countries in Central and Eastern Europe have with Russia come to have a higher net value than their partnerships with Brussels. Even at this point, the Czech Republic, Slovenia, Slovakia, Hungary, Cyprus (which has a deal to house a Russian naval base), Greece (openly pro-Russian under the new Syriza government), and even Germany (which has an exclusive gas pipeline), Italy (that recently signed a XX billion-dollar investment agreement with Russia) or France (the Mistral deal that jumpstarts the French economy) stand more to lose than gain from opposing Moscow. How long will it be until these countries cease to reach an accord on “stopping Russia”? What Romania can do, as an EU member and a country with national interests, is to provide experience. Some of these countries break EU ranks because the transition and adaptation conditions appear too difficult. In this respect, Serbia is the perfect candidate. Such aspiring members can be assisted in the process by a country that has had a similar history, a similar cultural heritage and that has faced similar obstacles in the transition and pre-accession period. These countries can learn from the mistakes that have already been made and find ways not to repeat them.

Experience is not the only thing Romania has to offer: through the use of its rich natural resources, the country could become

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an energy provider for its neighbours, and given enough time, even break the imports monopoly from Russia. We are witnessing such a case with the Republic of Moldova to which Romania started exporting natural gas in early March 2015³⁹. The Iasi-Ungheni pipeline will transport, in the first phase of the project, a million cubic metres at a price of 255\$/1000 cubic metres, a price \$70 lower than the gas imported from Russia⁴⁰. At the moment, Romania is exploring ten areas in the Black Sea with potential underground natural resources. Only two have reached the extraction phase and it is predicted that five will reach extraction by 2020. This would turn Romania into an energy exporter in the region and, in turn, this would provide more foreign policy options for neighbours that are dependent on Russian gas.

The need to strengthen the army

The Romanian army, although a professional one, is severely lacking the proper equipment as the defence budget has been neglected by the authorities in the past ten years. Romania is spending less than 2% of its GDP on the army and even though a political decision has been made to increase that percentage, two years on it has not been implemented. The same decision was taken recently as a result of a political accord between the president and the prime minister. The only problem is that this defence spending will most likely begin taking place in 2016 at the earliest. Until then, Romania will lack military equipment,

³⁹ Carla Dinu, "Romania exporta de miercuri gaze in Republica Moldova prin conducta Iasi - Ungheni", *HotNews.ro*, 4 March 2015. Available at: <http://www.hotnews.ro/stiri-esential-19542669-livrarile-gaze-pentru-republica-moldova-prin-conducta-iasi-ungheni-incep-miecuri.htm>

⁴⁰ *Ibid*, p.14.

⁴¹ *Ibid*, p.5.

will be using fighter jets that should have been decommissioned over 10 years ago and has a small fleet, which the Russians threatened to destroy if need be⁴¹.

On the other side is the Russian Black Sea fleet, just 300km away from Romania's borders that will receive new submarines and warships in 2015⁴². Moreover, the "front line" scenario is becoming increasingly feasible if we look at the latest developments: Russia, through its Deputy Minister of External Affairs and other officials, has stated that the missile clusters in Romania and Poland (part of the BMD) are a violation of the Intermediate Nuclear Forces agreement that the US and USSR signed in 1987⁴³. Also, Russia's NATO emissary has warned that these parts of the BMD in Poland and Romania can severely affect the "military security and contributes to the creation of an unstable Europe"⁴⁴. The situation developed further escalated by the Russian side:

⁴² Mihai Draghici, "Rusia va avea 50 de nave și submarine suplimentare în 2015. Unele ar putea ajunge în Marea Neagră", *Mediafax News Agency*, 2 March 2015. Available at: http://www.mediafax.ro/externe/rusia-va-avea-50-de-nave-si-submarine-suplimentare-in-2015-unele-ar-putea-ajunge-in-marea-neagra-13920931?utm_source=Facebook&utm_medium=Cross&utm_campaign=Mediafax

⁴³ "MAE rus: Sistemele antibalistice care vor fi instalate în România încalcă Tratatul INF", *Mediafax*, 2 March 2015. Available at: http://www.mediafax.ro/externe/mae-rus-sistemele-antibalistice-care-vor-fi-instalate-in-romania-incalca-tratatul-inf-13918732?utm_source=Facebook&utm_medium=Cross&utm_campaign=Mediafax

⁴⁴ Iuliana Enache, "Emisarul Rusiei la NATO: Înființarea unor baze de apărare antirachetă în Polonia și România poate afecta securitatea, *gandul.info*", *gandul.info*, 1 March 2015. Available at: <http://www.gandul.info/international/emisarul-rusiei-la-nato-infiintarea-unor-baze-de-aparare-antiracheta-in-polonia-si-romania-poate-afecta-securitatea-13914609>

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on April 15, 2015, Russian officials once again reiterated their stance towards Romania. Russian foreign minister Sergey Lavrov and army chief of staff Valery Gerasimov declared that despite the new nuclear deal between Iran and the US, the BMD Shield continues to be developed, thus threatening the strategic balance in the region. Furthermore, the two said that non-nuclear powers hosting the BMD Shield would become primary targets of “Russian military response”⁴⁵. NATO responded by reiterating that the BMD Shield is defensive and that Moscow is using nuclear weapons as an intimidation mechanism.

Under these circumstances it is necessary that Bucharest should be more involved in the foreign policy decisions that directly affect its future and work with other countries (like Poland in this case) to create a strong voice with its allies in these circumstances. This need is highlighted now, more than ever especially in a moment when threats become more nuanced and directed. And Romania is one of the threatened.

⁴⁵ Mihai Draghici “Avertisment al armatei ruse: Rusia va considera ținte prioritare țările europene care vor găzdui sisteme antirachetă/ NATO respinge acuzațiile Moscovei”, Răspunsul lui Ponta, *Mediafax*, 16 April 2015. Available at: <http://www.mediafax.ro/externe/avertisment-al-armatei-ruse-rusia-va-considera-tinte-prioritare-tarile-europene-care-vor-gazdui-sisteme-antiracheta-nato-respinge-acuzațiile-moscovei-raspunsul-lui-ponta-14124265>