
Romania: Don't Bet Against It

JIM ROSAPEPE

HOW IS ROMANIA DOING?

That's the question I heard from Americans more often than any other when I was the American ambassador in Romania. It is the question I've heard most often since. It's on the agenda of EU and NATO policy-makers as they consider Romania's applications for membership, and it's on the minds of many others who have touched this country of warm, smart and creative people.

The most precise and accurate answer is: better than you've heard. Partly that is because good news travels slowly and partly because, since 1989, Romania has had one of the highest ratios of bad international press to real achievement of any country in the world.

But lying behind that question, I think, is a bigger one: is Romania going to make a successful transition into a modern European democracy and market economy? Particularly outside of Romania, people still wonder about the destination, not just the speed of the journey.

Today most Americans know three things about Romania: there were thousands of abandoned children who suffered in hideous orphanages; dictator Nicolae Ceausescu was a nut as well as a Stalinist; and Dracula came from Transylvania.

These are facts (even if Dracula was a fictional character). But they hardly answer either question.

The truth is that today Romania is a democracy with a generally free press and good inter-ethnic relations in a region where ethnic cleansing has killed hundreds of thousands. It has an economy that grew much faster than the Euro zone last year, but provides a standard of living that is still far below the capacity of its well-educated, multilingual people. It is a country that is on the EU accession track and is likely to be invited this fall to join NATO. And it has a population that is one of the most pro-American, pro-NATO, and pro-EU in Europe.

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In 1998, before going to Romania as U.S. ambassador, I was briefed by a State Department official responsible for supporting Eastern Europe's transition from communism. He showed me a scatter gram that compared countries throughout the region based on ratings of political and economic "progress." The idea was that, if a country had made enough progress, the U.S. government could end foreign aid—the country would "graduate" from our support.

In one way, that made sense. Americans understandably want to see if countries we help are so successful they do not need our help any more. But the

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idea that we could quantify "progress" on a scatter gram based on rankings by NGOs and international financial institutions also suggested an attraction to quantification and oversimplification more relevant to bad political science than to serious international relations and development.

Compared to Poland, Hungary and the Czech Republic, is Romania's standard of living low? Yes. Are there still too many abandoned children living in large institutions? Yes. Is there too much corruption and too little privatization? Yes. Does Romania have too many xenophobic demagogues in politics and the media? Yes.

But does all that mean that Romania is not headed toward becoming a prosperous, modern, European democracy? Definitely not.

IS POLICY DESTINY?

The scatter gram analysis tends to overestimate policy and underestimate history, geography, religion, and what Romanians call "mentality." The nations of Eastern Europe have some similarities—in particular, about a half-century of communist rule. But the differences are not trivial.

Consider two examples at the extreme: Poland and Moldova. Poland is large, borders Germany, has a large American diaspora, a strong Roman Catholic Church (with one of its own in charge at the Vatican), tiny ethnic minorities, and a tradition of private enterprise that survived throughout the communist era. After 1989, all of those traits made the country more open to Western ideas and more attractive to Western investment.

Moldova, on the other hand, is small and squeezed between Ukraine and Romania. It has a tiny western diaspora, the remnants of a Stalinist economy, an identity that is divided between its Russian and Romanian histories, and Russian troops that still occupy part of the country.

Smart monetary and fiscal policy, structural reform, and the rule of law would certainly improve conditions in both countries. But measuring both coun-

tries against the same narrow policy model misses most of what is difficult, and important, in their transitions.

Moldova, with its potential agricultural wealth and well-educated people, will never border Germany and will never have a large diaspora in the United States. For the foreseeable future, it will have to manage both its identity issues and its relationships with Russia and Romania. To be successful, its strategy will be significantly different from Poland's.

Or consider Hungary. One of its greatest accomplishments since 1989 has been in attracting foreign investment. Part of the reason has been its investment-friendly policy and rapid privatization; part has been its strong diaspora (in the United States, financier philanthropist George Soros and U.S. Congressman Tom Lantos come to mind). It is not irrelevant, however, that most of that investment has occurred in western Hungary, essentially in the suburbs of Vienna. Geography counts.

Or take Albania, which since 1991 has had one of the fastest growing economies in all of Europe, western as well as eastern. Before 1989, its economy was more isolated than any in the region except Romania's. Since then, it has suffered war, anarchy and significant crime. Why has it grown so fast? Bordering Greece and (across the Adriatic) Italy is a big help. With hundreds of thousands of workers in Greece and Italy, Albanian labor is already effectively "in the EU." That makes a big difference.

