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## Romania: Euro-Atlantic Integration and Economic Reform

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# Romania: Euro-Atlantic Integration and Economic Reform

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## **Abstract**

The importance of President Clinton's visit to Bucharest goes far beyond the symbolism represented by the first visit of an American president to a free and democratic Romania. "Euro-Atlantic integration" does not start when a country states its commitment to being a candidate for North Atlantic Treaty Organization ('NATO') or European Union ('EU') membership and does not end with the moment of accession. Among Central European nations, accession to NATO has enjoyed the greatest public support in Romania. Romania's integration into the European Union is the other foreign policy goal that, together with accession to NATO, is considered indispensable to Romania's development as a stable and prosperous free market democracy. Romania took advantage of the instruments set up by the EU which are meant to assist Central European associated countries in their preparation for accession. Economic integration does not take place overnight; negotiations for accession to the EU of Finland, Sweden and Austria – prosperous European nations and former European Free Trade Agreement ("EFTA") members – lasted for four years. The prospect of EU membership has been a main factor that has enabled Romania to become a member of Central European Free Trade Area ("CEFTA").

## ESSAYS

### ROMANIA: EURO-ATLANTIC INTEGRATION AND ECONOMIC REFORM

*Mircea Geoana\**

On July 11, 1997, only two days after the conclusion of the NATO Summit in Madrid, President Clinton paid a one day visit to Bucharest where he met Romanian President Emil Constantinescu. The importance of this event goes far beyond the symbolism represented by the first visit of an American president to a free and democratic Romania.

Romania's invitation to start negotiations for accession to NATO has been denied by the alliance in Madrid. Most of the European allies have strongly supported Romania's candidacy but the United States favored a limited first round of expansion. Only Poland, the Czech Republic, and Hungary were eventually invited. This decision has been largely perceived by the Romanian public as an oversight.

Many observers feared that disappointment and frustration might generate a "cold" reaction from the Romanians during the visit of the American president to Bucharest. Yet, an enthusiastic, cheering crowd of more than 40,000 gathered in the University Square to attend the speech of Bill Clinton. How was that possible?

#### I. *EURO-ATLANTIC INTEGRATION: NATO AND EU ADAPTATION*

After 1990, for Central European nations, accession to North Atlantic Treaty Organization ("NATO") and the European Union ("EU") has become a main focus. Membership in these structures is considered a genuine "ticket to success." The approach has strong motivations.

NATO is the symbol of force and stability. It represents the most successful military alliance in history and has prevented destructive war with its security and defense umbrella over Western

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Europe. NATO means a U.S. presence in Europe, which still has, after the end of the Cold War, a tremendous role in the stability of the continent (for example, the leading United States role in resolving the crisis in Bosnia). The alliance has ensured the democratic stability of its members. Inclusion of Spain in NATO in 1982 came after long years of dictatorship, and its membership has since become an important factor for the stability of Spain's democracy.

The EU is the symbol of integration and economic prosperity. While economic integration and the single market have created the most important economic and trade actor in the world, the EU Member States are European models of democracy and stability. The European Community was the linking element that reintegrated West Germany with the other European democracies and put the special Franco-German relationship in the core of the future European development. Inclusions of Greece, Portugal, and Spain in the European Community resulted in the consolidation of democracy and stability of these countries that had abandoned totalitarian regimes, as well as in their spectacular and steady economic development.

Both organizations are based on, and defend, the same set of fundamental values: stability, democracy, rule of law, and free market economy. These values are the real source of solidarity that characterizes their members. These values illustrate how expansion is a natural and logical process of reintegrating the Central European nations into the Euro-Atlantic community. The Central European nations share a commitment to these values and have the ability to defend them.

What is "Euro-Atlantic Integration?" In the United States, the concept is rarely used. In Western Europe, a much more consecrated terminology is "European integration," defining the sophisticated functioning of the EU system which led to the "acquis communautaire."<sup>1</sup> In Central Europe, "Euro-Atlantic integration" refers to the process of enlargement of both NATO and EU to the East or, generally, to the efforts of Central European

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1. See Roger T. Goebel, *The European Union Grows: The Constitutional Impact of the Accession of Austria, Finland and Sweden*, 18 *FORDHAM INT'L. L. J.* 1092, 1140-1157 (1995). "This term, so hard to translate that the French is invariably used even in English texts, means essentially that the intrinsic core of the Community (now the 'Union') legal and political structure is a given ('acquis') which the new Member State must accept, not challenge or call into question." *Id.* at 1141.

nations to reconnect themselves to the Western community. In my view, this last concept covers a much broader area, and could very well characterize the whole process of NATO and EU post-Cold War adaptation.

