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PERSPECTIVES OF POLISH - ROMANIAN BILATERAL COOPERATION PRIOR TO THE POLISH EU PRESIDENCY

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COOPERATION PRIOR TO THE POLISH EU PRESIDENCY**

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Abstract:

Against the background of the economic crisis, which significantly diminishes the Europeans' capacity to act in a coherent manner, Bucharest and Warsaw face common challenges, which may be easier to tackle if the two manage to reach a coordinated approach on the major policy dossiers. This is not an easy task, given that significant changes in the European strategic thinking have started shaping up the policy preferences of EU member states on important dossiers such as fiscal and monetary, energy and security policy. Whether Poland and Romania will manage to coordinate their positions on these sensitive policy dossiers, will impact Europe's response towards these policies as well as these countries' influence inside the EU.

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* *The opinions hereby expressed do not reflect the position of the European Institute of Romania nor of the Ministry of Foreign Affairs of Romania.*

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INTRODUCTION

In the perspective of the Polish presidency of the EU Council, it is worth paying attention to Warsaw's declared global priorities: namely the European integration as a source of economic growth, a safe Europe – from the point of view of food security, energy and defense and the benefits of an open Europe[1]. All these priorities set by Warsaw represent topics of vital importance also for Bucharest. Poland has assumed the EU rotating presidency at a moment when it emerges as a positive example for Central and Eastern Europe, due to its ability to overcome a particularly rough period for most of EU member states. As other regions of the world continue to experience unprecedented economic growth, the EU faces serious challenges over the following years. Poland will have to take the lead in actions aiming to enhance economic growth through the development of the Single Market and an efficient use of the European budget. Warsaw will also play a major role in the negotiations concerning the Multiannual Financial Framework after 2013, starting from the European Commission's proposal, as well as in keeping the Cohesion Policy on the top agenda of the EU.

All these policies are important for Romania as well, taking into consideration the numerous similarities existing between the Polish and Romanian agriculture. The strained negotiations which are expected to take place on the Multiannual Financial Framework will most probably have a considerable impact on the future of major policies, of common concern for Bucharest and Warsaw, namely the Common Agricultural Policy and the Cohesion Policy. Both countries have significant

rates of population employed in the agricultural sector, therefore the need for increased coordination during negotiations on the new Common Agricultural Policy is even greater.

The necessity of reforming CAP comes as a consequence of the current economic challenges as well as of those related to the specificity of the various regions of the EU. For Romania, as well as for Poland, it would be beneficial to preserve the value of the support for agriculture within the configuration of the two complementary pillars.

Romania also deeply shares Warsaw's commitment to consolidate the Common Security and Defense Policy. As the budgetary defense cuts have seriously affected the capabilities of EU member states in this sector, Bucharest is likely to join Warsaw's efforts to ensure the continuation of proper funding for this European policy.

Another declared priority of the Polish Presidency concerns the consolidation of the Single Market, possibly by making rules more transparent for the business environment and entrepreneurs. This sector of activity is particular sensitive to changes in legislation that is why it is highly recommended that Warsaw pushes for greater legislative transparency. Small and medium-sized enterprises represent the engine for Europe's future economic growth, and further support for these businesses is needed. Increased support measures for the SME's sector would also highly support the Romanian business environment.

Last but not least, trade agreements with third countries may open up new investment and growth opportunities in Europe.

CHAPTER 1. POLISH-ROMANIAN RELATIONS, EUROPEAN SECURITY AND EASTERN PARTNERSHIP - CONTEXT OF THE POLISH PRESIDENCY

by Jan Piekło

The development of the strategic Polish-Romanian relations has a great potential[2]. Poland and Romania are two key large-sized countries in Central Europe. Both border with Ukraine, the largest state of Eastern Europe, which is in the process of advanced negotiating on Association Agreement and Deep and Comprehensive Free Trade Agreement with the UE. In October 2009, the Presidents: Lech Kaczynski (who died in the tragic plane crash in Smolensk) and Traian Băsescu signed a declaration on strategic bilateral partnership[3].

