

ROMANIA IN TRANSITION: 1989-2001

A MASTER'S THESIS

BY

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DEPARTMENT OF  
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BILKENT UNIVERSITY

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DECEMBER 2001

To my parents

ROMANIA IN TRANSITION: 1989-2001

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OF  
BILKENT UNIVERSITY

BY

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IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE  
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## **ABSTRACT**

This thesis explains the changes and shifts in the foreign, security and economic policies of Romania during the 1990s by defining the challenges during the transition period of the country. In the early 1990s, Romania, carrying the burden of the communist period, made certain changes in its structures towards democracy. This study examines the basic issues in the agenda of Romania during the 1990s by focusing on Romania's strive for becoming a NATO and EU member, its economic transformation and development and the country's role in the regional politics. Although Romania's desire for membership in NATO and EU was strongly supported by the government and the Romanian people, the country's admission to both institutions was delayed because of the economic instabilities. Besides economic restructuring efforts in this period, Romania also struggled for achieving peace, prosperity and stability in the Balkans, thus it cooperated with other nations and established exemplary relations with them as in the cases of Turkey and Greece. These bilateral relations, which were based on friendship and mutual respect, can be useful for Romania in its transition in terms of obtaining the support of those countries for also the membership process to NATO and EU; however, the Romanian economy should be the priority: The objective should be the smooth transition of the Romanian economy into a well-structured, functioning market system step by step, first reorganizing itself and then adapting to other international institutions.

## ÖZET

Bu tez, Romanya'nın 1990'larda dış, güvenlik ve ekonomik politikalarındaki değişimleri ve yönelimleri, ülkenin geçiş döneminde karşılaştığı güçlüklerle atıfta bulunarak anlatmaktadır. 1990'ların başlarında, komünist dönemin yükünü taşıyan Romanya, yapılarında demokratikleşme yönünde bir takım değişiklikler yapmıştır. Bu çalışma, ülkenin Avrupa Birliği ve NATO'ya üyelik çabalarına, ekonomik değişim ve gelişimine, ve de ülkenin bölgesel politika içerisindeki rolüne odaklanarak 1990'larda Romanya'nın gündemindeki temel konuları incelemektedir. Romanya'nın Avrupa Birliği ve NATO'ya üye olma isteği hükümet ve Romen halkı tarafından kuvvetli bir şekilde desteklenmesine rağmen ülkenin bu iki kuruluşu üyeliği ekonomik istikrarsızlıklar sebebiyle gecikmiştir. Bu dönemdeki ekonomik yapılanma çabalarının yanısıra, Romanya aynı zamanda Balkanlarda barışı, refahı ve istikrarı sağlamak için çabalamaktadır ve bu sebeple Türkiye ve Yunanistan örneklerinde olduğu üzere diğer ülkelerle de örnek ilişkiler kurarak işbirliğini arttırmaktadır. Dostluğa ve karşılıklı saygıya dayanan bu ikili ilişkiler, Romanya'nın geçiş döneminde bu ülkelerden Avrupa Birliği ve NATO'ya üyelik sürecini de kapsayarak gerekli desteği alması açısından yararlı olmaktadır; ancak Romanya ekonomisi önceliği teşkil etmelidir. Amaç, Romanya ekonomisinin öncelikle iyi yapılanmış, işleyen bir piyasa sistemine adım adım geçiş yapması, önce kendini yeniden düzenlemesi ve daha sonra da diğer uluslararası kuruluşlara kendini adapte etmesidir.

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## **INTRODUCTION**

Global and regional politics have witnessed major repercussions by the end of the Cold War and the resulting superpower competition. By the 1990s, momentous changes occurred in Central and Southeastern Europe and the region had been profoundly affected by the disintegration of the former Soviet Union, the proliferation of new states and the eruption of violent ethno-national conflicts. After decades of central planning, autarchy, bureaucracies and biased prices, the period of transition into democratic structures and market economies came to the fore.

After the 1989 overthrow of the communist regime, Romania faced the challenge of transition much more than any other ex-socialist Central European country. The cumulative effects of the fully state-owned economy, hypercentralised management system, lack of Western technology and competitiveness of national production marked the beginning of a painful economic transformation period.

In addition to democracy and free market economy, the national interest also incorporated security and prosperity for Romania. Therefore, by taking these values as a basis, Romania changed the route of its foreign, security and economic policies in the 1990s.

The purpose of this thesis is to explain the changes and shifts in the foreign, security and economic policies of Romania during the 1990s by referring to the challenges in the transition period of the country. It focuses on mainly Romania's drive to become a NATO and EU member, economic transformation and development and the country's role in regional politics by assessing the significance of all these actors for the future evolution of Romania in the region.

The thesis is composed of four chapters:

The first chapter includes a description of the historical evolution of Romanian politics by highlighting each phase beginning from the origins of communism in the country to the overthrow of communism with the 1989 Revolution. In addition to these, it provides information about Ceausescuism by analyzing the foreign, security and economic policies during Nicolae Ceausescu's reign.

The second chapter deals with the security approaches of Romania in the 1990s. It stresses the importance of integration to the Western and European institutions for Romania and the country's drive to become a NATO and EU member. The chapter gives the details of the preparation processes for both institutions and mentions the difficulties that Romania faced in this period.

The third chapter points to the economic legacies of Ceausescu by demonstrating the characteristic features of the Romanian economy in the early 1990s. It continues with the reforms in the economy of Romania adopted by the beginning of transition period. Additionally, it makes a comparison between the economic conditions before the 1980s and late 1990s by looking at statistical indicators.

Finally, the last chapter examines Romania's Balkan policy and underlines the country's active role and rapprochement policies in the 1990s. Furthermore, the significance of improving bilateral relations and taking part in regional organizations for Romania is described by citing its political, economic and cultural relations with Turkey and Greece as examples.

## CHAPTER I

### EVOLUTION OF ROMANIAN POLITICS

#### 1.1 ORIGINS OF COMMUNISM IN ROMANIA

Romania, which was constituted of two semi-independent states, Wallachia and Moldavia, remained under Ottoman domination until the nineteenth century. The Romanians were of Dacian-Roman origin with Slavic and Tatar strains. Stemming from centuries of Slavic, Turkish and Greek influence and foreign domination in political, economic and cultural fields, Romanian nationalism appeared late in 1848 and developed slowly. After struggling for its national independence, Romania had to take part in both world wars and to deal with the Great Powers. Both in the First and Second World Wars, the country diplomatically dallied with both sides and gained a historical reputation for international unreliability.<sup>1</sup>

In World War I, Romania had joined the Allies and was overwhelmingly defeated in the war. With the conclusion of the Treaty of Bucharest on May 7, 1918, Romania ceded Dobruja to Bulgaria and the Carpathian to Austria-Hungary.

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<sup>1</sup> L.S. Stavrianos, The Balkans since 1453 (New York: Holt, Rinehart and Winston, 1965), 339-347 and J. F. Brown, Eastern Europe and Communist Rule (London, Durham: Duke University Press, 1988), 263.

In return, the Romanians were able to gain immediate compensation for their losses and they acquired Bessarabia, which had been a part of the Russian Empire since 1812. Therefore, the province became an important source of tension between the two countries during the interwar period.<sup>2</sup>

The position of the country was similar in the Second World War because Romania began as combatant on the side of the Axis and then switched to the Allies very late in the war. After fighting side by side with the Axis powers, Romania had suffered severe losses on the Russian front. By 1942-1943, the Romanians wanted to negotiate with the Western powers in order to block the approaching Russians. In early 1944, King Michael had begun to express his own sympathy for the Allies and distaste for the Germans. King Michael's coup of 23 August 1944 opened the way into the Balkans for the Red Army. Romania was the first Balkan country to fall to the advancing Red Army in April 1944. At this date, Romania presented her acceptance of Allied surrender terms and she was no longer at war with Russia. This marked the beginning of the strong Soviet influence and communism in Romania. It also marked the end of the old order and the day of enslavement for the anticommunists.<sup>3</sup>

The Romanian Communist Party (RCP) was established in 1921 but it did not provide an effective basis for the operation of the communist movement in Romania. In 1932, the RCP was reorganized and adopted a more militant course of action. The leading figures of the Romanian Communist Party (RCP) such as Gheorghiu-Dej, Gheorghe Apostol, Nicolae Ceausescu and Miron Constantinescu were in control of the Romanian communist movement during the coup of 23 August 1944.<sup>4</sup>

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<sup>2</sup> L.S. Stavrianos, The Balkans since 1453, 564-566.

<sup>3</sup> L.S. Stavrianos, The Balkans since 1453, 810-811.

<sup>4</sup> Dinu C. Giurescu and Stephen Fischer-Galati, eds., Romania: A Historic Perspective (New York: Columbia University Press, 1998), 393-397.

The Armistice Agreement signed in Moscow on September 12, 1944, formalized the predominance of the Soviet Union in Romania. After the conclusion of the agreement, Romania took an active part in the war against Germany.<sup>5</sup> The other agreement, which strengthened the position of the Soviet Union in Romania, was the Churchill-Stalin Percentage Agreement signed on October 9, 1944 in Moscow. According to this agreement, the Soviet Union had been given 90 percent of influence in Romania and 75 percent of influence in Bulgaria. In other words, while Churchill had only given an influence of 90 percent in Greece, the Soviet Union had become advantageous and dominant in both of the other countries. Finally, in early 1945, Yalta and Potsdam Conferences had clearly indicated the division of the Balkans between the Western powers and the Soviet Union.<sup>6</sup>

Generally, by becoming dominant in Romania, the aim of the Soviet Union was to prevent the establishment of a bourgeois, pro-western regime in that country. Therefore, the Soviets took an important step in Romania by demanding of the government the resignation of General Nicolae Radescu, who was exercising his independence and opposing the communist takeover, particularly in the military. The Soviet Foreign Minister Andrei Vyshinsky delivered an ultimatum to King Michael and demanded the appointment of Petru Groza as the head of the government. As a result, the communists and the new government, which was directly controlled by the Soviet Union, were in charge on March 6, 1945.<sup>7</sup> In the Groza Government, the leaders of the communist movement in Romania, Patrascanu and Georghiu-Dej

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<sup>5</sup> Andrei Otetea, ed., The History of the Romanian People (New York: Twayne Publishers Inc., 1970), 571-572.

<sup>6</sup> Oral Sander, Balkan Gelişmeleri ve Türkiye (1945-1965) (Ankara: Sevinç Matbaası, 1969), 18-20. see also Misha Glenny, Balkanlar (1804-1999) (İstanbul: Sabah Yayınları, 2001), 421-422.

<sup>7</sup> Armanda Alonso Pinerio, History of Modern Romania (Buenos Aires: Esta Edicion, 1999), 242.

maintained their positions as the Minister of Justice and the Minister of Transportation respectively.<sup>8</sup>

The Soviet Union had closely controlled the Groza Government and tried to inject its own principles. Romania had become a satellite country. “The Romanian Orthodox Church was completely subordinated to the state and never acted to oppose the communists. The Uniate Church, a branch of Catholicism, was also forced to unite with the Romania Orthodox Church.”<sup>9</sup> On December 1947, King Michael was forced to abdicate by Petru Groza, the chairman of the Council of Ministers, and Gheorghiu-Dej, Secretary-General of the Romanian Communist Party and to flee the country. At the end of the 1948 elections, Romania became a People’s Republic and a new constitution was established.<sup>10</sup>

Gheorghiu-Dej was one of the leading figures that tried to strengthen the role of Romania in the Soviet bloc. Between 1945 and 1952, he devoted most of his time to shape Romania according to the principles of the Soviet Union. “Romania nullified existing agreements and traditional ties with France, Italy and the West in general and outdid other Communist states in the virulence of its denunciation of Western imperialism.”<sup>11</sup> However, the death of Stalin in 1953 affected the course of actions in the Russian-Romanian relations.

Gheorghiu-Dej and his close associates identified themselves with Stalinism and rejected “Khrushchev’s de-Stalinization policies, in part to prevent Khrushchev from installing his own allies in positions of power in Romania.”<sup>12</sup> As early as 1955, Romanian Communists changed their road to socialism by reducing Russian

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<sup>8</sup> Kamuran Gürün, Dış İlişkiler ve Türk Politikası (1939’dan günümüze kadar) (Ankara: Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları, 1983), 218-219.

<sup>9</sup> James K. McCollum, Is Communism Dead Forever? (USA: University Press of America, 1998), 15.

<sup>10</sup> Kamuran Gürün, Dış İlişkiler ve Türk Politikası (1939’dan günümüze kadar), 218-219.

<sup>11</sup> Peter A. Toma, ed., The Changing Face of Communism in Eastern Europe (USA: The University of Arizona Press, 1970), 20.

<sup>12</sup> “Romania”, <http://www.lib.msu.edu/sowards/balkan/lect22.htm>.

influence. The new Romanian regime favored cooperation and integration with other states, regardless of their social systems and recognized the principles of international equality and of noninterference in domestic affairs.<sup>13</sup> Conclusion of the Warsaw Pact in 1955 was supported by the country but Khrushchev's reorganization of the Council for Mutual Economic Assistance (COMECON)<sup>14</sup> in this year created tension in Romania. Probably like Bulgaria and Albania, Romania was pressured to cancel its industrialization plans and to concentrate on developing its agriculture and food industries. It was identified as a source of grains. The reply of the country to such an economic exploitation was to apply an independent policy from the bloc.<sup>15</sup> Therefore, Romania preferred to pursue economic self-sufficiency but her attitude was regarded as "protectionism" by other socialist states.<sup>16</sup>

After being elected as the President of Romania in 1961, Gheorghiu-Dej was inclined towards the West and tried to establish "relations of the new type" with all nations. The continuing rejection of Romania's claims by Russia, Czechoslovakia and East Germany led her to adopt national and international policies of an increasingly independent nature. Therefore, Romania publicized "the rejection of Russia's hegemony in the bloc and leadership of the camp, and the statement of Romanian independence" in April 1964. After the death of Gheorghiu-Dej in March 1965, Nicolae Ceausescu succeeded him and even changed the shape of communism in Romania.<sup>17</sup>

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<sup>13</sup> Dinu C. Giurescu and Stephen Fischer-Galati, eds., Romania: A Historic Perspective, 447-449.

<sup>14</sup> The Council for Mutual Economic Assistance (COMECON) was established by Stalin in 1949 but after 1956 it was revived by Khrushchev as an instrument for bloc cohesion.

<sup>15</sup> J. F. Brown, Eastern Europe and Communist Rule, 266-267.

<sup>16</sup> Dinu C. Giurescu and Stephen Fischer-Galati, eds., Romania: A Historic Perspective, 447-449.

<sup>17</sup> *ibid.*, pp.454-461.