Similar examples abound. The point is simply that geography, history and other non-policy factors are key to understanding how these countries in transition are doing—and how they are likely to perform in the future.

1989: NOT THE START OF HISTORY

Before 1989, all of Romania's neighbors were communist countries, with the Soviet Union itself looming on two sides. Since then, three of its neighbors—Ukraine, Moldova, and Yugoslavia—have had bigger economic and political problems than Romania. Only one, Hungary, is more prosperous or a NATO member. Not entirely coincidentally, the most prosperous, Western-oriented region of Romania borders Hungary.

From an economic perspective, Romania started the "race" in 1989 in a deeper hole than countries such as Poland and Hungary. Ceausescu imposed a Stalinist economy banning private enterprise and building mammoth, energy-inefficient industrial plants long after this strategy had been abandoned in most of Eastern Europe. He managed to turn Romania from Europe's largest oil exporter before communism into a major importer. He built a coal-mining industry to feed huge electricity plants, most of which are now unneeded. He spent billions to redevelop much of downtown Bucharest into a monument to Stalinist government architecture.

And he did all this in the 1970s and 1980s, when Poland and Hungary were opening up to market forces. Thus, some of the biggest economic divergence came a decade or more *before* the fall of the Berlin wall. Just as history didn't end in 1989, it didn't start in that year either.

Politically, Romania emerged from a far more repressive communist regime than most of the other countries of Eastern Europe. Without the embrace of a major Western diaspora, church, or neighboring nation, outside interest was episodic at best. Compounding these problems was the fact that, in the first six years after Ceausescu's ouster former communist reformers, not anti-communists, governed Romania. This was very different from the experience in all the other Eastern European countries outside of the former Yugoslavia. From Estonia to Bulgaria, anti-communist forces came to power for at least a short time in the early 1990s. The result in Romania was a much smaller break with the past. It meant more stability, but slower adjustment to Western democratic standards and market economic forces.

One of the results was that many of the pre-1989 political and economic power brokers consolidated their positions and effectively resisted change longer than many expected. A remarkable amount of downsizing was done during this period, much more than is generally recognized, but real competition developed slowly. As late as 1998, state banks still controlled most banking assets and, for too much of the period, were used to promote special business and political interests. (This is now changed. The state bank with the largest losses was closed and three others were privatized, all to respected foreign financial institutions. Only one more commercial bank remains to be privatized and it is for sale this year.)

NO NEED TO WAIT FOR NATO OR THE EU

None of this is to argue that Romania's problems are so deep they cannot be overcome. Quite the reverse. Communism did more damage to Romania's political, economic and social fabric than it did in many countries, and Romania has not yet climbed to the heights of some of those countries that were on a higher plane in 1989. But, given the depths to which it had been driven, it may well have risen further, faster than some of the others.

Nor do I mean to imply that Romania's future is largely out of the control of its own people—that geography, history and such will determine its fate. The point, rather, is that Romania has made remarkable progress given the difficulties it has faced. A free press, a democratic political system, peaceful relations with its neighbors, basic tolerance between ethnic groups, and a growing economy—these are not accomplishments to be ignored.

Romanians have every reason to be confident that continuing progress can and will be made. Advances, from better health care to more job opportunities,

need not wait for Romania's entry into NATO or the EU. Every year, Romania's economy and culture becomes more integrated with Western Europe's. (Even today, two thirds of its trade is with the EU.) And every year, the generation raised since the fall of communism has more experience and more influence in every aspect of society. Time is on the side of the Westernizers.

That does not mean that energetic and committed people, both Romanian and foreign, cannot help accelerate the transition. Of course, they can. A dramatic example of the ability to make progress amid all the difficulties is the fact that U.S. investment in Romania doubled between 1998 and 2001, even though Romania's GDP declined in two of those years. The explanations for this dramatic increase all point to the importance of focusing on the specifics of Romania's political and economic transition, not on the theoretical and general.

First, during this period the government accelerated the privatization of state enterprises. That created a range of large and small opportunities for investment that had not existed before. The result was that Americans invested in two of the three state-owned banks that were privatized, in the oil industry, in the machine-tool industry and in a number of others. Second, the booming of the U.S. economy, particularly in the information technology sector, created demand that Romania was well positioned to meet due to the education and training of its people. Among the best examples are Solectron, the Silicon Valley-based computer and electronics manufacturer, which opened up a huge plant near Timisoara. More than 65 other American companies partnered with Romanian software developers. Finally, it was the result of a more than tripling of the number of embassy-related staff working to promote U.S. investment. It was simply a matter of doing the work deal-by-deal, finding the opportunities, coaching the American companies, and working through problems with Romanians as they developed.