Romania has access to the Black Sea, Poland – to the Baltic Sea. At 238,391 square kilometers (92,043 sq mi), Romania is the ninth largest country of the EU by area and has the seventh largest population with 21.5 million people. The total area of Poland is 312,679 square kilometers (120,726 sq mi), making it the eighth largest country of the EU. With the population of 38 million people Poland is the sixth most populated EU member state. These figures show the regional significance of both countries.

In the past, Poland and Romania shared their history and culture. They had a common border before the World War II. After the attack of Nazi Germany and its ally, the Soviet Union, on Poland, its government and army were authorized to cross the border with Romania and received a good treatment and necessary assistance.

Today, the strategic location of both countries decides how important they are for the European and Transatlantic security. It was the reason why Washington

addressed its offer on placing the elements of anti-missile shield to both – Bucharest and Warsaw. Their common position on regional security threats such as the Transnistrian conflict might play a decisive role in designing the European policy. But in order to become more effective and visible in Brussels, Bucharest and Warsaw have to articulate their voices and launch a bilateral debate on elaborating common approach for solution to the regional problems. In this case, lasting from July 1st until the end of 2011, the Polish presidency of EU can work as a stimulator.

Coming after the Hungarian presidency, the Polish one will follow the same path of defining and testing the new, post-Lisbon concept of EU presidency. Poland will work in trio with Denmark and Cyprus, countries which take the lead in 2012. Work on the framework of the EU budget for 2014-2020, Eastern Partnership, common defense and security, energy security, strengthening of the internal EU market, commerce and competitiveness are priorities of Polish presidency of the EU[4]. Although the listed above priorities are very ambitious, the global situation may force Warsaw to play rather a role of crisis manager and stay more reactive than proactive. The internal factor related to the October national parliamentary elections can also negatively influence the profile of Polish presidency. Deep political division, partly caused by the Smolensk presidential plane crash in 2010, and parties' in-fights over interpreting the catastrophe's context can limit the involvement of political elite in the presidency's proceedings. Party leaders may also use presidency for their internal political gambling.

Poland's last veto on CO2 emission's road map proposed by EC has already put Warsaw in a difficult position. Questioning, without the support of other EU states, one of the most ambitious projects of EC, may significantly weaken the Polish leadership position[5]. It seems that EU financial crisis and problems in

Euro zone will overshadow the six months of the Polish presidency. Warsaw's role in this aspect will be rather limited, because Poland is not in the Euro zone, so the real decisions will be taken in Berlin and Paris. There is a threat that crisis may go even deeper, following the pattern of social protests in Madrid and Athens and spreading to other EU members states.

The other important, external context, which will need more attention, is the situation in MENA (Middle East and North Africa) countries. The military operation in Libya, in spite of numerous air raids, doesn't meet yet the expected results. The continuous unrest in Syria, Yemen and Bahrain may force EU to react and formulate in cooperation with NATO and US a new, emergency plan for dealing with the situation. The already increasing figures of refugees arriving from MENA region to EU Southern states build up fears and contribute to spreading out xenophobia and support for anti-migrant feelings. Schengen zone's concept, one of the biggest achievements of EC, has been questioned and its regulations are subject to numerous discussions and prospective changes[6]. In such a situation, Eastern Partnership agenda may have a very low profile, even in spite of V-4, Romania, Bulgaria and Baltic countries' support.

The other factor, which can determine the global political scene, is the oncoming Russian presidential elections. It looks that in the fall or at the end of the year will become clear that Vladimir Putin is nominated the "winning" candidate[7]. Putin's top priority agenda includes strengthening the economic and military position of Russia against the West and NATO, the creation of common economic zone and launch of a customs union between Russian Federation, Kazakhstan, Belarus and Ukraine[8].