## **1.2 AN INTOLERANT LEADER: NICOLAE CEAUSESCU AND CEAUSESCUISM**

Beginning from March 1965 to December 1989, a period of twenty-five years is known as the “Age of Ceausescu”, the years that witnessed the intolerant leader, Nicolae Ceausescu’s struggle for absolute power. Most of his political credentials, which were acquired during his early ages, had been directly influential in Ceausescu’s ambition to rule Romania as an independent and nationalistic country. After the Second World War, he had served as head of the Union of Communist Youth, later as the chief of the political directorate of the armed forces, secretary of the Central Committee and member of the Political Bureau of the Party.<sup>18</sup>

When he replaced Gheorgiu-Dej in March 1965, he became a member of a collective leadership, including the Prime Minister Ion Gheorghe Maurer and the President of the State Council, the veteran communist Chivu Stoica. However, from the beginning of his rule, Ceausescu’s main aim was to consolidate his control over the party and gradual encroachment on the powers of the government. He achieved his aims at the Eleventh Party Congress in November 1974, by becoming the absolute leader of Romania, assuming the dual role of President of the country and General Secretary of the Romanian Communist Party (RCP).<sup>19</sup>

The first steps taken by Ceausescu were the change in the country’s name from “Romanian People’s Republic” to “Socialist Republic of Romania” and the replacement of the 1952 constitution with that of 1965 which reflected Romanian independence as a sovereign national state. The new constitution eliminated all allusions to dependence on the Soviet Union and included declarations of

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<sup>18</sup> Dinu C. Giurescu and Stephen Fischer-Galati, eds., Romania: A Historic Perspective, 462-464.

<sup>19</sup> *ibid.*

inviolability of national sovereign rights.<sup>20</sup> He used the Constitution as an instrument for serving his own needs. He asked: “Did the Constitution make us, or did we make it? We made the Constitution. We’ll change it if we have to.”<sup>21</sup> Ceausescu proclaimed “multi-lateral development” as the state policy and in 1975, he clearly announced its primary objectives as “the unification of a diverse population into “one working people”; the reduction and elimination of disparities in economic development between the various regions; the elimination of differences in living standards and life-styles between city and countryside; and the achievement of equal occupational opportunity.”<sup>22</sup>

Ceausescu was also the founder of the “dynamic socialism” since his wife Elena, his son, his three brothers and his brother-in-law had been included in the ruling elite. Therefore, ruling Romania turned out to be a politicized family business. He introduced himself as the greatest Romanian leader of all time, the defender of his people’s interest and a genuine nationalist.<sup>23</sup>

As a result of all these characteristics, Ceausescu created “Ceausescuism”, which was a form of national and personal communism. He played a key role in the development of Romanian nationalism but in reality, he had isolated himself from Romanian people. He believed that he was providing guidance and inspiration for all Romanians but he was not able to communicate with the masses in a meaningful manner.<sup>24</sup> Ceausescu was the supreme leader, the supreme military commander, the supreme hero of the working class, the supreme builder and the supreme theoretician

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<sup>20</sup> Peter A. Toma, ed., The Changing Face of Communism in Eastern Europe (USA: The University of Arizona Press, 1970), 30.

<sup>21</sup> James K. McCollum, Is Communism Dead Forever? (USA: University Press of America, 1998), 18.

<sup>22</sup> Tom Gallagher, Romania After Ceausescu (Great Britain: Edinburgh, Edinburgh University Press, 1995), 61.

<sup>23</sup> “Romania”, <http://www.lib.msu.edu/sowards/balkan/lect22.htm>.

<sup>24</sup> Paul Brooker, Twentieth-Century Dictatorships-The Ideological One-Party States (New York: Washington Square, New York University Press, 1995), 90.

(his work “Way of Building Up the Multilaterally Developed Socialist Society”, thirty volumes concerning Romania was published).<sup>25</sup>

Ceausescu also modified the structure of the Romanian communist regime in a way that the police, the paramilitary security force and the Securitate became the regime’s most powerful organization.<sup>26</sup> “He stressed organic government in which the leader and the people live in a harmonious and fundamentally necessary relationship; one in which the leader is indispensable, but the masses are not. This was clearly a vision of direct rule over the masses, not in conjunction with them, or their representatives.”<sup>27</sup> In sum, Romania had become a closed society, subject to intense repression, international isolation and cultural decline.<sup>28</sup>

### **1.3 ROMANIA’S FOREIGN, ECONOMIC AND SECURITY POLICIES DURING THE COLD WAR**

Until 1967, Romania’s foreign relations represented the “objective international conditions” for securing the country’s independence. The Romanian independent course was first initiated by Gheorghiu-Dej and continued after Ceausescu’s ascendancy.<sup>29</sup> Ceausescu preferred to follow an autonomous policy in foreign and security matters and he thought he was the defender of Romania’s interests against interference in its internal affairs by the Soviet Union.<sup>30</sup> According to him, Romanian power and prestige in the world carried utmost importance and they could only be achieved through manipulation, maneuverability and the personal capabilities of the

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<sup>25</sup> Peter Duignan and L. H. Gann, Eastern Europe-The Great Transformation (1985-1991) (USA: Hoover Institution, Stanford University, 1992), 28-29.

<sup>26</sup> Paul Brooker, Twentieth-Century Dictatorships-The Ideological One-Party States, 90.

<sup>27</sup> Trond Gilberg, Nationalism and Communism in Romania (San Francisco: Westview Press, Boulder, 1990), 47-51.

<sup>28</sup> Tom Gallagher, Romania After Ceausescu, 61.

<sup>29</sup> Peter A. Toma, ed., The Changing Face of Communism in Eastern Europe, 31.

<sup>30</sup> Paul S. Shoup, ed., Problems of Balkan Security-Southeastern Europe in the 1990s (Washington D.C.: The Wilson Center Press, 1990), 51.

leader.<sup>31</sup> In addition, Ceausescu's policy advocated "the maintenance of peaceful relations among all sovereign states, regardless of their social and political orientation, and was directed against Soviet Union's growing determination to reimpose hegemony in the bloc and the camp."<sup>32</sup> He also believed that Romania could be a bridge between East and West, so the country should be very careful in its long term relations.<sup>33</sup>

Ceausescu, like many other Romanian leaders, was seeking security in the doctrine of European unity. Therefore, he believed in the necessity of the liquidation of both the Warsaw Pact and NATO to establish a European Security system. To Romania, disarmament should be a priority for states' foreign policies in order to establish peace and security in Europe.<sup>34</sup>

As a first step to European unity, Romania was the first communist country to establish formal diplomatic relations with the German Federal Republic in January 1967. Moreover, he had voluntarily carried the role of potential mediator of the Arab-Israel conflict and a potential liaison between the United States and China during the Vietnam War. He "refused to allow Warsaw Pact maneuvers on Romanian territory and withstood the imposition of restrictions on Romania's economic development by COMECON."<sup>35</sup> Romania put its determination into the scene by refusing to participate in the Warsaw Pact invasion of Czechoslovakia in August 1968.<sup>36</sup> In 1969, state visits by Harold Wilson, Charles de Gaulle and Richard Nixon signalled Western appreciation for Ceausescu's moderate relations in foreign and domestic affairs.<sup>37</sup> Especially after 1970, Romania's relations with the West,

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<sup>31</sup> Trond Gilberg, Nationalism and Communism in Romania, 224.

<sup>32</sup> Fevzi Şirinli, Romanya ve Ceausescu (İstanbul: Haşmet Matbaası, 1974), 211.

<sup>33</sup> Trond Gilberg, Nationalism and Communism in Romania, 224.

<sup>34</sup> Fevzi Şirinli, Romanya ve Ceausescu, 215-218.

<sup>35</sup> Dinu C. Giurescu and Stephen Fischer-Galati, eds., Romania: A Historic Perspective, 464-465.

<sup>36</sup> Misha Glenny, Balkanlar (1804-1999) (İstanbul: Sabah Yayınları, 2001), 475.

<sup>37</sup> *ibid.*

particularly, the US, the Federal Republic of Germany and France, considerably improved and intensified. Ceausescu, by pursuing a highly personal diplomacy, conducted many visits to these countries.<sup>38</sup>

These official visits strengthened economic ties with the West. The establishment of joint Romanian-Western companies for industrial and commercial development began in 1971. Romania joined the World Bank and the General Agreement on Tariffs and Trade (GATT) in 1971 and the International Monetary Fund (IMF) in 1972. “Most Favored Nation” (MFN) trade rights were granted by the US in 1972, and the Common Market opened special ties with Romania in 1973. In 1974, Russia’s share of foreign trade in 1965 fell from 39 percent to 16 percent.<sup>39</sup>

The development of the Romanian economy constituted an important part of Ceausescu’s policies because it was important for him to live well and free in a communist Romania and make the country safe from external pressures exerted by COMECON. However, in the late 1970s, Romania’s relations with the West were damaged considerably for both political and economic reasons. Particularly the US and France could remain no more silent in the face of Romania’s violations of human rights and espionage. In the U.S Congress, the regime’s civil rights practices and treatment of religious and ethnic minorities drew attention and were criticized. In 1987, Romania unilaterally renounced MFN.<sup>40</sup>

Romania and Albania were the most centralized and rigidly planned economies in Eastern Europe by the end of 1970s but Romania experienced an economic crisis during the 1980s. Several reasons of the crisis could be explained by:<sup>41</sup>

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<sup>38</sup> J.F. Brown, Eastern Europe and Communist Rule, 270.

<sup>39</sup> “Romania”, <http://www.lib.msu.edu/sowards/balkan/lect22.htm>.

<sup>40</sup> Ronald H. Linden, “After the Revolution: A Foreign Policy of Bounded Change,” Romania After Tyranny, Daniel N. Nelson (editor), (USA: Westview Press, 1992): 204-205.

<sup>41</sup> Per Romas, “The Economic Legacy of Ceausescu,” Economic Change in the Balkan States: Albania, Bulgaria, Romania and Yugoslavia, Örjan Stöberg and Michael L. Wyzan (editors), (New York: St. Martin’s Press, 1991): 51-52.

- The determination of the regime to continue the rapid development of large-scale heavy industry at all costs;
- a refusal to reform the extremely centralised economic system; and
- a failure to revitalise the agricultural sector, which suffered from a depletion and degradation of its human resources and adverse economic conditions.

Ceausescu's Five Year Plan (1976-80) had resulted in ample supplies of inexpensive energy, rise in agricultural production and increase in labor productivity.<sup>42</sup> In addition, since the Romanian economic plan for 1981-85 paid little attention to the difficult economic situation, insisted on continuing rapid growth along the same lines and set even higher goals, the country's economic situation worsened. Romania's dependency on expensive foreign oil and iron ore raised the level of country's foreign debt.<sup>43</sup> In 1982, Ceausescu announced that the foreign debt was to be paid back to avoid compromising the country's independence. In order to achieve this, a large export surplus was necessary. Therefore, agricultural output had to be diverted from meeting internal food needs to sale on the external market.<sup>44</sup> From 1981 to 1988, because of Ceausescu's policy of no foreign debt, the exports of Romania were, on the average, 26.8 percent more per year than its imports. By the mid-1980s, serious food and energy shortages emerged as a result of agricultural exports together with the inefficiency of production methods and the rise in the cost of electricity, gasoline and natural gas.<sup>45</sup>

Ceausescu wanted Romania to be self-sufficient in manufacturing and he brought in outside technologies in order to have heavy industries and become an "industrial nation". Therefore, in the 1980s, Romania possessed one of the largest steel

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<sup>42</sup> Dinu C. Giurescu and Stephen Fischer-Galati, eds., Romania: A Historic Perspective, 469.

<sup>43</sup> James K. McCollum, Is Communism Dead Forever?, 16.

<sup>44</sup> Roger East and Jolyon Pontin, Revolution and Change in Central and Eastern Europe (Great Britain: Pinter Publishers, 1997), 157.

<sup>45</sup> Eleftherios N. Botsas, "The Balkans in Transition," Balkan Studies 39, no. 2 (1998): 316.

producing capacities in the world with huge integrated steel mills at Galati, Calarasi, Resita, Hunedoara, Calan and Tirgoviste.<sup>46</sup> By paying less attention to consumer goods, Ceausescu was unaware of the problems facing Romania. He just tried to fulfill the unrealistic goals of a highly personalized command economy. By 1985, the majority of Romanian people had started to oppose Ceausescu and his unconcious policies but his reply to all these oppositions was in the form of applying even tighter measures.<sup>47</sup>

On the other hand, one of Ceausescu's goals was "social and national homogenisation". He claimed that "because a nation had been created by centuries of living together, Hungarians, Germans and other groups were part of the Romanian nation."<sup>48</sup> While trying to preserve national unity, he tried to clear the distinct elements within the borders of Romania. He made a plan to destroy villages for establishing huge agricultural units, the so called "agroalimentary centers". The real target of this plan was the inhabitants of Transylvania and the Banat, who had relatively higher standards of living than Ceausescu's people and were in closer contact with Hungarian and Yugoslav forms of economic and political organization.<sup>49</sup> Romania was firmly experiencing the monopoly of power by Ceausescu and his wife, Elena. Therefore, by the end of the 1980s, "Ceausescuism" led to the loss of Romania's trade relations with the US, to the destruction of Franco-Romanian relations and to the establishment of anti-Romanianism of the Thatcher regime in Great Britain.<sup>50</sup>

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<sup>46</sup> James K. McCollum, Is Communism Dead Forever?, 16.

<sup>47</sup> *ibid.*, p.472.

<sup>48</sup> Tom Gallagher, Romania After Ceausescu, 62-63.

<sup>49</sup> Karen Henderson and Neil Robinson, Post-Communist Politics (London, New York: Prentice Hall, 1997), 79.

<sup>50</sup> Dinu C. Giurescu and Stephen Fischer-Galati, eds., Romania: A Historic Perspective, 472-473.

In sum, Nicolae Ceausescu and his family lived in an imagined world by isolating Romania from other states but the end of the story was coming close as the socioeconomic conditions and foreign relations of the country deteriorated day by day.

#### **1.4 THE 1989 REVOLUTION AND THE ROAD TO DEMOCRACY**

By the end of the 1980s, the situation in Romania had become explosive: “the population was desperate, the economy was in shambles, and the dictatorial-personalistic regime of Nicolae and Elena Ceausescu, based primarily on repression, was structurally fragile.”<sup>51</sup> Beside these domestic factors, the collapse of the Berlin Wall on November 9, 1989, the “velvet revolution” in Czechoslovakia and the fall of communism in most of Eastern Europe led Romanians to think once more of the fate of the country and fired them to take action immediately.<sup>52</sup>

As defined by Theda Skocpol in her comparison of the great revolutions:

Social revolutions are rapid, basic transformations of a society’s state and class structures; and they are accompanied and in part carried through by class-based revolts from below. Social revolutions are set apart from other sorts of conflicts and transformative processes above all by the combination...of societal structural change with class upheaval...and of political with social transformation<sup>53</sup>.

Skocpol further states that “social revolutions are not made; they come” and “a revolution’s outcome is as important in defining it as a revolution as the type of actors involved in the overthrow of an old regime and the actions that they undertake to ensure a change in power.”<sup>54</sup> In this perspective, the Romanian revolution could be defined as the most bloody of all in Eastern Europe because Ceausescu was the only

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<sup>51</sup> Matei Calinescu and Vladimir Tismaneanu, “The 1989 Revolution and Romania’s Future,” Romania After Tyranny, Daniel N. Nelson (editor), (USA: Westview Press, 1992): 11.

<sup>52</sup> *ibid.*

<sup>53</sup> Karen Henderson and Neil Robinson, Post-Communist Politics, 26.