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RECOGNIZING ROMANIA'S STRENGTHS

Focusing on their litany of problems, including low pensions, high utility rates, corruption, and crime, Romanians often overlook their country's enormous strengths.

In a year when Pakistan installed a general as president by referendum and the United States had difficulty discerning whether or not the president of Venezuela had been removed in a coup, it is worth considering the state of Romania's democracy.

As I traveled around the country, I heard many, many complaints about Romania's democracy. People said that the press would write whatever it wanted to, true or not. They said that members of Parliament were always arguing with each other. And they said that politicians seemed only to be worried about the next election. Those charges had a familiar ring because they are very similar to complaints Americans have about their own democracy. The fact is that the Romanian press does write what it wants, regardless of whether it is true or not, because it is,

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in fact, largely free—particularly of government control. Legislators appear to bicker with each other in Romania for the same reasons they do in all democracies—because they have policy disagreements and represent different constituencies. Politicians are worried about the next elections because they are seen as the way one gains or keeps power. During my time in Romania, I rarely heard even references to extra-constitutional means to acquire or maintain power. Romanian politicians worry about public opinion polls, press coverage, campaign funds, and coalitions—all things that politicians in democracies, not autocracies, worry about.

That is not to say there are no problems with Romania's democracy. There are, just as there are with our own. They have different problems, however. The Romanian press is much more obviously partisan than Americans are used to today, more reminiscent of William Randolph Hearst than *USA Today*. Indeed, there are over a dozen daily newspapers in Bucharest, most tied to one or another local economic or political interest. The two nationwide TV channels are still state-owned, and two of the largest private channels are controlled by local businessmen with economic and political agendas of their own. Another continuing problem is the role of ex-secret police, officials who can manipulate the political process by blackmailing public figures with their old files or simply by using the disinformation techniques they learned before the fall of communism.

EDUCATED FOR THE INFORMATION ECONOMY

Economically, Romania's most important strength is certainly the capability of its people. Part of it is the Romanian work ethic, which I heard U.S. employers repeatedly praise. Part is the strength of family values in the country, which leads to much lower rates of crime and drug abuse than we see in America. Part is their creativity, which can be seen in their art, their advertising, their software, and, unfortunately on occasion, their computer hacking.

But the greatest source of Romanian capabilities is found in the breadth

and depth of the education of its people. In this case, the communist period was not all bad news. Before communism, Romania made a major effort to both expand literacy throughout the population and to create excellent institutions of higher education. To their credit, the communists built on that base and expanded access dramatically. Like other communist societies, they provided an "iron rice bowl" for average people, relieving the pressure on young people, particularly the rural poor, to go to work, thus allowing much larger numbers of children to attend school. Likewise, they created opportunities for the smart, hardworking children of workers and peasants to go to college along with the children of the professional classes.

Similarly, while much of the forced industrialization of the communist period was economically inefficient, it dramatically expanded the number of people with technical expertise, particularly in engineering. Even today, Romania graduates 40 percent more software engineers per capita than does the United States. Dozens and dozens of American and European companies have gone to Romania because of the engineering skills to be found there. I remember visiting Wisconsin Machine Tools, which bought

two machine-tool plants in Romania intending primarily to make use of local manufacturing skills. When the firm arrived, however, they found engineering skills that were world class as well and began using Romanian engineers. I saw this time and time again in the farm machinery, auto, and hydroelectric industries.

Indeed, there is almost a happy irony in this: Ceausescu intended to establish a self-sufficient industrial sector, built on the model from the late nineteenth century and

early twentieth century. He failed, among other reasons, because the world had moved on. But in the process he helped create a skilled, multilingual workforce that is well-prepared, and in some ways better prepared than our own, to thrive in the globalized information economy of this century.

Another example of the economic strength that Romania brings to the new century is evident in the fact that the number of students in higher education has doubled since 1989. Interestingly, this is not because the government has invested more in higher education; it has not been able to do so. It is because the culture of education is so strong in Romania that private, tuition-financed universities have been created from scratch in little more than a decade. This achievement underlines the enormous value Romanians put on higher education.