Integration is a process, not a moment. "Euro-Atlantic integration" does not start when a country states its commitment to being a candidate for NATO or EU membership and does not end with the moment of accession. It covers the whole sequence of cooperation — enhanced partnership — membership — deepening integration. All European countries are at some point in that sequence. Ukraine, a country that has not yet made up its mind to become a candidate for NATO or EU membership, but has already developed a close cooperation with both institutions, and France, a founding member of NATO and EU that currently aims at rejoining the NATO integrated command structure and at fulfilling the convergence criteria for EU, are both in a process of "Euro-Atlantic integration."

Some might argue that "integration" is a concept that might characterize the EU, but certainly not NATO, even with regard to its enlargement. NATO is a military defense alliance, where all decisions are taken by consensus of its sixteen members. Critics argue that you may "join" NATO, but you do not "integrate" into NATO.

It is true that during the Cold War period NATO was a pure defense alliance. It is also true that NATO has, and will continue to have, the important role of a military alliance responsible for the defense of its members. But NATO is already more than that; it is a system that makes vital political decisions regarding the security and stability not only of its members but of all of Europe. Whether some will like it or not, the political dimension, not the military one, will characterize the alliance's activity more and more. The whole NATO post-1990 evolution proves it. The process of enlargement, North American Cooperation Council ("NACC")<sup>2</sup> and now the Euro-Atlantic Partnership Council ("EAPC"),<sup>3</sup> NATO-Russia Council,<sup>4</sup> NATO-Russia Founding Act,<sup>5</sup> NATO-Ukraine Charter,<sup>6</sup>

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2. The Euro-Atlantic Partnership Council is an outcome of the merger between the Partnership for Peace ("PFP") and the North Atlantic Cooperation Council ("NACC"). The NACC is a forum in which allies can offer their experience and expert advice to partner countries on security issues. S. TREATY DOC. NO. 25, 103d Cong., 2d Sess., at V-VII (1994).

3. The Euro-Atlantic Partnership Council is composed of the North Atlantic Cooperation Council and the PFP.

4. The NATO-Russia Permanent Joint Council, 36 I.L.M. 1006, 1010 (1997).

5. The NATO-Russia Founding Act on Mutual Relations, Cooperation and Security, 36 I.L.M. 1006 (1997).

even the Partnership for Peace ("PFP"),<sup>7</sup> have first and foremost a political dimension and political goals. These initiatives have created deep relations among participants, and, although decisions within NATO are still taken at a strict-intergovernmental level, the evolution of the alliance might be considered as a "movement" toward integration.

The United States is also in a process of "Euro-Atlantic integration" even beyond NATO. After the 1995 signing of the New Transatlantic Agenda,<sup>8</sup> the United States and the EU have linked their economies tighter, strengthening the world's biggest commercial relationship. And this relationship will develop not only toward free trade but also toward integration. A "Transatlantic Economic Community" or even a "Euro-Atlantic Union" might be the NATO's or the EU's of the future.

Enlargements of NATO and the EU develop in close connection with the overall adaptation of these institutions to post-Cold War evolutions. Central European nations seeking membership have to join two very dynamic systems. That is why the task is very difficult. Their preparation must not only aim at reaching present standards, but also keep pace with the current process of adaptation. For instance, in their preparation, in addition to the efforts to achieve the "classic" military interoperability with NATO, candidates must also create and train their armed forces in order to be able to participate in Rapid Reaction-type operations, which is part of a new NATO concept. EU candidates must not only harmonize their legislation to the present EU legislation, but also prepare themselves to cope with the rapid development of "third pillar" pol-

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6. NATO-Ukraine Charter Madrid, 9 July 1997 <<<http://www.tryzub.com/UKRAINE/Statement/10.html>>>.

7. Partnership For Peace Invitation Issued by Heads of State and Government participating in the Meeting of the North Atlantic Council, Jan. 11, 1994, *reprinted in* NATO Partnership For Peace 1 (NATO, 1994). The Heads of State of NATO nations created the PFP as an "immediate and practical program that will transform the relationship between NATO and participating states. This new program goes beyond dialogue and cooperation to forge a real partnership - a Partnership for Peace." Captain Davis Brown, *The Role of Regional Organizations in Stopping Civil Wars*, 41 A.F. L. Rev. 235, 254 (1997). The objectives of PFP were to commit to openness of national defense planning and budgeting, to keep the military under "democratic," or "civilian" control, to maintain the capability and readiness to contribute to operations, to develop military relations with NATO, and to promote long-term development of interoperability with NATO forces. *Id.* (citing NATO Partnership For Peace 1 (NATO, 1994)).