<sup>54</sup> *ibid.*

communist ruler to give the order to shoot without considering the consequences and the army and the Securitate confronted each other with weapons.<sup>55</sup>

On the other hand, as Vladimir Pasti describes in his book, “The Challenges of Transition”, the Romanian revolution had an ideology in itself which was more important than just blaming the country’s economic and social disaster on the rulers. One part of the ideology supported that nobody had anything against Romania but against Ceausescu personally and the other part stated that Romania was a rich country with a big potential and they were irrationally wasted by the rulers’ whims. However, some people, namely technical intelligentsia, knew how to use and benefit from the country’s wealth and potential. Under the light of these two factors that constituted the ideology behind the revolution, the solution was very simple: “replace the impotent rulers with those who are naturally competent.”<sup>56</sup>

The Romanian revolution was triggered off in Timisoara by a pastor of the Reformed Church and a member of the Hungarian ethnic minority, named Reverend Laszlo Tokes. He was an advocate of human and religious rights, and he was transferred to another parish in a smaller town by the use of force. He refused to obey the official decision and the act of civil disobedience sparked off a rebellion in Romania.<sup>57</sup>

On December 16-17, anti-Ceausescu and anti-Communist groups, including students and massive groups of workers, began mass demonstrations. Ceausescu was out of the country on a state visit to Iran but he was sure about his security and the ability of the military forces to cope with these actions. He ordered his army and security elements to repress the rebellion by force. The Securitate forces killed many

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<sup>55</sup> *ibid.*, p.80.

<sup>56</sup> Vladimir Pasti, The Challenges of Transition-Romania in Transition (New York: Columbia University Press, 1997), 79.

<sup>57</sup> Ion Iliescu, Gerçeğin Ucunda Romanya -“İhtilal ve Reform” (İstanbul: Dünya Yayınları, 1996), 36.

people in Timisoara but the army was unwilling to fire on Romanians. When he returned to Romania, the protests were beginning to spread to other cities.

From the time of the first demonstrations in Timisoara on December 16 and 17 to December 22, the East European, Yugoslav and Soviet media were actively reporting all developments in Romania. During the fighting between Ceausescu's forces and revolutionaries, the Soviet Union offered humanitarian aid to the supporters of the new regime but refused to intervene militarily. On the other hand, the Hungarian Socialist Party (HSP), the League of Communists of Yugoslavia (LCY) and the Czechoslovak Communist Party had all decided to suspend relations with the Romanian Communist Party (RCP). The Bulgarian Government cut all ties with the Romanian Government. Both NATO and the Council of Europe stated their opposition to the repression in Romania and the European Community announced that it would freeze or cancel the pacts negotiated with Romania.<sup>58</sup>

On December 20, Ceausescu addressed the nation on the radio and television and he blamed all the people in the events as "hooligans" and "fascists". However, he could not calm down the demonstrators and his most trusted elements, the armed forces joined the masses on December 22. Therefore, Nicolae and Elena Ceausescu fled the country by helicopter on the same day.<sup>59</sup> A few hours later, the National Salvation Front (NSF) filled the power vacuum and assumed governmental responsibilities.

Following the departure of the Ceausescus and the establishment of the new government, statements of support came from state, party, opposition and religious leaders in all countries. The West applauded both the courage of Romanian citizens to end the Ceausescu dictatorship and the army for joining the revolution against

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<sup>58</sup> Ronald H. Linden, "After the Revolution: A Foreign Policy of Bounded Change", 209-212.

<sup>59</sup> Ion Iliescu, Gerçeğin Ucunda Romanya - "İhtilal ve Reform", 36.

Ceausescu's Securitate.<sup>60</sup> Hungary was the first country to recognize the new government and establish contact with them on December 23. Yugoslavia followed suit on December 25 and the list of recognition continued with Bulgaria, Poland, East Germany and Czechoslovakia.

The United States moved quickly for the reestablishment of good relations with Romania and stated its support for a democratic change. The European Economic Community cancelled its suspension of the Generalized System of Preferences on December 29. The Soviet Foreign Minister Edvard Shevardnadze organized an official visit to Romania on January 6 and promised continuing economic and humanitarian aid. In turn, the new Romanian Government expressed the continuation of Romania's foreign commitments, including its membership in the Warsaw Pact.<sup>61</sup> The NSF had actively participated in the revolution and included ex-communists such as Ion Iliescu, Petre Roman, Silviu Brucan, Corneliu Manescu, General Victor Stanculescu, Alexander Birladeanu and Dan Martian.<sup>62</sup> The Ceausescus were captured on December 22 and they were sentenced to death by the Secret Military Tribunal. The NSF had promised for a public trial but three days later, they had been executed.<sup>63</sup>

By the end of 1989, the NSF Council expanded to 145 members, Ion Iliescu remained Chairman of the Council and the interim President of the Republic and Petre Roman became the Prime Minister of an interim government.<sup>64</sup> The new government issued a ten-point programme which "stipulated the introduction of a

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<sup>60</sup> Daniel N. Nelson, Balkan Imbroglia-Politics and Security in Southeastern Europe (USA: Westview Press, 1991), 75.

<sup>61</sup> Ronald H. Linden, "After the Revolution: A Foreign Policy of Bounded Change", 210-213.

<sup>62</sup> Tom Gallagher, Romania After Ceausescu, 73-74.

<sup>63</sup> Matei Calinescu and Vladimir Tismaneanu, "The 1989 Revolution and Romania's Future", 15.

<sup>64</sup> Daniel N. Nelson, Balkan Imbroglia - Politics and Security in Southeastern Europe, 75.

democratic, pluralist form of government and the abolition of the leading role of a single party; the holding of free elections; the separation of powers; the elimination of centralised economic management and the promotion of initiative and skills in all economic sectors; the restructuring of agriculture and the promotion of small-scale production; the reorganisation of education; the observance of the rights and freedoms of ethnic minorities; the reorganisation of trade and the halting of food exports; and the conduct of foreign policy in the interest of the people.”<sup>65</sup>

The Romanian government was aware of the fact that basic reforms were necessary for Western financial assistance. Iliescu’s first reform was the liberalisation of prices in the spring of 1991 and the passage of privatisation law in August 1991. Additionally, a new constitution took effect on December 13, 1991.

However, the split in the NSF became more apparent before the 1992 elections. The conservative faction, supported by Iliescu, formed the Democratic National Salvation Front (FSND, from May 1993 the Democratic Party-FSN or PD-FSN) and Roman’s reformist faction acted under the name of FSN(Frontul Salvării Nationale or NSF) until July 1993 (renamed as Social Democracy Party of Romania). In the 1992 parliamentary elections, the FSND became the largest party with strong support of rural areas and won more than a quarter of the vote. Iliescu also won over 60 percent of the vote in the presidential elections.<sup>66</sup> To conclude, in late 1989, Romania was sailing through democracy after about forty years.

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<sup>65</sup> Tom Gallagher, *Romania After Ceausescu*, 74.

<sup>66</sup> Roger East and Jolyon Pontin, *Revolution and Change in Central and Eastern Europe*, 160-162.

## 1.5 ROMANIA IN TRANSITION: FOREIGN AND SECURITY POLICY PRIORITIES

Romania's ability was "constrained by the country's relative isolation from the West during the first two post-Ceausescu years, by disastrous economic conditions and by the lack of a firm domestic political consensus."<sup>67</sup> NSF was aware of the fact that Romania's poor image was a product of the country's bureaucracy, disorder, socio-political instability, strikes and corruption.<sup>68</sup>

A free market and a free government were not sufficient for Romania's national security. Therefore, the Romanian Defense Ministry emphasized the need to depoliticize and professionalize the army and to give top priority to qualitative aspects in all areas of national defense. Romania tried to cooperate with regional and multilateral security organizations such as the Danubian Cooperation, the Black Sea Economic Cooperation (BSEC) and Balkan Cooperation.<sup>69</sup>

With the fall of communism, a period of transition had begun for Romania in political, social and economic fields. The country wanted to become a reliable partner regarding its human and economic potentials, a stability factor by developing normal relations with neighboring states and to become integrated into the Euro-Atlantic institutions.<sup>70</sup> Therefore, in the 1990s, Romania's main action guidelines for promoting national security and regional stability could be summarized as:<sup>71</sup>

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<sup>67</sup> Daniel N. Nelson, "Post-Communist Insecurity and the Romanian Case," Romania After Tyranny, Daniel N. Nelson (editor), (USA: Westview Press, 1992): 179.

<sup>68</sup> *ibid.*

<sup>69</sup> Daniel N. Nelson, "Insecurity after Communism and the Romanian case," Mediterranean Quarterly 3, no. 1 (Winter 1992): 76.

<sup>70</sup> Valeriu Tudor, "Romania and the Security Problems in the Balkans," Balkans - A Mirror of the New International Order, Günay Göksu Özdoğan and Kemali Saybaşılı (editors), (İstanbul: Eren Yayınları, 1995): 218.

<sup>71</sup> Valeriu Tudor, "Romania and the Security Problems in the Balkans", 218.

- The promotion of partnership relations and the preparation of the conditions for entering NATO and the European structures- European Communities, Western European Union and the Council of Europe;
- Presence in the regional and sub-regional projects;
- Setting up of a frame of bilateral agreements and treaties;
- Avoidance of commitment to any military adventure.

## CHAPTER II

### SECURITY APPROACHES OF ROMANIA: NATO AND EU

#### 2.1 ROMANIA AND NATO

With the collapse of the Warsaw Pact and the emergence of newly democratic states in the early 1990s, NATO began to shift its attention and to address resources to the southern region.<sup>72</sup> However, in the short-term, the conflict in the former Yugoslavia was a major problem in NATO's southern flank to take center stage and for the Balkans to become a NATO priority. The Balkan nations, emerged from communist ideology and Cold War geopolitics, showed great interest for establishing economic, political and security links with the West. For most of them, "a key component of such linkages was involvement with NATO".<sup>73</sup> One of those countries, which placed membership to NATO as a priority strategic objective of the security and defense policy, was Romania.<sup>74</sup> From the Romanian perspective, the option for integration into NATO was "based both on the national interest of belonging to a secure environment and on the international interest of cooperating in building this

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<sup>72</sup> W. Bruce Weinrod, "NATO and the Balkans", *Mediterranean Quarterly* 5, no. 3 (Summer 1994): 9-10.

<sup>73</sup> W. Bruce Weinrod, "The Southern Region and NATO's future", *Mediterranean Quarterly* 7, no. 1 (Winter 1996): 15-16.

<sup>74</sup> Dan Ionescu, "Hammering on NATO's Door", *Transition* 2, no. 16 (9 August 1996): 37.

environment together. This option was also rooted in the general effort of establishing as broadly as possible a democratic, stable and prosperous region in the Euro-Atlantic area.”<sup>75</sup> Since the Alliance consists of democratic countries which had very well defined values (democracy, individual liberty and the rule of law) on the international platform, Romania had a strong enthusiasm to move over to the Western World and share those countries’ values and ideals.<sup>76</sup>

From the very beginning of the enlargement process of NATO, Romania’s preparation to join the alliance became a top priority objective of the country’s domestic policy. Integration into NATO was supported by overwhelming majority of the population and by all the political forces. Polls showed that popular support for joining NATO was no less than 95 percent of Romanians and about 90 percent among the military.<sup>77</sup> There were two basic reasons for this popular support: first, “in the eyes of the Romanian political leaders and the public at large, NATO has proven, over a period of almost five decades, the capability to guarantee the security of its member states, to stabilize relations among them and to foster their economic prosperity and democratic development under the rule of law, and second, historically, Romania has been linked to NATO countries by long traditions, common patterns of culture and civilization, and by shared democratic values. Therefore, Romania has always been an integral part of European culture”.<sup>78</sup>

Although the U.S. President George Bush had suggested the expansion of NATO beyond the then sixteen members by the early 1990s, nothing was proposed and applied in practice at the time. Until his election, the new U.S. President Bill Clinton

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<sup>75</sup> Adrian Severin, “Romania Endeavors to Join NATO,” The Challenge of NATO Enlargement, Anton A. Bebler (editor), (London: Praeger Publishers, Westport, Connecticut, 1999): 159.

<sup>76</sup> Foreign Minister Summarizes Diplomatic Efforts, FBIS-EEU-95-005, 29 December 1994.

<sup>77</sup> Constantin Ene, “Romania sets its sights on NATO membership,” NATO Review, (November-December 1997): 8 and Dan Ionescu, “Hammering on NATO’s Door”, 37.

<sup>78</sup> Eugen Dijmarescu, “Romania: A Candidate to Future NATO Enlargement”, 24 February 1998, <http://www2.gol.com/users/romembjp/nato.htm>. and <http://wwics.si.edu/NEWS/speeches/roman.htm>.

preferred to remain cautious but after being elected, he made a formal proposal to congress for NATO enlargement.<sup>79</sup> However, by the end of the Cold War, NATO had pursued two important objectives in the southern region: first, “to establish a framework for bringing former Warsaw Pact nations into a closer relationship with the West and second, to develop special approaches for dealing with Russia”.<sup>80</sup> Although NATO enlargement formally promoted a security community in Central and Eastern Europe, informally, it aimed to extend US influence over Germany and to constrain Russian power in Southeast Europe. Therefore, to some extent, NATO’s expansion could be seen as a test for Russian will and historical strategic interest in the region.<sup>81</sup>

Some of the Balkan nations were hesitant about Russian reaction concerning involvement with NATO. But Romania was successful in balancing its relations both with NATO and Russia. The country had always given a message that NATO should not be seen as a threat to Russia.<sup>82</sup> In one of his speeches, the then Romanian Foreign Minister, Petre Roman, underlined the issue by saying: “The enlargement of NATO is directed towards strengthening security and cooperation in Europe and not against a particular country”.<sup>83</sup> In other words, membership to the Alliance would not be a reason for Romania to be involved in a hostile action against Russia. On the contrary, Romania had to be more careful in its relations.<sup>84</sup> Besides these, Romania had proven its insistence on admission to NATO by clearly indicating: “...no one (Russia) should have the right to veto or attach conditions to Romania’s integration into

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<sup>79</sup> Thomas M. Leonard, “NATO Expansion: Romania and Bulgaria within the Larger Context,” East European Quarterly 33, issue 4 (Winter 1999): 518.

<sup>80</sup> W. Bruce Weinrod, “The Southern Region and NATO’s Future”, 13.

<sup>81</sup> Thomas M. Leonard, “NATO Expansion: Romania and Bulgaria within the Larger Context”, 523.

<sup>82</sup> W. Bruce Weinrod, “The Southern Region and NATO’s Future”, 22.

<sup>83</sup> Radu Bogdan, “Romanian Reflections,” NATO Review, (Summer-Autumn 2000): 25.

<sup>84</sup> Michael Mihalka, “Eastern and Central Europe’s Great Divide Over Membership in NATO,” Transition 1, no. 14 (11 August 1995): 53.

NATO, since an independent and sovereign state enjoys unrestricted freedom in designing its security and defense policies”.<sup>85</sup>

In order to develop relationships with the former Warsaw Pact nations, the North Atlantic Cooperation Council (NACC) was established at NATO’s November 1991 Rome Summit. This was followed by the development of the Partnership for Peace (PfP) program, launched at the January 1994 summit in Brussels.<sup>86</sup> The main purpose of NACC was “to provide an overall framework for a growing political-military relationship between NATO and the Central European nations”. On the other hand, PfP had aimed to “implement specific activities, such as joint training and exercises, and perhaps over time to encourage such results as equipment interoperability”.<sup>87</sup> In sum, these two institutions were preparatory steps for candidates to experience certain mechanisms within NATO and Romania was the first ex-communist state to join the PfP in January 1994.<sup>88</sup>

For Romania, PfP could serve as an instrument for strengthening cooperation between NATO members and non-NATO European countries and a vehicle for NATO membership.<sup>89</sup> Within this framework, the partnership could be a major advantage in terms of avoiding isolation, discrimination or creating a new geopolitical division in Europe.<sup>90</sup> Romania had to adjust itself for taking part in joint military maneuvers and exercises. Therefore, Romanian armed forces, air force and a large number of elements of the navy were being trained and modernized for PfP

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<sup>85</sup> Dan Ionescu, “Hammering on NATO’s Door”, 40.