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A DEMOCRATIC MODEL OF INTER-ETHNIC RELATIONS

Inter-ethnic relations are an area in which Romania has had big challenges and big achievements. Romania has one of the largest ethnic minorities in Europe—more than 1.8 million Hungarians, primarily in Transylvania. Shortly after the fall of communism, forces in Romania, not unlike those around Slobodan Milosevic in Yugoslavia, tried to maintain power by creating violent divisions between Hungarians and Romanians. Indeed, in early 1990 a number of people died in such conflicts. But in contrast to the former Yugoslavia, Romania did not descend into a maelstrom of violence and ethnic cleansing. Instead, it developed a democratic culture of ethnic relations with a well-organized Hungarian minority that is politically active at the local and national level. Its party was a member of the last government and has a parliamentary alliance with the current one. Ethnic Hungarians in Romania press their concerns in ways very familiar to Americans—by running for office, writing newspaper editorials, and debating in the Parliament.

That does not mean there are no issues—there are very serious ones, including those surrounding the use of the Hungarian language in public services, participation of Hungarians in the police force, and recreation of Hungarian schools and universities. In 2000, our embassy sponsored a public opinion survey to better understand why interethnic relations have been so successful in Romania. One of the most interesting findings was that both Romanians and ethnic Hungarians in Romania identified a key difference between Romania and Yugoslavia (at that time) as being the fact that Romania was a democracy. Ethnic issues could therefore be debated within a democratic process.

WHY THE EU IS SO IMPORTANT

In 2000, I spent a good bit of time traveling to towns and villages across Romania, holding open town meetings with ordinary people to listen to their interests and concerns and to explain America's interests in Romania. This was within a year after the European Union had extended the invitation to Romania to begin negotiations for accession. And at each town meeting, I would mention that one of the good things that had happened to Romania in the past year was the European Union invitation. Invariably, that line would generate the greatest spontaneous applause, whether the audience was students or business people or ordinary villagers. Initially, I was surprised.

Why does the European Union generate such enthusiasm, while the IMF or even the World Bank, which are pushing policies quite similar to those of the European Union, generate at best indifference and at worst fear and hostility? The answer, I think, is the difference between a bank and a family. To most of us,

a bank is controlled by an outsider and is looking out for its own interests. We want to take advantage of its loans, but be out of debt as soon as we can. We are happiest when we have paid off the loan and are out from under the bank's restrictions. That is the way people look at the IMF and World Bank.

In contrast, when you make a decision to marry, you are joining a family as a partner, not as a supplicant. You see the relationship as permanent, rather than transitory. And you see it primarily as a social, not an economic transaction, even though it has substantial economic components. That's the EU. It is a family, and a prosperous one at that.

Romanians very much want to join the EU for a combination of symbolic and practical reasons. And Romanian politicians recognize this overwhelming public sentiment, to the point that no party can seriously compete without endorsing EU membership, at least rhetorically. The current government and its predecessor put EU integration at the top of their priorities and I repeatedly saw them adjust their decisions to meet EU standards. The EU provides Romania and other aspiring members both the destination they seek and the road maps to reach it.

WHY JOINING NATO SHOULD BE A NO-BRAINER

So what about NATO? Romania's economy may be growing and its democracy may be strong. But, with a membership invitation increasingly likely at the Prague summit this fall, will Romania be a good addition to NATO?

The European Union has a relatively structured way to evaluate applicants. It makes a political decision first, and then sets up technical criteria to be negotiated in the accession process. In contrast, NATO has been much more opaque in its expansion process. It has adopted some general political and military standards and literally a MAP (Membership Action Plan) to guide aspiring member countries. But it has continued to leave the political decision to the end of the process instead of the beginning—thus, leaving candidate countries with a moving target. During a recent talk show in Bucharest, one of my fellow panelists, an American journalist, described NATO's expansion review process as: "Do whatever you can, and then we'll do whatever we want."

But the greatest source of Romanian capabilities is found in the breadth and depth of the education of its people. In this case, the communist period was not all bad news.

There are many good arguments for why Romania should be invited to join NATO this year, and not many good arguments against it. From the Romanian point of view, NATO membership is about security—military security, and probably more important, psychological security.

This is a dimension that Americans should find easier to understand in the post-September 11 world. Romanians know very well that they suffered 45 years of communism, not because of a strong indigenous communist movement, but because Russian tanks “liberated” Romania from the Axis at the end of World War II. So, regardless of whether there is likely to ever be a Russian military threat to Romania, the psychological security that comes from being part of the Western alliance is of enormous importance to Romanians from the top levels of government to the most remote village.