After the crash on the opposition in Belarus, Moscow is in almost full control of Belarus. Now it seems that Ukraine is the new target for Russia. The last

declaration of President Victor Yanukovich on Kyiv's determination to complete the Association Agreement negotiations this year and information about strengthening Ukraine's cooperation with NATO will cause growing Russian pressure on its Western neighbor. In such circumstances, Poland's reset policy with Russia can be put in question. Then, Bucharest's support for the Polish position on backing Ukraine will be of crucial importance. Poland, from its side, should promote the advancement of Moldova's integration with EU, including also normalization of Transnistria's status. In this context, Warsaw can work as a mediator between Kyiv and Bucharest. The quick formulation of Polish/Romanian common position on this matter will be highly recommended.

It's worthy to mention that on May 18th 2011, Ukrainian Foreign Minister Kostyantyn Hryshchenko visited Romania[9]. This was the first visit in six years by the head of Ukrainian diplomacy to Bucharest. The visit itself did not bring significant results, but seems to have revealed a bilateral willingness to improve the bitter relations between the two countries. Until 2009, Bucharest and Kyiv were involved in a territorial dispute which was settled in favor of Romania (the very status of Snake Island). Romanian-Ukrainian relations are also being complicated by issues related to navigation on the Danube and regional security. In regard to approach of solving the conflict in Transnistria region, Kyiv holds a more conciliatory position on the prospect of granting the region's autonomy within the state of Moldova.

Poland, from its side, will need a support for Warsaw's policy on neighboring Belarus, because it might happen that at the time of Polish presidency the situation there becomes critical. According to the IMF experts, the Belarusian economy is on the edge of collapse[10], what in result may cause massive migration to Poland,

Lithuania and other EU countries.

The other important issues worth bilateral cooperation are European security, role of NATO and stabilization in the Black Sea basin; all seem to be high on the Polish presidency agenda. Both countries have their troops deployed in Afghanistan. Bucharest and Warsaw are interested in hosting the elements of US anti-missile shield on their territories. Cooperation with NATO is one of their top priorities. Both are interested in strengthening the European security. Although Warsaw launched a reset with Moscow, it looks that the prospects for Putin's candidacy for Russian presidency will cool down the Polish-Russian relations. Recently, Russia made statements reminding of the cold-war rhetoric, threatening if Moscow will not be included on its conditions into the new European security architecture and anti-missile shield project, it will respond with military build-up[11]. Such a Russian position will rather contribute to uniting the EU countries over strengthening NATO and thinking more seriously about European security. But, in this situation, Russia can come up with some new provocation in the Black Sea region and EU should be prepared for a firm response.

At the time of the Polish presidency, the Eastern Partnership initiative should be clearly defined (because now it lacks substance), including also securing the prospective funds in the new EU budget's framework. In this aspect, Warsaw should work closely with other countries of the region (Romania, Bulgaria, V-4, Baltics) trying to find the best formula for EaP implementation, which will counterbalance the position of Southern EU members

interested exclusively in MENA region. The Central European countries should develop a consultation mechanism for discussing these issues and defending their interest. The best idea will be to propose approach which includes two equally important for the security of EU dimensions (MENA and EaP).

To conclude, the time of the Polish presidency will rather be a period of confusing turmoil, which needs the well developed crisis management skills. The EU will face the internal and external crisis: problems with euro zone, EU economy and conflict situation on its Southern and Eastern borders. These problems may contribute to the rise of populist and xenophobic forces in Europe and can result in dismantling the Schengen zone. EU will be under strong national states' pressure on implementing the more strict migration policy in order to prevent an in-flow of refugees. Presidency should, at that time, concentrate on defending the core European values and consolidating EU in the aspects of security and economics.

If all will go well, the Presidency's possible successes could be:

1. completion of EU accession process of Croatia;
2. finalizing the negotiations' with Ukraine on Association Agreement;
3. strengthening Eastern Partnership initiative;
4. effective crisis management on different levels;
5. elaborating a basis for the new formula of European security strategy;
6. initiating negotiations on the new EU budget framework.