<sup>86</sup> W. Bruce Weinrod, “NATO and the Balkans”, 13-14.

<sup>87</sup> *ibid.* Interoperability is defined as “the ability of systems, units and forces to provide services to and accept services from other systems, units or forces and to use the services so exchanged to enable them to operate effectively together”. See İslam Yusuf, Partnership for Peace, M.A. thesis submitted to Bilkent University, Department of International Relations, Ankara, 1999, p.33.

<sup>88</sup> İslam Yusuf, Partnership for Peace, M.A. thesis submitted to Bilkent University, Department of International Relations, Ankara, 1999, p.27.

<sup>89</sup> Andrei Gabriel Plesu, “Future Security Challenges and NATO-Partner Cooperation in the context of EAPC and PfP”, 8 December 1998, <http://www.nato.int/docu/speech/1998/s981208v>.

<sup>90</sup> Dan Ionescu, “Romania Adjusting to NATO’s Partnership for Peace Program,” RFE/RL Research Report 3, no. 9 (4 March 1994): 45.

activities. The country has participated in numerous joint military exercises, involving troops. A Romanian engineering battalion has served in NATO's IFOR/SFOR missions in Bosnia. It has sent troops to the southern part of Albania as part of the International Protection Force. Additionally, Romania actively participated in various peace enforcement and peacekeeping operations all over the world: in the Gulf, in Somalia, in Rwanda and in Angola. "Romania was one of the few countries in the world with troops deployed in three different international missions at the same time."<sup>91</sup> With more than 500 exercises and activities within the PFP, Romania became one of the "leaders" in this framework of cooperation.<sup>92</sup>

In early July 1997, regarding NATO's enlargement, President Clinton made an evaluation of twelve former Eastern bloc nations seeking admission to NATO: Albania, Bulgaria, the Czech Republic, Hungary, Macedonia, Poland, Romania and Slovenia and the three Baltic States of Estonia, Latvia and Lithuania. In the end, "only the Czech Republic, Hungary and Poland were found qualified because of their firm democratic footing, market economies and settlement of boundary and ethnic conflicts with their neighbors". Therefore, NATO's 1997 summit in Madrid started the Alliance's enlargement process toward Central and Eastern Europe by endorsing an "open door" policy on future enlargements.<sup>93</sup>

Although Romania was not nominated in Madrid, the summit gave the country a clear perspective for NATO membership and it was acknowledged by the majority of the states as a leading candidate of further NATO enlargement.<sup>94</sup> However, the supporters of Romania's inclusion in NATO's first round of expansion expressed

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<sup>91</sup> Adrian Severin, "Romania Endeavors to Join NATO", 161-162.

<sup>92</sup> *ibid.*

<sup>93</sup> Thomas M. Leonard, "NATO Expansion: Romania and Bulgaria within the Larger Context", 520.

<sup>94</sup> Adrian Severin, "Romania Endeavors to Join NATO", 160.

their disappointment in Madrid since they argued that Romania was equally qualified as the three new NATO members, and that the country had satisfied the admission criteria in 1997. According to them, only the transition to a market economy was painful for Romania. After the Madrid summit, the Romanian people understood that “economic reforms must come as a prerequisite for admission to NATO, but that they would not come with admission to NATO.”<sup>95</sup> The Alliance’s southern flank members were all impressed by the Romanian claims for preparedness to enter NATO and President Clinton assured Romania’s precedence in the next round of expansion in 1999.<sup>96</sup> Following the summit in Madrid, Romania decided to accelerate reforms to enter the Alliance. According to Romanian Foreign Minister Adrian Severin, the country should emphasize the process of integration even more than in the past to prove Romania’s importance as a full NATO member.<sup>97</sup>

The Washington Summit, held on 23-25 April 1999, welcomed initiatives designed to make the Partnership more operational and to give a chance for greater partner involvement in decision-making and planning phases.<sup>98</sup> Membership Action Plan (MAP) was also launched at the Washington summit to guide the countries through the preparations for the rights and responsibilities that NATO membership would bring.<sup>99</sup> Therefore, Romania had at least reached a road map to follow for fulfilling the criteria.

In addition to these, Romania, with other participating countries, submitted an annual national program on their preparations in political, economic, defence/military, resource, security and legal issues.

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<sup>95</sup> Thomas M. Leonard, “NATO Expansion: Romania and Bulgaria within the Larger Context”, 525-527.

<sup>96</sup> *ibid.*

<sup>97</sup> Romania: Severin briefs media on NATO, Clinton trip, FBIS-EEU-97-191, 10 July 1997.

<sup>98</sup> Islam Yusuf, Partnership for Peace, 53.

<sup>99</sup> Radu Bogdan, “Romanian Reflections”, 24.

A national security strategy, in accordance with NATO Washington Summit documents, was prepared and presented to the parliament. This program called for defence reform which required the reorganization of armed forces by 2003, the modernization of equipment by 2007, the training of forces as professional and mobile, the development of rapid reaction forces and capabilities in particular strategic areas.<sup>100</sup> Romania's National Plan of Adherence (PNA) for the year 2001 was found satisfactory by NATO officials in Brussels on November 10, 2000. They appreciated the country's seriousness and mentioned the great chance of Romania for the next round of enlargement.<sup>101</sup>

Although Romania was the last former communist country to establish diplomatic ties with NATO, it has been determined to become a NATO member.<sup>102</sup> The recent public opinion polls showed that nearly 85 percent of the population wants Romania in the Alliance. All the parties in the parliament issued a joint statement to make NATO membership Romania's top foreign policy and national security goal.<sup>103</sup> As for the NATO enlargement in the year 2002, Prime Minister Adrian Nastase stated that "there is no clear perspective whether NATO will enlarge in the year 2002 or it will include Romania or not."<sup>104</sup> However, Romania gives the message for its Western partners that: "We are ready to make an offer that is hard to refuse. We will keep the same pace of enhancing the security environment in our region, and we are determined to continue our NATO path, and therefore to represent an engine of continuity for the enlargement process."<sup>105</sup>

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<sup>100</sup> *ibid.*

<sup>101</sup> NATO Officials in Brussels Appreciate Romania's Adherence Plan for 2001. FBIS-EEU-2000-1110, 10 November 2000.

<sup>102</sup> Dan Ionescu, "Romania Adjusting to NATO's Partnership for Peace Program", 43.

<sup>103</sup> Eugen Tomiuc, "Romania: Analysts Question Chances for NATO Membership", 30 March 2001, <http://www.rferl.org/nca/features/2001/03/16032001112437>.

<sup>104</sup> Dana Fagarasanu, "PM Nastase wants to become more involved in foreign policies...", Nineoclock, 01 February 2001, <http://www.nineoclock.ro/politics>.

<sup>105</sup> Adrian Severin, "Romania Endeavors to Join NATO", 162.

However, the common issue most of NATO officials argue that the major problem in Romania's admission process is the instability in the country's economy. Regarding the chance of Romania to become a NATO member in 2002 summit, NATO Deputy Secretary-General for political issues, Klaus Peter Klaiber warned that the next two-three years would be crucial for the creation of a viable economy. According to him, if the economic reforms were attained, the chance to get into NATO would be higher in the next summit.<sup>106</sup>

## **2.2 ROMANIA AND THE EUROPEAN UNION**

Romania's traditional relations with the European Union go back to early 1970s. By concluding several technical accords in 1969, Romania had developed a legal framework in its relations with the European Community (EC). This was followed by customs arrangements on a wide range of goods in 1974. Additionally, on 1 January 1981, Romania signed an accord with the EC on trading industrial goods (other than textiles and steel) and had become the first East European country on this issue.<sup>107</sup>

However, Romania's relations with the EC slowed down in the 1980s. The main reason was the oppressive character of Ceausescu's regime. Because of his isolationist and self-sufficiency policies, the EC decided to scale down its contacts with the country for a period of time. During the 1989 Revolution, the EC closely followed events in Romania and diplomatically protested against human right violations in the country.<sup>108</sup>

By the end of the revolution, the overthrow and execution of Ceausescu, the NSF issued a statement on 7 January 1990 in order to warm up relations and to renew

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<sup>106</sup> "NATO's new expansion is hard to imagine without Romania-says NATO Deputy Secretary-General Klaus Klaiber", Nineoclock, 03.10.2000, [www.nineoclock.ro/pol.html](http://www.nineoclock.ro/pol.html).

<sup>107</sup> Dan Ionescu, "Romania Signs Association Accord with the EC," RFE/RL Research Report 2, no. 10 (5 March 1993): 34.

<sup>108</sup> Dan Ionescu, "Romania Signs Association Accord with the EC", 34.

contacts with the Community. Although they concluded a new trade and cooperation accord on 10 June 1990, the EC again decided to freeze its relations with Romania as a result of continuing violence in the country. The fluctuations in the relations came to an end with the conclusion of a comprehensive trade agreement on 22 October 1990. This agreement entered into force on 1 May 1991 and Romania became the last Warsaw Pact country to sign this accord.<sup>109</sup> The first Romanian Ambassador to the EU was appointed in April 1990.<sup>110</sup>

In late 1991, diplomatic efforts became intensive about Romania's possible association with the Community.<sup>111</sup> Following number of negotiations, a Romanian delegation headed by Prime Minister Nicolae Vacaroiu signed an Association agreement with the EC on 1 February 1993 in Brussels. Romania was ranked as the fourth former communist country after Hungary, Poland and Czechoslovakia to conclude such an accord with the EC. Romanian Foreign Minister Teodor Melescanu, the Danish Foreign Minister Niels Helveg Petersen and the EC Commissioner Sir Leon Brittan also signed a separate interim accord for regulating trade and economic relations until the Association agreement was approved by both the European Parliament and Romania's Parliament.<sup>112</sup> In June 1993, The European commission opened a Permanent Delegation in Bucharest.<sup>113</sup>

The Association agreement, the so-called the "Europe Agreement", came into force on 1 February 1995. The Europe Agreement "provided the legal and institutional basis for the further development of relations between Romania and the

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<sup>109</sup> *ibid.*

<sup>110</sup> "EU Integration Process-Relations between Romania and EU", Ministry of Foreign Affairs of Romania, <http://domino.kappa.ro/mae/dosare.nsf>

<sup>111</sup> Dan Ionescu, "Romania Signs Association Accord with the EC", 34. After six rounds of negotiations, the text of the accord was completed and presented on 17 November 1992.

<sup>112</sup> Dan Ionescu, "Romania Signs Association Accord with the EC", 33.

<sup>113</sup> "EU Integration Process-Relations between Romania and EU", Ministry of Foreign Affairs of Romania, <http://domino.kappa.ro/mae/dosare.nsf>

Community and clearly spelled out the main objective: to prepare Romania's accession to the European Union (EU)."<sup>114</sup> Romania hailed the Europe Agreement as an important act in the country's foreign policy and a new beginning in Romania-EU relations. The Agreement could open the door for Romania to break out of a political isolation coming from its communist past. However, the EU preferred to be cautious in its future relations with the country and warned against the applications of human rights in general and the rights of minorities.<sup>115</sup>

The Europe Agreement led to speculations both among public and political elites. The agreement would serve to facilitate Romania's access to the single European market by eliminating trade barriers between Romania and EU. This would provide Romania a key to enter the world's largest market where goods, services, capital and labor circulated freely. Some of the people accepted the agreement as an advantage for increasing the speed of transformation from an over-centralized economy to a liberal one. According to them, with a rise in exports and an influx of technology and investments from the West, Romania could easily overcome the economic crisis in medium term.<sup>116</sup>

On the other hand, as stated in one daily called "Curierul National", the Europe Agreement would "mark the beginning of tough competition in Romania's economy..."<sup>117</sup> This could be possible because of the inability of many domestic companies and industrial branches to compete in such a big market. While the nationalist forces, which continued to support Ceausescu's policy of self-sufficiency, choose to emphasize these negative opinions, Romania's political establishment remained determined to become a full member in the EU.<sup>118</sup>

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<sup>114</sup> *ibid.*

<sup>115</sup> Dan Ionescu, "Romania Signs Association Accord with the EC", 33-35.

<sup>116</sup> *ibid.*, p.35.

<sup>117</sup> *ibid.*, p.36.

<sup>118</sup> *ibid.*

The Romanian government submitted its official request for accession to the EU on 22 June 1995. The consensus of all Romanian political groups were recorded in the Snagov Declaration in June 1995 and the National Strategy, including procedural steps and actions in the process of preparation for accession, was adopted. Romania had to fulfill the “Copenhagen Criteria”, set up by the European Council in June 1993, to become a full member of the EU. Following year, in Essen, the Council presented “The Preparatory Strategy for the Associated countries in Central and Eastern Europe with the view to their Accession to the EU”. The European Commission prepared a Questionnaire in April 1996 to test the degree of preparedness of the candidate countries for accession and Romania forwarded its answers on 25 July 1996.<sup>119</sup>

After these procedures, the European Commission came with a proposal, requiring from each candidate state to submit an annual report on the progress of fulfilling the accession criteria.<sup>120</sup> According to 1999 European Commission Report on Romania’s progress toward accession, Romania had no serious problems in terms of fulfilling the Copenhagen political criteria except dealing with child care, the situation of Roma minority and corruption.<sup>121</sup>

The Commission decided to monitor the reforms of the Romanian government in terms of hygiene, medical care, nutrition, general assistance and infrastructure of the child care institutions.<sup>122</sup> The Commission also required from Romanian government to control the living conditions of the Roma minority and to fight against illegal

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<sup>119</sup> “EU Integration Process-Relations between Romania and EU”, Ministry of Foreign Affairs of Romania, <http://domino.kappa.ro/mae/dosare.nsf>

<sup>120</sup> *ibid.*

<sup>121</sup> Commission of the European Communities, 1999 Regular Report from the Commission on Romania’s Progress Towards Accession (Brussels, 13 October 1999), 19-20.

<sup>122</sup> In September 1999, approximately 190.000 children were reported to be under a variety of child protection schemes. However, because of financial and administrative problems in the country, the living conditions in the child care institutions have declined seriously in 1999. See also Avrupa Komisyonu Türkiye Temsilciliği, Gündem 2000: Genişleme (Ankara: 1999 Yılı Aday Ülkeler İlerleme Raporları, 1999), 16.

discrimination in employment and education.<sup>123</sup> Additionally, corruption and organized crime were growing challenges and the Commission wanted Romanian government to take certain measures. Regarding illegal issues, Romanian Minister of Interior Constantin Duda Ionescu mentioned about the parallel economy in 1999 and stated that it constituted 25 to 40 percent of official economy.<sup>124</sup>

The European Commission's report was not optimistic in drawing the economic picture in Romania. The Commission stated that "Romania cannot be considered as a functioning market economy and it is not able to cope with competitive pressure and market forces within the Union in the medium term."<sup>125</sup> According to the report, certain amount of progress was achieved in the privatization of several large companies but these were not sufficient for solving financial problems in the country. Legal uncertainty also plugged the road of foreign private investments necessary to modernize the supply side of the economy. The Commission concluded that the creation of a more transparent and disciplined business environment should be established for increasing economic activity and living standards in the country.<sup>126</sup>

On the other hand, the "2000 Regular Report from the Commission on Romania's progress toward Accession" pays attention to the poor social conditions in Romania and underlines that these negative elements stemmed from the lack of reform in the economy and weak economic infrastructure. It also mentioned rising unemployment, high inflation, low wages and the presence of a black market in Romania.<sup>127</sup>

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<sup>123</sup> The official number of Roma in Romania is around 400.000 and they are exposed to numerous examples of police brutality, prejudice, racist harassment and violence in the country.