8. The New Transatlantic Agenda, Vol. 6, No. 49 U.S. Department of State Dispatch, 894-96, Dec. 4, 1995. "At the Madrid Summit on December 3, the European Union and the United States agreed on a 'Transatlantic Agenda' to improve political ties and economic relations." John R. Schmartz and Mike Meier, *"New Transatlantic Agenda" Agreed to by EU and U.S.*, 2 INT'L. L. UPDATE 12, 12 (1996). The Transatlantic Agenda addresses the Peace process in former Yugoslavia, a common security policy, measures against international crime, environmental protection, as well as a "new transatlantic market place" to improve mutual trade and investment. *Id.*

icies (regarding justice and home affairs) or to adapt their financial policies to the future EU. That is why enlargement and adaptation are "interlocking processes."

## II. ROMANIA AND NATO

For post-1990 Romanian governments, Romania's accession to NATO has been a major political goal. Euro-Atlantic integration is considered a question of national interest. Among Central European nations, accession to NATO has enjoyed the greatest public support in Romania.

Several arguments support the idea that Romania satisfies the NATO accession criteria stated by former Secretary of Defense William Perry, including a consolidated democracy, a free economy, good neighborly relations, civilian control on the military, and interoperability with NATO forces.

- Romania has fully proven the stability and maturity of its democracy; in November 1996, free and fair general elections took place for the third time after 1989. The last elections led to major alternation into power.
- The new reform-oriented Government is implementing a very ambitious and aggressive economic program aimed at a rapid culmination of privatization and restructuring of the Romanian economy.
- Romania has good relations with its neighbors and has concluded, in less than a year, very important basic bilateral treaties with Hungary and Ukraine. Romania has good relations with all the Balkan countries (including Greece, Turkey, and the former Yugoslav republics).
- Romanian military, police, and intelligence structures have been put under complete civilian control.
- Romania has achieved a remarkable degree of interoperability with NATO forces, and many efforts are dedicated to this end. Romania has shown its willingness to contribute to international peace efforts by actively participating in peacekeeping operations in Bosnia, Albania, the Gulf, Angola, and Somalia. Romania has highly trained and experienced armed forces for these types of operations, including a newly created Rapid Reaction Force.

Romania was the first country to sign in 1995 the Partnership for Peace, which is considered to be a useful preparatory stage towards membership, and has been one of the most active participants in this program.

Moreover, Romania enjoys a very interesting strategic location, which, along with its other assets, makes it an important stability provider in the area. NATO membership would strengthen this role:

- Romania, Poland, and Hungary are Ukraine's "interface" with Europe. Their accession to NATO would strengthen Ukraine's independence and stability, which are crucial for Europe's security.
- While accession of Poland and the Czech Republic to the alliance would consolidate the central and northern flank of NATO, inclusion of Romania, Hungary, and Slovenia would strengthen the southern flank. Its consolidation is important, considering that future threats to European security will come from the south and the south-east of the continent.
- NATO membership for Romania, Hungary, and Slovenia would project stability over the Balkans, preventing at the same time any possible projection of instability from the Balkans to Central Europe.
- By its location "at the crossroads," Romania can be an important element in stopping the penetration toward Western Europe of the new security threats such as terrorism, organized crime, arms traffic, smuggling, and drug traffic.

At the Madrid NATO Summit, despite its attractive offer, and despite a strong support for immediate membership (eleven out of sixteen allies favored its inclusion in the first round of NATO enlargement). Romania (along with Slovenia) has not reached the consensus necessary to be invited to start negotiations for accession with the alliance. Only three Central European candidates were invited: Poland, the Czech Republic, and Hungary.

Why was Romania not included in the first round of NATO expansion?

First, Romania's spectacular progress has not been as consistent as in the case of the Madrid three invitees. The democratic alternation into power, demonstrating a functional democracy in Romania, occurred only after the November 1996 elections. The conclusion of bilateral basic treaties with Hungary took place in September 1996 and with Ukraine in June 1997. The implementation of a firm program of economic reform aiming at a speedy restructuring of the economy and at the complete

opening of Romanian markets to trade and foreign investors started at the beginning of this year. It is understandable why a year ago no political analysts in the United States or in any other allied country anticipated such a positive evolution.