I often heard Romanians argue that NATO membership would also encourage U.S. and other foreign investment. Frankly, I think that view is mistaken. I have rarely heard a potential U.S. investor even ask about Romania’s NATO status. I would often point out that the major increases in foreign investment in Poland, Hungary, and the Czech Republic came before, not after, they became NATO members. Similarly, countries in Western Europe that are not NATO members—Austria, Finland, Sweden, Switzerland—prospered economically and attracted substantial foreign investment, throughout the Cold War. They have continued to do so since.

I recall arguing this point one time with a very well-informed Romanian. Finally, he became so agitated with my reluctance to agree that he blurted out, “Well *I* wouldn’t invest in Romania until we become a member of NATO.” That, I think, is the real point: Romanians’ own confidence in the long-term economic

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and military security of their country is very much tied to becoming part of the NATO alliance. Certainly, we have every interest in increasing their level of confidence in their own country, which is likely to increase domestic investment as well as to encourage bright and ambitious Romanians to eschew opportunities abroad and to return.

The most important argument for Romania becoming a member of NATO, however, is that NATO membership is closely identified with integration with the West in all aspects. By joining NATO, Romania makes a broad national commitment to a set of values, institutions, and relationships that are important both for the

United States and for Romanians who want to lock in their country’s democratic progress. Joining NATO will embolden the proponents of these policies and demoralize the opponents. That, more than anything else other than EU membership, will keep up the momentum for continuing progress.

Questions on the other side of the ledger include whether Romania’s mili-

itary and intelligence services are capable of reforming themselves enough to integrate with the alliance. The answer to the military question is, in large part, the same as it was for Poland, the Czech Republic or Hungary: they are not where they need to be, but they are moving in the right direction. In addition, Romania has a strong military tradition, one stronger in many ways than many current NATO members. The armed forces are one of the two (along with the Orthodox Church) most respected institutions in the country. Public support for NATO and for the military are so strong that Romania is likely to do what it needs to in terms of downsizing, upgrading, and funding a modern military.

As for the Romanian intelligence services, the challenge is more difficult. It is not about money or public support, but rather about corporate culture and integrity. Can we trust the intelligence services to keep NATO secrets and act in NATO's interests? This is clearly one for the professionals to evaluate based on their most reliable, current information.

The third argument against expansion is whether an invitation to join NATO will slow down the momentum for political, economic and military reforms—that is, whether Romanian leaders will take a deep breath and say, “We got in. We don't need to continue these reforms.” I think that is extremely unlikely for several reasons. First, because we often exaggerate the importance of external carrots and sticks in driving change in transition societies such as Romania. Most of what NATO wants for Romania—democracy, freedom, ethnic harmony, a prosperous market economy, a strong military, and political alignment with the NATO—is what Romanians want for their country. And they will have much more influence than we will on making those visions into realities. Second, to the extent external institutions can help motivate reforms, the EU will remain very much engaged with Romania before and after its accession to both NATO and EU membership. Most important, the strongest guarantor that Romania will meet its military, intelligence, and political commitments to NATO is the orientation and determination of the Romanian people. Governments can be cynical or even double-dealing. But ordinary people tend to have longer-term perspectives. The fact is, according every poll I have ever seen, the Romanian people are the most pro-NATO, pro-American, pro-European Union population in Eastern Europe. That is why Romanian leaders across the political spectrum support NATO and EU integration—because the people want them to. That provides a far more secure guarantee of Romania's fidelity to NATO than do the promises of any particular government.

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BETTING ON ROMANIA'S SUCCESS

Romania is not yet the place that most Romanians, or Europeans or Americans, want it to be. Too many retired people cannot support themselves in dignity on their pensions. Too many young people fear they will not find good jobs in Romania when they leave school. And too many Romanians of all ages worry that they have lost the security of socialism without gaining the prosperity of capitalism.

But few would like to go back to the days of Ceausescu—of food shortages and secret police, of having few choices in the stores and even fewer on television. Democracy and good interethnic relations have taken such root that they are taken for granted. The economy is growing for the third straight year. The national consensus for NATO and the EU is overwhelming. Romania is a nation of well-educated, hard-working people who know where they want to go and have a plan to get there.

Betting against Romania's future as a modern, prosperous, European democracy is a big risk. ■