<sup>124</sup> Calin Cosmaciuc, "Great Expectations, Slim Chances: Romania's Road to Europeanization", Central Europe Review 1, no. 19 (1 November 1999), [www.ce-review.org/99/19/cosmaciuc19.html](http://www.ce-review.org/99/19/cosmaciuc19.html).

<sup>125</sup> Commission of the European Communities, 1999 Regular Report from the Commission on Romania's Progress Towards Accession (Brussels, 13 October 1999), 32.

<sup>126</sup> *ibid.*

<sup>127</sup> Catherine Lovatt, "EC 2000 Progress Report on Romania", Central Europe Review 2, no. 39 (13 November 2000), [www.ce-review.org/00/39/eu39romania.html](http://www.ce-review.org/00/39/eu39romania.html).

To conclude, Romania wants to join the EU for basically security and prosperity. However, Romania is aware of the fact that “each state should join at its own speed, depending upon individual circumstances...” The Romanian economy is at the top of the EU agenda and the country has to wait until its economic indicators catch the EU norms.<sup>128</sup>

On the other hand, “people in their mid-forties and over cannot fit into a conventional market economy; they are scared of the market economy and competition.”<sup>129</sup> These people understand democracy as unemployment, poverty and chaos. They explain that they were safe in the communist world if they kept their mouths shut. Thus, almost 64 percent of Romanians miss the rulership of communist dictator Nicolae Ceausescu.<sup>130</sup> Again, the same Romanian people imagine their country in the EU as if there would be “money falling from the sky. Some think EU integration substitutes for reform and do not realize that economic improvements require an internal effort and not just handouts from abroad.”<sup>131</sup>

However, the reality is quite different than what the people imagine. The target of Romania is to complete the preparations and requirements until 2004 and to become a member of EU in 2007.<sup>132</sup> It does not wish to be left behind but the answer of the European Commissioner for enlargement, Gunter Verheugen represents the reality: “The future of Romania belongs to the government and the Romanian people. There is no doubt that Europe will support the reforms, but it depends on Romania to

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<sup>128</sup> Nicholas Hopkinson, *The Eastern Enlargement of the European Union* (London: Wilton Park Paper 91, 1995), 16.

<sup>129</sup> Elizabeth Pond, “Romania: Better Late Than Never”, *Washington Quarterly* 24, issue 2 (Spring 2000): 40.

<sup>130</sup> Calin Cosmaciuc, “Great Expectations, Slim Chances: Romania’s Road to Europeanization”, [www.ce-review.org/99/19/cosmaciuc19.html](http://www.ce-review.org/99/19/cosmaciuc19.html).

<sup>131</sup> Elizabeth Pond, “Romania: Better Late Than Never”, p.40.

<sup>132</sup> Berinde, Mihai, The Minister of State, The Ministry of Industry and Resources, Bucharest, Romania. Interview by author, 10 August 2001.

achieve this.”<sup>133</sup> There is a glimmer of hope for Romania’s admission to the EU in the future but Romania has much to do before it becomes an EU member.

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<sup>133</sup> Calin Cosmaciuc, “Great Expectations, Slim Chances: Romania’s Road to Europeanization”, [www.ce-review.org/99/19/cosmaciuc19.html](http://www.ce-review.org/99/19/cosmaciuc19.html).

## **CHAPTER III**

### **A PERIOD OF CHALLENGE: ROMANIAN ECONOMY IN THE 1990s**

#### **3.1 CHAOS IN ROMANIAN ECONOMY: THE LEGACIES OF CEAUSESCU**

By the beginning of the 1990s, the Romanian economy could be identified with three characteristic features that distinguished it from the other countries of Eastern Europe.<sup>134</sup> It was a hypercentralised, socialist economy; had no external debt when Ceausescu fell, and was one of the countries in which the standard of living was very low.

The Romanian economy was defined as a hypercentralised, socialist economy because it was based on strict autarky and central planning, which was inflexible to the changing external conditions, new Western technologies and unrelated to either local needs or global economic realities. In addition, it represented Ceausescu's

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<sup>134</sup> Alin Teodorescu, "The Future of a Failure: The Romanian Economy," Economic Change in the Balkan States: Albania, Bulgaria, Romania and Yugoslavia, Örjan Stöberg and Michael L. Wyzan (editors), (New York: St. Martin's Press, 1991): 69.

vision of a homogeneous socialist population by minimizing independence and scope for individual decision-making and maneuvering.<sup>135</sup>

Before the 1980s, there were signs of economic transformation and deterioration both in the 1960s and 1970s. In the late 1950s and early 1960s, Romania had a backward agrarian economy. However, there were efforts to mechanise agriculture and to develop the manufacturing sector in the early 1960s. In order to realize this, huge numbers of underutilized labour in agriculture were transferred to the non-agricultural sectors. The result of the shift was a rapid increase in productivity, even though productivity in the industrial sector could not reach international standards. In addition to the shift in the investment strategies in this period (see Table I for the investment patterns in the socialist sector in percentages), the location of new plants were changed from the traditional raw material-based centers of heavy industry to the capitals of countries with large agricultural population.<sup>136</sup>

<b>Sector</b>	<b>1961-65</b>	<b>1966-70</b>	<b>1971-75</b>	<b>1976-80</b>	<b>1981-85</b>
Industry	46,5	50	50,5	49,2	49
Agriculture	19,4	16	14,4	13,8	16,5
Construction	3,4	3,9	4,7	5,9	3,9
Transportation	8,8	10,3	10,2	10,6	11,3
Communal housing	11,5	9,5	9,3	10,2	10,3
Education & Culture	2,2	2	1,9	1,5	0,6
Health	1,2	1,2	0,9	0,7	0,5
Other sectors	6,9	7,1	8,1	8,1	8

**Source:** Per Ronnas, "The Economic Legacy of Ceausescu", in Economic Change in the Balkan States: Albania, Bulgaria, Romania and Yugoslavia, ed. Örjan Stöberg and Michael L. Wyzan, St. Martin's Press, New York, 1991, p.49.

<sup>135</sup> Organization for Economic Cooperation and Development (OECD), Center for Cooperation with European Economies in Transition (CCEET), Romania: An Economic Assessment (France, 1993), 11 and Per Ronnas, "The Economic Legacy of Ceausescu," Economic Change in the Balkan States: Albania, Bulgaria, Romania and Yugoslavia, Örjan Stöberg and Michael L. Wyzan (editors), (New York: St. Martin's Press, 1991): 47-48.

<sup>136</sup> Per Ronnas, "The Economic Legacy of Ceausescu", 48-49.

Towards the end of the 1970s, economic growth slowed down and investments declined considerably. The growth rate of national income fell from an average of over 9 percent in the 1970s to only 2 percent in 1980. Shortages of food products were widespread in the domestic market after 1979 (see Table II for economic development between 1970 and 1989).<sup>137</sup>

Indicator	Unit	1970	1980	1989	% yearly change	
					1970-80	1980-89
Population	1.000	20,252.5	22,201.4	23,151.6	0,92	0,47
Wage workers	1.000	5,108.7	7,340.0	7,996.6	3,69	0,96
National income	bil.lei	212.1	580.7	613.7	9,14	2,11
Gross ind.prod.	bil.lei	307.2	936.1	1,270.4	11,79	3,45
Gross agr.prod.	bil.lei	68.6	129.1	193.4	6,53	4,59
Investments	bil.lei	80.0	210.5	236.4	10,16	1,30
Steel	1000 tons	6,517	13,175	14,415	7,29	1,00
Tractors	No	29,287	70,873	24,500	9,24	-11,13
Cars	No	23,604	88,232	122,800	14,09	3,74
TV sets	1.000	280	541	511	6,81	-0,64
Shoes	1000 pairs	65,804	113,401	111,400	5,59	-0,28
Meat	1000 tons	425	993	686	8,86	-4,03
Milk	mil. Litres	433.6	732.5	568	5,38	-2,77
Cooking oil	1000 tons	274	369	247	3,02	-4,33
Refined sugar	1000 tons	377	509	693	3,05	3,49
Butter	tons	30,700	34,600	45,600	1,21	3,10
Cheese products	tons	68,200	112,900	81,600	5,17	-3,54

**Source:** Per Ronnas, "The Economic Legacy of Ceausescu", in *Economic Change in the Balkan States: Albania, Bulgaria, Romania and Yugoslavia*, ed. Örjan Stöberg and Michael L. Wyzan, St. Martin's Press, New York, 1991, p.50.

All of the negative economic values in the late 1970s were reflected onto the values of 1980s and the bells indicating the beginning of an economic crisis began to ring in Romania. Beyond negative impacts of the 1970s, most of Ceausescu's policies stood out as a major reason for the disastrous state of the Romanian

<sup>137</sup> *ibid.*, p.50.

economy. To him, central planning mechanism and the need for state control of the economy were unquestionable and sacrosanct.<sup>138</sup>

Ceausescu's insistence on the repayment of external debt in 1981 was one of the significant factors lying behind Romania's economic failure. In order to clear the external debt, he decided to increase the exports and then to invest profits to debt instead of investing in technical modernization. Therefore, in the early 1990s, Romania became a country where one could find "great production capacity, mostly underemployed, equipped with the heavily polluting technology of the 1960s, lacking in spare parts, and consuming great quantities of electricity and manpower."<sup>139</sup>

The re-exportation sector played a significant role in the losses of the Romanian economy. Between 1980 and 1989, the country imported a huge amount of raw materials especially for three major industrial branches (metallurgy, chemistry and oil), processed at a low quality level and then sold products wherever they could be sold without estimating production costs. The goal was to obtain any sum of foreign exchange to pay the external debt.<sup>140</sup>

Besides efforts of paying external debt, in early 1980s, a domestic energy crisis arose as a result of the increase in energy consumption of the highly energy-intensive industries. The household consumption of electricity was insufficient, thus small children and old people died from the cold in their homes in winter. The streets were dark at night and only single 40 watt bulbs were used in houses. In 1985, 3160 kwh of electricity per capita was produced in Romania, but it had slightly increased to 3279 kwh/per capita in 1989. The problems in energy supply also affected the

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<sup>138</sup> Dimitri G. Demekas and Mohsin S. Khan, The Romanian Economic Reform Program (Washington D.C.: International Monetary Fund, Occasional Paper 89, 1991), 4.

<sup>139</sup> Alin Teodorescu, "The Future of a Failure: The Romanian Economy", 71. See also Ion Iliescu, Gerçeğin Ucunda Romanya - "İhtilal ve Reform", 135.

<sup>140</sup> *ibid.*, pp.72-73.

irrigation capacity in agriculture and forced many industries to run less than full capacity. Oil imports increased from 2.3 million tons in 1970 to 16.0 million tons in 1980, which led to a proportional increase in foreign debts.<sup>141</sup>

In this period, Romania's agricultural performance was poor. The human resource base in agriculture had been transferred to industries, so inefficiencies occurred both quantitatively and qualitatively (see Table III for the distribution of employment by sector). The transfer of labour from agriculture to the other economic sectors was not as beneficial as expected because the living conditions of agricultural population had not improved, leaving the rural-urban divide as large as ever.<sup>142</sup>

	<b>1970</b>	<b>1980</b>	<b>1985</b>	<b>1989</b>
Agriculture and Forestry	49,3	29,8	28,9	27,9
Industry	23,1	35,5	37,1	38,1
Construction	7,8	8,3	7,4	7,0
Transport	3,6	6,1	6,0	6,2
Telecommunications	0,6	0,8	0,8	0,8
Trade and financial services	4,6	6,3	6,1	6,3
Municipal services	3,1	3,8	4,1	4,9
Education, culture and arts	3,7	4,2	3,9	3,4
Health care, social security, physical culture and sport	2,3	2,7	2,7	2,7
Science and scientific services	0,5	1,0	1,3	1,3
Administration	0,7	0,6	0,5	0,5
Other	0,8	1,0	1,2	1,1
Total number	9,875.0	10,350.1	10,586.1	10,945.7

**Source:** Romania: Human Resources and the Transition to a Market Economy, The World Bank, Washington DC, U.S.A., 1992, p.166.

The worst of all these were the problems in the supply of food and staples stemming from the crisis in agricultural sector. The only visible solution for the

<sup>141</sup> Per Ronnas, "The Economic Legacy of Ceausescu", 53.

<sup>142</sup> *ibid.*, p.55.

shortage of necessities was food rationing. It was introduced in 1981 but because of the large regional variations in supply and poor distribution system, it could not prevent the deterioration of the physical well-being of the population. For instance, in Cluj-Napoca, the largest city in Transylvania; 750 g of sugar, 0.5 lt of cooking oil, 2 kg of potatoes, 0.5 kg of wheat flour and 1 kg of macaroni were distributed per person per month in June 1988. Bread was rationed to 300 g per person per day. Moreover, “all rations were subject to availability. Meat and dairy products were not formally rationed since there was nothing to ration.”<sup>143</sup> Throughout the 1980s, the average lifespan was low and falling due to malnutrition, lack of medical facilities, pollution, poor and dangerous working conditions.<sup>144</sup>

Another important factor that contributed to both physical and psychological depression of people was rising levels of unemployment. This crisis became acute especially after 1987 and the percentage of non-wage workers in the labor force was increased from 0.4 in 1987 to 10.2 in 1988.<sup>145</sup>

To conclude, by the end of the 1980s, the quality of life went down as well as the power and hope of the people but economic statistics were systematically falsified by Ceausescu to convince people that everything was smooth and under the control of the state.<sup>146</sup> There was a huge unsatisfied demand in the domestic market and hundreds of enterprises had serious difficulties in obtaining inputs. Because of inadequate input, Romania experienced a real decrease in Gross Domestic Product (GDP) from 856.9 billions of lei in 1988 to 798 billions of lei in 1989.<sup>147</sup> Nonetheless, the level of technology and the industrial infrastructure were stable. But for modernization efforts, currency reserves were not sufficient. In sum, there were

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<sup>143</sup> *ibid.*, pp.55-56.

<sup>144</sup> *Ibid.*, p.61.

<sup>145</sup> *ibid.*, p.58.

<sup>146</sup> Dimitri G. Demekas and Mohsin S. Khan, The Romanian Economic Reform Program, 8.

<sup>147</sup> *ibid.*, p.9.

different kinds of secret repression on people and they would not remain silent for a long time. The disastrous economic situation might be one of the indicators of the 1989 Revolution.

### **3.2 THE BEGINNING OF TRANSITION IN THE ROMANIAN ECONOMY**

With the demise of the communist system in Central and Eastern Europe, the region entered a period of transition from dictatorships and command economies towards democratic systems and free market economies. After decades of central planning, autarchy, bureaucracies and biased prices, transition should be towards the opposite of this system: privatization, foreign competition and free prices.<sup>148</sup>

Sandor Richter makes an explanation of transition in his book as “a typical “learning by doing” process, where the lessons were learnt from other countries, coping with similar problems...”<sup>149</sup> The author states that, although the main actors of transition are more or less identical in all economies concerned, the internal conditions of each country, under which the specific programs were drafted, show considerable variations and play significant role in the length of the transition period.<sup>150</sup>

After the 1989 overthrow of the communist regime, Romania faced the challenge of transition much more than any other ex-socialist Central European country. The cumulative effects of the fully state-owned economy, hypercentralised management system, lack of Western technology and competitiveness of national production and

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<sup>148</sup> Sandor Richter, ed., The Transition from Command to Market Economies in East-Central Europe (USA: The Vienna Institute for Comparative Economic Studies Yearbook IV, Westview Press, 1992), 8.