Second, the Allies considered that a smaller group of invitees would be easier to be "swallowed" by NATO. Important organizational and technical questions must be clarified in order to adapt NATO structures to an enlarged alliance. The question of costs of expansion also influenced the Madrid decision substantially, and burden sharing will be a serious question of concern in the ratification process, especially in the United States.

Third, a limited first round expansion, leaving out uncontestedly valid candidates such as Romania and Slovenia, not only emphasizes the "open door" character of enlargement, but makes it easier to frame a second round in terms of timing and countries to be invited. If its steady progress as a stable and reliable partner of NATO continues, Romania will be a leading candidate for the second round of enlargement, which may start in 1999. The timing will very much depend on the successful conclusion of the first round.

Ratification in the U.S. Senate will have paramount importance for the subsequent steps in the process. The debate in the Senate will not only deal with specific issues directly related to expansion, such as costs. But will deal with the future U.S. policy in Europe. Questions regarding U.S. involvement in crisis management in Europe, burden sharing, the role of European allies in European defense, and the role of the EU in security and defense will be approached in this debate. The U.S. strategy in Europe for the next century will be framed within this debate.

### III. ROMANIA AND THE EUROPEAN UNION

Romania's integration into the European Union is the other foreign policy goal that, together with accession to NATO, is considered indispensable to Romania's development as a stable and prosperous free market democracy. Romania has been, since February 1, 1995, associated with the EU by a Europe Agreement, whose provisions regarding all the issues of economic and financial cooperation, approximation of laws, and full trade liberalization have established a strengthened progressive cooperation at both political and economic levels between

Romania and the EU.<sup>9</sup> The aim of association is to gradually integrate Romania with the Union.

Romania took advantage of the instruments set up by the EU which are meant to assist Central European associated countries in their preparation for accession. There are three categories of such instruments: strategies and programs for the candidates (most of them elaborated by the European Commission); structured political dialogue ("15+10")<sup>10</sup> at ministerial levels, aimed to evaluate and further develop the EU-associates relations; and the PHARE<sup>11</sup> program and other programs of assistance. In its recently released "Agenda 2000," the European Commission has evaluated the economic performances of all the candidates to accession. Following this evaluation, the Commission has recommended to the EU Council to start negotiation for accession with five Central European countries: Poland, the Czech Republic, Hungary, Slovenia, and Estonia. Romania is not among the first invitees, and the reason is clear: its poor economic performances.

If the most difficult problems for NATO enlargement are political and strategic ones, including relations with Russia, maintaining the alliance's defense capability, burden sharing between the United States and the European allies, EU expansion problems are mainly economic and institutional ones. Key to the EU's prosperity and internal cohesion is the sophisticated economic integration among its members. To be a member of the EU is to be part of a system that cannot function if one of its elements does not function properly. That is why membership in the EU requires high economic performances, enabling the absorption of the "acquis communautaire" and competition in the Internal Market.

Although some of the "Agenda 2000" assumptions regarding Romania's evaluation might be questionable, one point is clear: Romania's economy is not prepared to join the EU. Yet,

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9. 1995 WL 920278 (Apr 10, 1995). Romania entered into this agreement, also called the "European Association Agreement" ("EAA"), on Feb. 1, 1995. *Id.* These agreements are based on the principles of respect for human rights, the values of pluralist democracy, the role of law, and the market economy. *Id.*

10. This refers to structured political dialogue, at the ministerial level for Central European Countries desiring entry into European Union.

11. 1995 WL 918808 (describing national and regional technical assistance programs).

negotiations for accession should start simultaneously with all the Central European candidates. Such a decision should take into account more of the political motivations and less of the economic ones. The economic gap between the poorest EU member and the best prepared candidate is far larger than the distance separating the best and the least prepared candidate. Differentiation of the candidates can be determined only during complex and lengthy negotiations, and reflected especially by the transition periods established by negotiations. Economic integration does not take place overnight; negotiations for accession to the EU of Finland, Sweden and Austria — prosperous European nations and former European Free Trade Agreement (“EFTA”) members — lasted for four years. Membership in the EU does not necessarily mean immediate and full participation in all the EU policies. Establishing transition periods for new Central European members is inevitable, taking into account the level of their economic development. Poorer members of the EU were allowed to gradually integrate after accession: Spain, for instance, has enjoyed a transition period of sixteen years with regard to the EU fishing policy. Some of the EU policies themselves have to be restructured in the prospect of enlargement. The common agricultural policy, and the structural funds policy are examples. That is why at this point in the process the decision of the EU Council to be taken at the meeting in Luxemburg in December should mainly take into account the political considerations.