<sup>149</sup> *ibid.*, p.1.

<sup>150</sup> *ibid.*

early repayments of foreign debt marked the beginning of a painful economic transformation period.<sup>151</sup>

Following the violent overthrow of Ceausescu in late 1989, the provisional Government decided to move rapidly to make certain reforms. However, there were a number of economic imbalances inherited from communist past. The publication of “Outline of Strategy for Transition to a Market Economy in Romania” by provisional Government in May 1990 and the Prime Minister’s reports to Parliament on October 18, 1990 and on February 26, 1991 for the progress of economic reforms were regarded as landmarks in the development of the Romanian economy. The report prepared by the provisional Government clearly stated that “The transition to a market economy is desired not only by Government; there is now a national consensus on that point. All those who understand the complexity of the question agree that the transition must be prepared economically, financially, organizationally, and also in the area of legislation...”<sup>152</sup> According to the report, the transition to a market economy could be held in two stages: “first, reform of the existing economic and institutional structures to those of a market economy; and second, modernization of the economy.”<sup>153</sup> The time horizons of the two stages differed and the former was a prerequisite for the success of the latter. In sum, the main tasks were privatization, restructuring and growth, stabilization and introduction of market clearing prices.<sup>154</sup>

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<sup>151</sup> <http://www.rmdsz.ro/angol/current/strfin1.htm>.

<sup>152</sup> Dimitri G. Demekas and Mohsin S. Khan, The Romanian Economic Reform Program, 14.

<sup>153</sup> *ibid.*, p.15.

<sup>154</sup> Sandor Richter, ed., The Transition from Command to Market Economies in East-Central Europe, 35.

### 3.3 THE REFORM PROCESS AND ECONOMIC DEVELOPMENT OF ROMANIA IN THE 1990s

The Romanian economy was in trouble in the early 1990s. Although the GDP values between 1990 and 1992 were negative, it began to rise with a 1.5 percent in 1993.<sup>155</sup> Tight monetary policies, forced by IMF and World Bank, were successful in changing the 1994 and 1995 GDP's to positive values and for the achievement of macroeconomic stabilization (see Table IV for GDP growth rate in percentage between 1990 and 2000).<sup>156</sup> Proportional to the efforts for raising GDP and a 700 million dollars loan issued by IMF in May 1994, the annual inflation rate decreased from 136.7 percent in 1994 to 32.3 percent in 1995 (see Table IV for annual inflation rate in percentages between 1990 and 2000).<sup>157</sup>

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP growth rate (%)	-5,6	-12,9	-8,8	1,5	3,9	7,1	3,9	-6,6	-7,3	-3,2	1,6
Annual inflation rate (%)	5,1	170	210	256	137	32,3	56,9	151	40,7	54,8	40,7
Unemployment rate (%)	-	3,0	8,2	10,4	10,9	9,5	6,6	8,8	10,3	11,5	10,5

Source: <http://www.rmdsz.ro/angol/current/strfin1.html>; *Doing Business in Romania (2001)*, p.9., <http://www.arthuranderson.ro>

<sup>155</sup> <http://www.neiconi.com/romania/index5.html> and <http://www.rmdsz.ro/angol/current/strfin1.html>

<sup>156</sup> Ebru Gülsoy, *Romanya Ülke Raporu* (Ankara: İGEME (İhracatı Geliştirme Etüd Merkezi), 2000), 7.

<sup>157</sup> <http://www.neiconi.com/romania/index5.html> and <http://www.rmdsz.ro/angol/current/strfin1.html>

<b>Country</b>	<b>Value of Investments (1000\$)</b>	<b>Number of Investors</b>
Holland	591 353,7	1021
Germany	447 244,1	8115
USA	306 961,7	2573
Italy	303 564,1	7389
France	290 032,9	1900
South Korea	234 022,8	54
Turkey	188 567,4	5600
Austria	186 732,7	1829
England	185 121,5	882
Cyprus	176 057,8	584

Source: Ebru Gülsoy, Romanya Ülke Raporu, İGEME (İhracatı Geliştirme Etüd Merkezi), Ankara, 2000, p.16.

On the other hand, privatization was one of the cornerstones but also one of the problematic sections of economic reform. The institutions, responsible for privatization in Romania, were the State Ownership Fund (SOF) and Romanian Development Agency.<sup>158</sup> The privatization process starting from 1990 continued very slowly and most of the country's industrial production remained in state hands in 1995. After considerable pressure from the IMF and the World Bank, the Romanian parliament issued a mass privatization program for transferring more than 2000 companies to private ownership.<sup>159</sup> However, the program was not completely successful since the SOF had privatized only around 3000 companies in early 1997 from a portfolio of 8700 companies in 1992.<sup>160</sup> In order to speed up the privatization, the government decided to take certain measures. The first initiative was the reorganization of the SOF. In April 1997, all the board members were replaced and the SOF was put under the direct control of state. Secondly, in January

<sup>158</sup> Ebru Gülsoy, Romanya Ülke Raporu, 9.

<sup>159</sup> <http://www.neiconi.com/romania/index5.html>

<sup>160</sup> <http://www.wvics.si.edu/PROGRAMS/REGION/ees/occasional/zietlow51.html>

1998, the parliament passed a privatization law with an extraordinary session. The law pointed out the reorganization of privatization bodies, increasing transparency in transactions, setting environmental protection conditions and so on.<sup>161</sup>

As a result of these measures, a number of transactions were made in mainly the sectors of metallurgy, oil refining, building materials, construction, textile, food packaging and plastics processing industries. The sale of 35 percent share of the Romtelecom (Romanian Telecommunications Company) to OTE (Greek Telecommunications Company); 51 percent share in the Romanian Development Bank to Societe Generale of France; the car manufacturer, Automobile Dacia, to Renault and a 45 percent stake in Banc Post to EFG Eurobank Ergasias, Banco Portugues de Investimento and GE Capital Corporation were important steps in the area of privatization in 1999. However, little progress was made in 2000. In 2001, private sector constitutes over 60 percent of the country's GDP.<sup>162</sup>

In the second half of the 1990s, the real GDP began to decrease as a result of severe reductions in fixed investments and private consumption. The large fall in output, which were -6,6 in 1997 and -7,3 in 1998, changed the balances by increasing unemployment. The unemployment rate reached to 11.5 percent in 1999 from 6.6 percent in 1996 (see Table IV for unemployment rate in percentages between 1990 and 2000).<sup>163</sup>

The slow pace of reforms affected the foreign investor's portfolio in Romania. The investments have mainly been from European companies amounting to around 80 percent of the total capital investment value (see Table V for foreign investments in groups of countries between December 1990 and March 1999).<sup>164</sup>

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<sup>161</sup> *ibid.*

<sup>162</sup> *Doing Business in Romania (2001)*, pp.8-9, <http://www.arthurandersen.ro>

<sup>163</sup> Commission of the European Communities, *1999 Regular Report from the Commission on Romania's Progress Towards Accession* (Brussels, 13 October 1999), 22.

<sup>164</sup> *Doing Business in Romania (2001)*, p.8., <http://www.arthurandersen.ro>

Romanian foreign trade was subject to economic transformations in the 1990s. The importance given to exports in 1980s for the repayment of external debt was routed towards domestic market supplies. Therefore, a considerable decrease appeared in exports in the early 1990s.<sup>165</sup> In imports, a similar decline occurred from 9,202 million dollars in 1990 to 5,784 million dollars in 1992 (see Table VI for foreign trade in billion dollars). The fluctuating values in both exports and imports were replaced with gradually increasing numbers after 1993.<sup>166</sup> When trade products are examined, textiles, ready-made clothes, leather goods, metallurgical products, machines and equipments, chemicals, rubber and plastics account for an important part of Romania's both exports and imports with the EU countries (mainly Italy, Germany and France), Hungary, China, Egypt, Israel, South Korea, USA and Russia.<sup>167</sup>

<b>TABLE VI. FOREIGN TRADE IN BILLION DOLLARS</b>											
	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Exports	5,8	4,3	4,4	4,9	6,1	7,9	8,1	8,4	8,3	8,5	9,5
Imports	9,2	5,4	5,8	6,0	6,6	9,5	10,5	10,4	10,9	10,3	11,5

Source: <http://www.rmdsz.ro/angol/current/strfin1.html>; Doing Business in Romania (2001), p.9., <http://www.arthuranderson.ro>

To conclude, the Romanian economy played a diagnostic role in both domestic and foreign policies of the country in the 1990s. Although indicators of early 1990s created problems for Romania in the international arena and caused delays in membership to NATO and EU, the latest developments and coherent values seems hopeful for the future of the country. Besides internal reforms, establishing good

<sup>165</sup> Ebru Gülsoy, Romanya Ülke Raporu, 18.

<sup>166</sup> <http://www.rmdsz.ro/angol/current/strfin1.html>

<sup>167</sup> Ebru Gülsoy, Romanya Ülke Raporu, 18-22.

economic relations with other nations could be useful for Romania to establish a broader scope and vision. In fact, the target is the smooth transition of Romanian economy into a well-structured, functioning market system step by step, first reorganizing itself and then adapting to other international institutions.

## CHAPTER IV

### ROMANIA'S REGIONAL POLITICS IN THE 1990s

#### 4.1 AN ERA OF RAPPROCHEMENT IN ROMANIA'S BALKAN POLICY

With the demise of the communist system in Central and Eastern Europe, Romania entered a period of transition in social and economic processes: from dictatorship to democracy and from the command economy to a free market economy. “New social and cultural values emerged and traditional mentalities regenerated: anti-communism; democracy and national identity; trust and respect towards fellow citizens, irrespective of their ethnic origin; trust and respect towards neighboring countries and peoples. Therefore, for Romania, the national interest incorporated a set of values centered on the three pillars of statehood: democracy, security and prosperity.”<sup>168</sup>

During the 1990s, taking these values as a basis in its foreign policies, Romania's Balkan policy was mainly composed of “the development of the good-neighborly relations with all the Southeast European states, in order to consolidate stability, security and cooperation in its geographical area and to integrate it into the European

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<sup>168</sup> Petre Roman, “Romania's Evolving Role in the Euro-Atlantic Community: Challenge, Change, Perspectives”, January 27, 2000, <http://wwics.si.edu/NEWS/speeches/roman>.

and Euro-Atlantic Structures; the encouragement of the democratic developments in the region.”<sup>169</sup> In addition to these, specifically, it aims to give its support in the Balkans for:

- i.** Widening the opportunities for prosperity for all the peoples in Southeastern Europe; by fostering a more stable regional security environment, and encouraging implicitly the creation of a pool of investment in this geographical area,
- ii.** Giving priority to projects based on a solid participation of the local private business in the reconstruction process,
- iii.** Strengthening cooperation mechanisms for a joint fight against organized crime, corruption and illegal cross-border trafficking, as an essential condition for an increased regional, political and economic security,
- iv.** Building a climate of increased confidence and cohesion by strongly supporting new democracies, by sharing what is called democratic road maps between the countries of the region, and consolidating the role and actions of the civil society.<sup>170</sup>

“The largest and most populous country in the region (237,500 km<sup>2</sup> and 22,5 million people in 1999), Romania has promoted a coordinated strategy for the reconstruction and prosperity of the Southeastern Europe. First of all, it was necessary for Romania to build confidence and trust in the region which were lacking in the history of the Balkans.”<sup>171</sup> Therefore, Romania had actively participated in the sub-regional cooperation initiatives such as Southeast European

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<sup>169</sup> “Romania’s Foreign Policy- Extract from the Government Program Approved by the Romanian Parliament on the 21<sup>st</sup> of December, 1999”, <http://www.roembus.org/english/journal/roman.htm>.

<sup>170</sup> Petre Roman, “Romania’s Evolving Role in the Euro-Atlantic Community: Challenge, Change, Perspectives”, January 27, 2000, <http://wwics.si.edu/NEWS/speeches/roman>.

<sup>171</sup> Andrew J. Pierre, “De-Balkanizing the Balkans: Security and Stability in Southeastern Europe”, <http://www.usip.org/oc/sr/sr990920/sr990920.html>.

Cooperation Process (SEECF), Southeast European Cooperation Initiative (SECI), Organization of the Black Sea Economic Cooperation (BSEC), Process of Stability and Good-Neighbourly Relations in Southeastern Europe (Royaumont Process) and Central European Initiative (CEI).<sup>172</sup> The country strengthened its uniting attempts by taking part in the initiatives of trilateral cooperation such as Romania-Bulgaria-Greece, Romania-Bulgaria-Turkey and so on.<sup>173</sup>

For Romania, building stability, security and prosperity in the region carried utmost importance since living in such a peaceful environment would also contribute to the political, economic and social development of the country as well. The core example of Romania's efforts for establishing peace in the region was the country's realistic attitudes during the Yugoslav Wars of Dissolution. Romania was in an uncomfortable position since it had to act quickly by making a choice among two options: either to follow UN embargo against the Federal Republic of Yugoslavia (FRY) or to take part on the other side because of traditional good relations and economic ties with the FRY. Romania did not hide its political sympathies for Serbia but this time "the potential economic and political advantages from supporting NATO far outweighed sentimental ties to Serbia."<sup>174</sup>

The decision to join in the UN embargo on 3 June 1992 was costly enough for Romania because the country suffered economically. The energy sector was the most important aspect of Romanian-Yugoslav exchange. Yugoslavia imported 13-15 percent of its oil needs from Romania.<sup>175</sup> In 1991, the volume of trade between the two countries had reached to 440 million dollars, with Yugoslavia exporting goods nearly 269 million dollars to Romania.<sup>176</sup> Therefore, Romania was right in its unease

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<sup>172</sup> "Regional Cooperation", <http://domino.kappa.ro/mae/home.nsf>.

<sup>173</sup> "Regional Cooperation", <http://domino.kappa.ro/mae/home.nsf>.

<sup>174</sup> Catherine Lovatt, "NATO's Balkan Hopeful", <http://www.new.presence.cz/99/06/lovatt.html>.

<sup>175</sup> *ibid.*

<sup>176</sup> *ibid.*, p.36.

since the losses from the economic blockade against FRY were approximately 300-350 million dollars.<sup>177</sup> Besides, Romanian officials were afraid of Yugoslavia's breakup "to encourage separatist tendencies among Romania's ethnic minorities, especially among the Hungarians in Transylvania."<sup>178</sup> Despite of all these negative factors, Romania insisted on following US initiatives and respecting UN sanctions. The attitude of the country could be counted as its strong enthusiasm towards Western institutions. Romania had understood that "it would lose more if it turned its back on NATO."<sup>179</sup>

From the very beginning, the country did not support any military involvement in the Balkans and on every occasion, it underlined the importance of finding peaceful solutions by regional and international initiatives to the Yugoslav crisis.<sup>180</sup> Romania was not alone in its decision since the Balkan nations such as Greece, Bulgaria and Turkey came together many times in Bucharest and declared that "the only solution (to the Yugoslav crisis) is a political one rather than engaging in a military confrontation."<sup>181</sup> They stressed the importance of acting in harmony for throwing the seeds of conflict and establishing peace in the region.

Besides playing an active role in regional structures of cooperation, Romania was aware of the fact that bilateral relations with other states could increase its capabilities militarily, diplomatically and economically, or that they could enhance Romania's international prestige.<sup>182</sup> Hence, Romania broke its distanced relations with its neighbours by the end of the Cold War. It tried to improve its relations with

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<sup>177</sup> Dan Ionescu, "Romania Straddles the Fence on the Yugoslav Conflict", RFE/RL Research Report 1, no. 35 (4 September 1992): 28.

<sup>178</sup> Dan Ionescu, "Romania Reluctantly Joins Embargo Against the FRY", RFE/RL Research Report 1, no. 26 (26 June 1992): 37.

<sup>179</sup> Catherine Lovatt, "NATO's Balkan Hopeful", <http://www.new.presence.cz/99/06/lovatt.html>.

<sup>180</sup> Dan Ionescu, "Romania's Quandary", RFE/RL Research Report 2, no. 12 (19 March 1993): 13.

<sup>181</sup> Dan Ionescu, "Romania's Quandary", 16.

<sup>182</sup> Daniel N. Nelson, Romania After Tyranny (USA: Westview Press, 1992), 193.

Balkan nations and searched for opportunities of cooperation. In the 1990s, Romania's relations with Turkey and Greece developed in political, military and economic fields.

#### **4.2 TURKISH-ROMANIAN RELATIONS IN THE 1990s**

Until the end of the Cold War, Turkey and Romania did not really struggle for an intensive cooperation in economic, political and military fields. The official visits, especially after 1960s, were treated as warm-up tours between the two countries.

Following the disintegration of the former Soviet Union, the political, economic and social transformation of Eastern Europe and the emergence of violent ethno-national conflicts in the Balkans, Turkey and Romania changed the route and structure of their relations. For instance, Turkey adopted diplomatic activism in its foreign policy in the early 1990s. In this period, Turkish foreign policy makers were convinced that establishing good political and economic relations with as many Balkan countries as possible and active contribution to stability in the region was definitely in Turkey's national interest. However, Turkey's search for a larger regional role through expanded bilateral ties with Romania, Bulgaria, Macedonia and Albania was partly the product of the competition and rivalry between Turkey and Greece.<sup>183</sup>

The conclusion of the "Good-Neighborliness, Friendship and Cooperation Agreement" in September 1991 marked the beginning of the intensive relations between Turkey and Romania. Especially, after the fall of Ceausescu regime, relations improved with at least yearly regular meetings of the presidents of both countries. In these high-level meetings and visits, numerous agreements and

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<sup>183</sup> Sabri Sayari, "Turkish Foreign Policy in the Post-Cold War Era", Journal of International Affairs 54, issue 1 (Fall 2000): 174.

protocols were signed between Turkey and Romania. The most important ones can be listed as: “Agreement on Social Security (July 1999)”, “Protocol on Joint Cooperation between Labour and Social Security Ministry and the Romanian Social Protection Security (July 1999)”, “Agreement on Consulates (July 1999)”, “Agreement on Cooperation in Science and Technology (July 1999)” and the “Protocol which target at Cooperation between Turkish and Romanian Justice Ministries (September 2000).<sup>184</sup>

Romania’s efforts for NATO membership and both countries’ drive to become European Union members strengthened Turco-Romanian political dialogue. Besides Turkey’s permanent and unconditional support for Romania’s membership to NATO, the two countries exchange their views on the protection of democracy and human rights. Turkey and Romania have also satisfactory political cooperation to struggle against terrorism and organized crime. In 1997, Turkey, Romania and Bulgaria signed a trilateral agreement on a joint fight against illegal operations.<sup>185</sup> Within this framework, Romania fully supports Turkey to put an end to the presence of the outlawed Kurdish Worker’s Party (PKK) on Romania’s soil. “Romanian authorities intensified efforts to crack down on the PKK and its affiliates in Romania and have extradited a number of PKK members to Turkey.”<sup>186</sup> Turkish President Süleyman Demirel thanked Romanian President Emil Constantinescu in one of his visits to Turkey by saying: “Romania has always supported Turkey in the struggle against terrorism and organized crime. The Romanian security forces operation against groups affiliated with the PKK on April 27, 1999, was one of the concrete proof of Romania’s efforts.”<sup>187</sup>

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<sup>184</sup> “Turkish, Romanian Officials sign Cooperation Protocols”, Reuters, 06 July 1999 and “Turkey and Romania sign Judicial Cooperation Agreement”, Reuters, 04 September 2000.

<sup>185</sup> “Turkish President praises Romanian efforts against PKK”, Reuters, 06 July 1999.

<sup>186</sup> *ibid.*

<sup>187</sup> *ibid.*

Besides political and economic relations, Turkey established tight and intensive military ties with Romania after the end of the Cold War. Military relations between the two countries developed especially with the official visit of Turkish General Staff to Romania in 1992. Following this date, the two countries accelerated their military cooperation by holding frequent official meetings and visits. As a result of these visits, Romania and Turkey have signed seven military agreements. They still continue to negotiate on three military agreements which are just drafts.<sup>188</sup>

Additionally, on each visit, Turkish and Romanian officials underline the two countries cooperation in defence industry and training of military personnel. They also seek opportunities and facilities to improve their cooperation in defence industry infrastructure.<sup>189</sup> In one of his official visits to Turkey, the Romanian Defence Minister Sorin Frunzaverde, exchanged views on the military cooperation between Turkey and Romania within NATO and stated that: “The Romanian army is in modernization and reconstruction process and that their target is fully abiding by NATO standards. Therefore, Turkey’s support is very important at this stage. The two countries are the elements of stability in Southeastern Europe and the Balkans and that the military cooperation has an important place in the relations of the two countries.”<sup>190</sup> To sum up, in the 1990s, the improvements in Turkish-Romanian military relations were apparent as in other fields and this could be evaluated as necessary and beneficial for the re-structuring process of the Balkans.

On the other hand, Romania aimed to reorganize its economic and trade relations with all the Balkan states to fasten its adaptation into open market economy as well

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<sup>188</sup> Harp Akademileri Basım Evi, Balkanlardaki Gelişmeler ve Türkiye’ye etkileri ile Balkanlar-Türkiye Otoyol Projesi (İstanbul, Mayıs 1999), 113.

<sup>189</sup> “Turkish President praises relations with Romania”, Reuters, 06 December 1998.

<sup>190</sup> “Turkey supports Romania’s NATO membership-Defence Minister”, Reuters, 13 July 2000.

as its integration into the European structures, mainly the EU and the NATO.<sup>191</sup> In this period, Turkey was also searching the ways of exploiting the markets of newly democratic states in the Balkans. In turn, the fragile economies of the Balkan countries could benefit from Turkey's rapidly developing industry and business.<sup>192</sup>

Before 1990s, Turkish-Romanian trade relations was not so active and they were operating on the basis of five bilateral trade agreements that were signed by the two countries in this period. Following Romania's transformation into open market economy, the two countries' trade relations had accelerated. Agreement for "The Protection and Development of Mutual Investments", which was signed on January 24, 1991, marked the beginning of the intensive economic cooperation between Turkey and Romania (see Table VII for Trade Agreements and Protocols signed between Turkey and Romania).<sup>193</sup>

<b>TABLE VII. TRADE AGREEMENTS AND PROTOCOLS SIGNED BETWEEN TURKEY AND ROMANIA</b>	
<b>Name of the Agreement</b>	<b>Date of Signature</b>
Trade Agreement	27.10.1970
The long term Technical and Industrial Cooperation Agreement	29.08.1975
International Highway Transportation Agreement	06.09.1976
Agreement for the prevention of Double Taxation	07.01.1986
The long term Technical and Industrial Cooperation Agreement	20.10.1987
Agreement for the support and protection of Mutual Investments	24.01.1991
Free Trade Agreement	29.04.1997
Transcript of the Agreement	19.06.1998
The protocol of 19 <sup>th</sup> period meeting of Turkish - Romanian joint economic committee	07.06.1999

**Source:**..."Türkiye - Romanya Ticari ve Ekonomik İlişkilerinde Gündem Konuları", T.C.Başbakanlık Dış Ticaret Müsteşarlığı, Anlaşmalar Genel Müdürlüğü, October 2000, p.2.

<sup>191</sup> "Romania's Foreign Policy – Extract from the Government Program Approved by the Romanian Parliament on the 21<sup>st</sup> of December, 1999" <http://www.roembus.org/english/journal/roman.htm>.

<sup>192</sup> Heinz Kramer, *A Changing Turkey-The challenge to Europe and the United States* (Washington D.C.: Brookings Institution Press, 2000), 149.

<sup>193</sup> T.C. Başbakanlık Dış Ticaret Müsteşarlığı, Anlaşmalar Genel Müdürlüğü, *Türkiye-Romanya Ticari ve Ekonomik İlişkilerinde Gündem Konuları-Anlaşmalar* (Ankara, October 2000), 1.

In the early 1990s, large number of Turkish companies entered Romanian market in order to fill the gaps stemming from “ Ceausescu’s communist programs”. The Romanian market was attractive for Turkish investors mainly because of three factors:<sup>194</sup>

- i. People were acting indecisively and they were experiencing certain difficulties in obtaining basic needs such as foods, clothing and so on. Therefore, the investors could exploit the market easily,
- ii. In order to enter the Romanian market and open an office there, one should pay only a thousand dollars as a guarantee thus it was easier for investors to pay this amount and make business in Romania,
- iii. Foreign investors had been exempted from taxes for two years.

Under these conditions, many small Turkish companies entered the market and made their investments and operations in the areas of transportation, tourism, banking, leasing, insurance, construction infrastructures, production of plastics materials and electrical equipment, food processing, restaurant and casino management and packing industry.<sup>195</sup>

In the first half of the 1990s, the export and import values between the two countries were fluctuating. However, at the end of 1995, Turkey’s exports to Romania were increased from \$175,265,000 to \$301,960,000 and imports increased from \$228,911,000 to \$367,870,000 (see Table VIII for Turkish-Romanian Foreign Trade(1000\$)).<sup>196</sup> The products that Romania imports from Turkey can be listed as: Rutaceae, carpets, textiles, cleaning materials, canned vegetables, iron-steel products,

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<sup>194</sup> Mustafa Baki Cihangirođlu, “Black Sea Economic Cooperation as a regional cooperation model and the case of bilateral trade relations between Turkey and Romania”, Marmara Üniversitesi, Yüksek Lisans Tezi, İstanbul, 1998, p.165.

<sup>195</sup> Ebru Gülsoy, Romanya Ülke Raporu, 30.

<sup>196</sup> T.C. Başbakanlık Dış Ticaret Müsteşarlığı, Anlaşmalar Genel Müdürlüğü, Türkiye-Romanya Ticari ve Ekonomik İlişkilerinde Gündem Konuları-Anlaşmalar (Ankara, October 2000), 2.

copper ores and concentrations. However, Romania's exports to Turkey are composed of petrol by-products, chemicals, iron-steel scraps, wheat, seeds of sunflowers, bombs, mines and similar war munitions (see Table IX for Turkey's Foreign Trade in groups of goods for the period of January-May 2000).<sup>197</sup>

<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>
1992	173,076	256,107
1993	151,898	300,775
1994	175,265	228,911
1995	301,960	367,870
1996	314,045	441,290
1997	358,783	394,087
1998	467,561	344,288
1999	268,295	401,158
1999/8	171,066	227,453
2000/8	205,940	450,323
<b>Change</b>		
97/98(%)	30,32	-12,64
98/99(%)	-4,264	16,53
99/00(%)	20,3	97,9

**Source:**... "Türkiye - Romanya Ticari ve Ekonomik İlişkilerinde Gündem Konuları", T.C.Başbakanlık Dış Ticaret Müsteşarlığı, Anlaşmalar Genel Müdürlüğü, October 2000, p.2.

Turkish-Romanian cooperation in economy and finance in the early 1990s indicated that the two countries could further develop the current potential. After 1995, one of the important factors, which has made a valuable contribution to the enhancement of the two countries' economic relations was the conclusion of the "Free Trade Agreement" on March 29, 1997. The trade balances had been positively affected after the agreement came into force on February 01, 1998. Turkey's exports increased by 12% and imports decreased by 8% in this period (see Table X for Turkish-Romanian Trade before and after the Free Trade Agreement(\$)).<sup>198</sup>

<sup>197</sup> ibid.

<sup>198</sup> Ebru Gülsoy, Romanya Ülke Raporu, 34.

<b>TABLE IX. TURKEY'S FOREIGN TRADE IN GROUPS OF GOODS FOR THE PERIOD OF JANUARY - MAY 2000</b>	
<b>EXPORT</b>	<b>1000\$</b>
Wheat	11,506
Rutaceae	10,242
Carpets	8,151
Automobiles	7,332
Tomato	3,611
Soaps, organic active materials	3,142
Copper ores and concentrations	2,570
Synthetic yarns	2,556
Synthetic fibers	2,506
Canned vegetables	2,103
<b>Others</b>	<b>74,91</b>
<b>Total</b>	<b>128,629</b>

Source:..."Türkiye - Romanya Ticari ve Ekonomik İlişkilerinde Gündem Konuları",  
T.C.Başbakanlık Dış Ticaret Müsteşarlığı, Anlaşmalar Genel Müdürlüğü, October 2000, p.3

<b>TABLE X. TURKISH - ROMANIAN TRADE BEFORE AND AFTER THE FREE TRADE AGREEMENT(\$)</b>	
	<b>EXPORT</b>
August 1996-January 1999	529,001,104
February 1998-July 1999	591,332,962
Change(%)	12

Source:Ebru Gülsoy, "Romanya Ülke Raporu",İhracatı Geliştirme Etüd Merkezi (İGEME), Ankara, March 2000, p.34.

In addition to these, the conclusion of the “Free Trade Agreement” attracted many Turkish investors thus small-scale companies were replaced by leading Turkish companies in the second half of the 1990s. According to December 31, 1999 statistics, the number of Turkish companies in Romania was 6139 and the total value of their investments was 192.869 million dollars. Efes Pilsen, Bayındır Holding, Pak Holding, Bayraktar Holding, ENKA, Koç Holding, Hayat Holding A.Ş., Akmaya Sanayi ve Ticaret A.Ş. were the most important entrepreneurs in Romania.

Therefore, Turkey was ranked as the 10<sup>th</sup> country in Romania among other foreign investors.<sup>199</sup>

If the investment areas of the Turkish companies are examined, it can be seen that most of the leading Turkish investors preferred to operate in banking sector. Turkish banks, which are operating in Romania, are basically Banco Turco Romana (BTR) by Bayındır Holding, Robank by Bayraktar Holding, Demir-Romanya, United Garanti, Sümerbank and Finansbank. Additionally, “Global Menkul Kıymetler” is operating with only one office in Romania.<sup>200</sup>

Among these banks, Banco Turco-Romana (BTR) played an important role and contributed to the improvement of the two countries’ trade relations. Banco Turco-Romana had been opened a few years ago in Bucharest in order to support Turkish companies, which do business in Romania and it has 7000 customers, 60% of them being companies.<sup>201</sup> However, the crisis of BTR at the end of November 2000 slightly shaken the relations between Turkey and Romania. Hundreds of worried deposit holders have lined up in front of BTR branches throughout Romania, trying to withdraw their money. Bayındır Holding transferred 90 million dollars to the BTR to solve its liquidity problems and limited the payments to 3000 dollars per person or equivalent in lei.<sup>202</sup> Especially, the ungrounded rumours made clients unconfident, generated panic and created tension between Turkey and Romania. The Turkish and Romanian Governments acted together to prevent aggression, misunderstandings and tried to calm down the investors and clients of the BTR.<sup>203</sup> Because the issue became

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<sup>199</sup>Romania-Turkey Chamber of Commerce and Industry, Türkiye-Romanya Ekonomik İlişkilerinin Son Durumu (Romania, September 2000), 3. see also “Türkiye-Romanya Ticareti”, <http://www.rotrade.com>.