#### IV. *ECONOMIC REFORM AND EURO-ATLANTIC INTEGRATION*

The present level of Romania’s economic development has not exactly been an asset in support of Romania’s process of integration. There are, nevertheless, very good reasons to be optimistic with respect to Romania’s chances in a rapid economic recovery and growth. After 1989, Romania’s transition to a free market economy was more difficult in the other Central European countries. Romania’s isolation during the totalitarian communist era resulted in a chaotic and non-competitive economy. The central economic planners totally ignored the evolution occurring in the international market and blocked access of Romanian industry to modern technology. The heavy burden of

the communist heritage was reflected in the first years of post-communism. While pluralism and democratic institutions have been rapidly established, the economic reform was inconsistent and slower than, for instance, that in the Czech Republic or Poland.

The president and parties forming the present governmental coalition in Romania won the November 1996 elections because they presented to the people an aggressive but at the same time coherent program of economic reforms. Key to the program which is supported by international financial organizations such as the International Monetary Fund and the World Bank are measures aiming at a complete and rapid privatization and economic restructuring. No more governmental subsidies are directed to public companies. Measures have been adopted to reform the banking and financial system so that competition is encouraged and inefficiency is discouraged. Both domestic and foreign investors are presently stimulated by attractive taxes and customs facilities. Foreign investments and capital in the Romanian market have rapidly increased after last year's elections. Remarkable results have already been registered in fighting against corruption.

Along with these positive developments, the commitment of the Romanian Government and the support of the public for reform, as well as Romania's important economic potential, are premises for a rapid and healthy economic recovery and growth in the near future. Euro-Atlantic integration and economic reform are inseparable concepts. Success in one of them depends on performances in the other. Neither of them is a goal in itself; the real goal is democratic stability and economic prosperity. Euro-Atlantic integration is not only a guarantee for a successful democratic and economic reform in Romania, but also a guarantee for the future. Integration has already been an important incentive and instrument to support and accelerate reform in Romania.

Since a robust developing market economy is an important criterion for membership in both NATO and the EU, the prospect of accession has been an incentive for the acceleration of economic reform. As U.S. Deputy Secretary of Treasury Larry Summers has suggested, the prospect of NATO enlargement has helped lock-in Central Europe's practices of market economy. Of course, the idea is perfectly valid for the EU as well.

Accession to NATO and the EU has been an important if not decisive incentive for the conclusion of bilateral treaties between Romania and Hungary, and between Romania and Ukraine. The prospect of EU membership has been a main factor that has enabled Romania to become a member of Central European Free Trade Area ("CEFTA"). Benefits of regional cooperation and liberalization have been rediscovered through CEFTA. Integration has been a concrete and effective instrument of Romanian reform because the close relationship between Romania and Euro-Atlantic institutions, namely NATO and the EU, does not consist only in a strengthened political partnership but also in concrete economic cooperation and assistance. PHARE is such an example.

### *CONCLUSION*

A hierarchy between these two fundamental goals of Romania, accession to NATO and to the EU, cannot be drawn. Both of them are indispensable to Romania's national interests. The two processes of enlargement are interrelated, but not interdependent. To become a member of both organizations, Romania has to fulfill the same conditions. There are of course certain distinctions: while NATO accession requires the reform of the armed forces, EU membership cannot be accomplished without harmonizing domestic laws and regulations according to EU legislation. But integration in NATO and the EU requires nothing more and nothing less than that which Romania should achieve and is achieving anyway: democratic and economic reform. Although support of the Western partners is important, Romania's own efforts are decisive for the consolidation of democracy and for the development of an open, modern and prosperous economy. The Romanian people and Government know this very well, and they also know that if the same commitment and efforts continue, integration in NATO and EU will come as a natural result.

This was the message the U.S. President brought with him to Bucharest. The "strategic partnership" offered to Romania on this occasion proves not only the importance the United States attaches to Romania's role in the stability of the area, but also illustrates U.S. confidence in Romania's political and economic

development. In this endeavor, Romania can rely on the support of its Western partners and especially on U.S. support.