<sup>200</sup> T.C. Başbakanlık Dış Ticaret Müsteşarlığı, Anlaşmalar Genel Müdürlüğü, Türkiye-Romanya Ticari ve Ekonomik İlişkilerinde Gündem Konuları-Anlaşmalar (Ankara, October 2000), 4.

<sup>201</sup> “Bayındır transfers \$90 million to assist BTR”, Nineoclock, 23 November 2000.

<sup>202</sup> “New Crisis Shakes Romanian Bank System: Turkish-Romanian Bank”, Romanian Economic Daily, 13 November 2000.

<sup>203</sup> “Our bank was not closed”, Monitorul, 14 November 2000.

a “crisis of confidence” and affected Turkey’s prestige in that country, Bayındır Holding transferred and sold most of its investments both in Turkey and Romania.<sup>204</sup>

In turn, the total number of Romanian companies operating in Turkey is eleven according to the statistics of 2000. These companies’ share of investments in Turkey among the total foreign investments is 0,3%. They are interested in the economic projects in Turkey, especially in energy and infrastructure. They also operate in services and manufacturing industry.<sup>205</sup>

### 4.3 ROMANIA’S RELATIONS WITH GREECE IN THE 1990s

Romania and Greece had friendly relations in their history. Stemming from their historical ties, after the fall of communist dictatorship in Romania, Greeks thought of this country as an important member of the Orthodox alliance in the Balkans.<sup>206</sup> Greece, as a Southeastern European and Mediterranean country situated at a traditional crossing point of countries and as the sole regional member of both the EU and NATO, has a crucial role and a unique position for the regional economic prosperity and integration.<sup>207</sup> Therefore, it could contribute to Romania’s economic transformation and development process and support the country’s integration efforts to the international institutions.

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<sup>204</sup> “Bayındır transfers \$90 million to assist BTR”, Nineoclock, 23 November 2000. see also “Bayındır Group says BTR liquidity back to normal”, Nineoclock, 05 December 2000 for the details of Bayındır Holding’ sale and transfer of its investments.

<sup>205</sup> T.C. Başbakanlık Dış Ticaret Müsteşarlığı, Anlaşmalar Genel Müdürlüğü, Türkiye-Romanya Ticari ve Ekonomik İlişkilerinde Gündem Konuları-Anlaşmalar (Ankara, October 2000), 5. see also “Türkiye-Romanya Ticareti”, <http://www.rotrade.com>.

<sup>206</sup> M. Cosmos Megalommatas, “The Political Evolutions in the Balkans, Greek-Balkan relations and Turkey,” Balkanlar, Kafkasya ve Ortadoğu’daki Gelişmeler ve Türkiye, Erol Manisalı (editor), (İstanbul: Kıbrıs Araştırmaları Vakfı, 1994), 36.

<sup>207</sup> Thomas R. Pickering, “Greece and the United States: A partnership for Southeastern Europe”, <http://www.useu.be/ISSUES> and George A. Kourvetaris, Studies on Modern Greek Society and Politics (New York: Boulder, East European Monographs, Columbia University Press, 1999), 412.

In the early 1990s, the two countries held a number of official visits and signed economic, political, military and cultural agreements.<sup>208</sup> Basic agreements concluded between Greece and Romania can be listed as:<sup>209</sup>

- Good Neighborliness, Friendship and Cooperation Agreement signed on 28.11.1991,
- Law-and-Order Cooperation Agreement signed on 06.06.1992,
- Partnership in Tourism Agreement signed on 09.06.1993,
- Technical and Scientific Partnership Agreement signed on 14.12.1993,
- Partnership in Culture, Science and Education Agreement signed on 03.11.1995,
- Agreement for the “Protection and Development of Mutual Investments” signed on 23.05.1997,
- Defence Agreement signed on 27.03.1997,
- Agreement on Cooperation in health care signed on 16.06.1999,
- Agreement on Mutual assistance and Partnership of Customs Departments of Greece and Romania signed on 10.10.1999.<sup>210</sup>

“The integration process of the Balkan area into European structures is of great strategic importance to Greece, since it has facilitated, to a great extent, the re-establishment of its historic ties with the region and, more importantly, has rendered Greece as the Balkan region’s European model for economic and democratic reforms. Moreover, the integration of the countries of Southeast Europe with the rest of the continent will greatly contribute to the stability, well-being and prosperity of Europe as a whole.”<sup>211</sup> In this context, Greece, in its all negotiations with Romania

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<sup>208</sup> Ministry of Trade and Investment of Romania, Western European Department and the Department of Economic Relations of the EU member states, October 1999.

<sup>209</sup> *ibid.*

<sup>210</sup> *ibid.*

<sup>211</sup> “The Balkans”, <http://www.mfa.gr/foreign>.

and official visits to Romania, expressed its support for the integration of Romania to those European institutions.<sup>212</sup>

The other aspect of Greek-Romanian exchange in the 1990s was their economic cooperation. With the fall of communism, Romania became aware of the fact that it was necessary to improve economic and technological conditions of the country in order to close the gap with the developed countries. The economic well being of the country was also needed for its quick admission to the NATO, EU and other European Institutions.<sup>213</sup> For Greece, “the end of the Cold War opened great opportunities in commerce and trade and developed bilateral relationships both at the state and societal levels.”<sup>214</sup> Greece, as well as promoting collective security in its foreign policy in the Balkans, also decided to give economic aid to the ailing economies of the Balkan countries in their transformation period.

By the beginning of 1990s, Greek companies turned to the Balkans and over 3500 Greek enterprises have invested in the region, including leading names such as OTE state telecom, Hellenic Petroleum, Titan Cement, Intracom, Hellenic Bottling Company, Chipita and so on.<sup>215</sup> Greece’s investments in Romania especially made her one of the countries with the highest level of economic cooperation with this country. The investment areas that most of the Greek companies invested in Romania are mainly telecommunication, food sector, non-ferrous metal industry, banking and services. The most leading partnership activities that were realized can be listed as:<sup>216</sup>

- The establishment of the “Bucuresti” Bank (former name) or Alpha Bank with Greek capitals,

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<sup>212</sup> “Greece backs Romania bid to join EU”, Reuters, 31.04.1994.

<sup>213</sup> “Romania’s Foreign Policy- Extract from the Government Program Approved by the Romanian Parliament on the 21<sup>st</sup> of December, 1999”, <http://www.roembus.org/english/journal/roman.htm>.

<sup>214</sup> George A. Kourvetaris, Studies on Modern Greek Society and Politics, 413.

<sup>215</sup> “Big Business in Balkans”, Kathimerini, 10.11.2000.

<sup>216</sup> Ministry of Trade and Investment of Romania. Western European Department and the Department of Economic Relations of European Union Member States, October 1999.

- The establishment of the partnership company of “BUTANGAZ” by Petrogaz Atena and Competrol Bucuresti,
- The investments of Delta Atena company in food sector,
- The construction of the meat factory in Bucharest by ÎFANTÎS company,
- The establishment of the branch of Greek Central Bank in Bucharest(May 1998),
- The establishment of the branch of “Pireus Bank” in Bucharest,
- The investments of the “Mytileneos Holding” in non-ferrous metal industry,
- The purchase of %35 of the ROMTELECOM (Romanian Telecommunications Company) by OTE (Greek Telecommunications Company) in 1998.

Besides all these investments, there are many other projects and business negotiations, which are just in the bargaining process. These are mainly the cooperation with Greece’s “ALMA” company in shoe sector, “BILLPA” company’s negotiation for investment in the “home products” in Romania, Romania’s participation in the operations of the Greece’s railroad electricity, financial investments of Greece for the construction of “Bucharest-Giurgiu” highway and so on.<sup>217</sup>

Certain activities organized by the two countries made their trade relations and economic cooperation valuable and fruitful. Romania’s participation with an advertisement stand in Selanik International Exposition in September 1999; the economic organization of the Romania’s Chamber of Commerce in Athens by the contribution of 30 companies; Greece’s participation in the TIB 1998, TIBCO 1998, TIBCO 1999 and TIBCO 2000 fairs in Romania and many others can be given as an example to the economic activities between Greece and Romania.<sup>218</sup>

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<sup>217</sup>Ministry of Trade and Investment of Romania, Western European Department and the Department of Economic Relations of European Union Member States, October 1999.

<sup>218</sup> *ibid.*

On the other hand, trade values between the two countries were also steadily increasing. According to calculations of 31 July 2000, Greece was ranked as the 8<sup>th</sup> country with 365,59 million dollars in Romania's total trade. She was the 8<sup>th</sup> (184 million dollar) and 10<sup>th</sup> (181,59 million dollar) country in Romania's exports and imports respectively. If the last two years values are compared (the first 7 months of 1999 and 2000), it can be concluded that the total trade volume approximately increased by 67,24 percent, specifically 62,11 percent exports and 72,78 percent imports. (see Table XI for Romania-Greece exports and imports).<sup>219</sup>

<b>TABLE XI. ROMANIA - GREECE EXPORTS AND IMPORTS IN MILLION DOLLARS</b>			
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>TOTAL</b>
1989	143,2	36,4	179,6
1991	64,5	90,7	155,2
1992	115	74,2	189,2
1993	81,3	69,2	150,5
1994	141,2	89,5	230,7
1995	205	158,3	363,3
1996	177,35	185,72	363,07
1997	174,93	191,92	366,85
1998	201,4	204,7	406,1
1999	216,74	198,49	415,23
July 2000	184	181,59	365,59

**Source:** Ministry of Trade and Investment of Romania ,  
Department of Economic Relations of European Union Member States, 1999.

To conclude, by the end of the Cold War, the Balkan nations changed their policies with regard to respective changes in the region. They agreed on the common point of establishing peace, stability, security and prosperity in the Balkans.

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<sup>219</sup> *ibid.*

Therefore, most of the countries, including Romania, developed meaningful and outstanding ties in this period.

Romania was an advantageous country in terms of its size and population for many countries to make investments. Turkey and Greece were two of them that developed exemplary political, military and economic dialogue with this country. In terms of Romania, the support of Greece and Turkey were beneficial in Romania's membership process to the EU and NATO. They were also good partners for guiding the country in its political and economic transformation into democratic and European structures.

As a result, Romania represented a real model in terms of its relations with other nations which was based on friendship, trust, and mutual respect and strived for achieving stability and prosperity in the Balkans.

## CONCLUSION

After 45 years of communism, a new era began for Romania at the end of Nicolae Ceausescu's and his family's reign after the 1989 Revolution. During Ceausescu's dictatorship, Romania's political capability was constrained by the country's relative isolation from the West, by disastrous economic conditions and by the lack of a firm domestic political consensus. Romania's poor image was a product of the country's bureaucracy, disorder, socio-political instability, strikes and corruption.

With the collapse of the Warsaw Pact and the emergence of newly democratic states in the early 1990s, remarkable changes occurred in Central and Southeast Europe. The countries in the region tried to adapt to the changing climate of the Balkans. One of those countries, which entered a period of transition in social, political and economic fields, was Romania. "New social and cultural values emerged and traditional mentalities regenerated: anti-communism, democracy and national identity; trust and respect towards fellow citizens, irrespective of their ethnic origin; trust and respect towards neighboring countries and people..."<sup>220</sup>

Romania wanted to become a reliable partner with Europe and the US regarding its human and economic potentials, a stability factor by developing normal relations with the neighbor states and to become integrated into the West-European institutions.<sup>221</sup> Therefore, in the early 1990s, Romania made considerable changes in its foreign, security and economic policies.

Romania's involvement in the European integration process was and still is the basic orientation of the country's foreign policy. Like many other Balkan nations

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<sup>220</sup> Petre Roman, "Romania's Evolving Role in the Euro-Atlantic Community: Challenge, Change, Perspectives", 27 January 2000, <http://wwics.si.edu/NEWS/speeches/roman>.

<sup>221</sup> Valeriu Tudor, "Romania and the Security Problems in the Balkans," *Balkans- A Mirror of the New International Order*, Günay Göksu Özdoğan and Kemali Saybaşı (editors), (İstanbul: Eren Yayınları, 1995): 218.

emerging from communist ideology and Cold War geopolitics, Romania placed membership to NATO and EU as a priority in the strategic objectives of its security and defense policy.<sup>222</sup> Romania showed great interest for admission to both NATO and EU since they represented a security and prosperity environment and the formations of democratic countries that had very well defined values (democracy, individual liberty and the rule of law) on the international platform.

On the other hand, the economic imbalances in Romania, which were inherited from the rulership of Ceausescu based on strict autarky and central planning, began to improve with regard to respective changes and reforms in the country. During the 1990s, with the efforts of increasing privatisation programs, strengthening trade relations and establishing economic ties as far as possible, Romania experienced a revitalization process in its economy.

For Romania, it was necessary to build confidence and trust in the region which were absent in the history of the Balkans.<sup>223</sup> Living in a stable, secure and prosperous environment would contribute to the political, economic and social development of Romania as well. Therefore, Romania had actively participated in regional structures of cooperation such as SEECP, SECI and BSEC by also taking part in the initiatives of trilateral cooperation with Bulgaria, Turkey and Greece. Furthermore, Romania was aware of the fact that bilateral relations with other states could increase its capabilities militarily, diplomatically and economically or they could enhance Romania's international prestige.<sup>224</sup> Hence, in order to put an end to the isolationist policies of the communist era, Romania tried to improve its relations with Balkan nations and searched for opportunities of cooperation. In the 1990s, Turkey and

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<sup>222</sup>Dan Ionescu, "Hammering on NATO's Door", *Transition* 2, no. 16 (9 August 1996): 37.

<sup>223</sup> Andrew J. Pierre, "De-Balkanizing the Balkans: Security and Stability in Southeastern Europe", <http://www.usip.org/oc/sr/sr990920/sr990920.html>.

<sup>224</sup> Daniel N. Nelson, *Romania After Tyranny* (USA: Westview Press, 1992), 193.

Greece were good examples for its intensive political, military and economic ties in the region.

In general terms, during the 1990s, Romania struggled for closing the accumulated gaps inherited from the communist period, in each structure of the country. First of all, the Romanian economy played a diagnostic role in both domestic and foreign policies of the country in this period. The Romanian economy is also at the top of the EU agenda and the country has to wait until its economic indicators catch the EU norms. This is the same case for Romania's NATO membership. Although Romania is so insistent and coherent for becoming a NATO member, the length of the process will vary with respect to the success of Romania in the creation of a viable economy. The public opinion polls reflect Romania's enthusiasm for NATO and EU membership once more but the common issues that most of the officials emphasize in this process are the continuation of the reforms, preparations and the support of the government and the Romanian people. However, it can be underlined that the target should be the smooth transition of Romanian economy into a well-structured, functioning market system step by step, first reorganizing itself and then adapting to other international institutions.

In addition to these, Romania represented a real model in terms of its relations with other nations, which were based on friendship, trust, and mutual respect and strived for achieving stability and prosperity in the Balkans. From this perspective, it can be beneficial for Romania to improve its bilateral relations in terms of getting the support of those countries in the membership process to the NATO and EU and in the transition period which can be expressed as continuing for the country.

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