CHAPTER 2. ENERGY AND SECURITY– MAJOR PRIORITIES FOR ROMANIA AND POLAND ALIKE

by Agnes Nicolescu

2.1. Poland's energy - related challenges

Ahead of its forthcoming EU presidency, Poland has already started pursuing its priorities in the field of energy. Although Poland may have sold many of its resources to American oil companies, they might find it more profitable to sell into the Russian-controlled pipeline network. As Andrzej Sikora, an expert at the Institute of Energy Studies in Warsaw puts it, he would like to see a situation where “Poland will become the second Norway of Europe and rakes in twenty to thirty billion zloty annually in taxes”[12]. Andrzej Sikora may be however too optimistic about the chances of success in shale gas exploitation in Poland. His high expectations may be triggered by the increasing interest shown by foreign companies in acquiring Polish concessions over the last few years; thus, drilling rights have already been granted for almost all the locations where shale gas reservoirs had been identified.

Henryk Jeziarski, the Polish Minister of Environment, recommends[13] a more cautious attitude in this regard, admitting that prospects for actual exploitation of shale gas are still within several years' distance. Executives of foreign exploitation companies are already making demands on the Polish government to maintain a stable environment, facilitate gas volume chain development and help develop a stronger regulatory framework. Polish gas consumption currently amounts to some 14 billion cubic meters annually, of which only five billion is produced within its borders. The remaining quantity is imported from Russia on the basis of a

contract which runs until 2022.

In spite of all the debate concerning the practicality and opportunity – also in terms of environment friendliness- of shale gas exploitation, the Polish government clearly supports all efforts aiming to ensure a shale gas exploration and production, as a means to secure enhances independency from Russian resources. Opinions in Poland are controversial also as to the degree of dependency on Russian gas: Grzegorz Pytel of the Sobieski Institute considers[14] that the public opinion is misinformed on this topic. In his view, Poland's conventional gas resources are significant enough already to ensure independency from Russia. He also believes that Russia is not likely to try to block the production of shale gas in Poland and will rather focus on finding ways to gain control over transportation infrastructure.

The infrastructure needed to ensure the exploration and transport of shale gas is also a major concern for Warsaw and raises additional investment costs related to infrastructure. Poland needs to build some 2000 kilometers of gas pipeline, without this investment chances to exploit the recently discovered resource being small. The already existing pipeline, Yamal, is controlled by Gazprom, hence Warsaw's interest in securing new venues for shale gas transportation, most probably with the help of American interested oil companies.

2.2. How to Move Forward with the Eastern Partnership?

It has thus become obvious that Warsaw is striving to consolidate its role as a mediator not only between Central Eastern block and the US or the EU, on one hand, but also between Ukraine and Western powers, Kyiv being an important regional player in the Eastern Partnership equation.

From this point of view, it would be highly beneficial for Bucharest to have Warsaw's support as concerns securing further democratization in the Republic of Moldova, in spite of limitations to constructively engage Ukraine in the larger stabilization process in the region. Achieving increased cooperation between Romania, Poland and Ukraine should have broader positive implications for the region's security, and potentially contribute to negotiating a political solution to the Transnistrian conflict.

One of the most pressing challenges for the EU's engagement in the Eastern neighbourhood is related to the security dimension of the region[15]. The Republic of Moldova, in spite of the moderate progress achieved so far in the economic and political reform, stands few chances to advance its political dialogue with the EU as long as the status of Transnistria remains unclear. "Despite certain undeniable successes, the EU's engagement in the region is still decisively insufficient and means that the EU, to a certain extent, accepts Moscow's domination in this field.... In consequence, Russia has per se the most skeptical approach, among the third-party players, to EU's engagement in the region, which is strongly correlated with Russia's highest readiness to use force to achieve its strategic goals"[16].

Romania and Poland, both directly interested in seeing the Eastern Partnership move forward, alongside the other Western parties, face a difficult challenge in convincing the Russian counterpart that the European aspirations of EaP beneficiaries do not necessarily pose a threat to their relations with Moscow. Similar difficulties are expected also as concerns convincing major member states such as Germany and France that this kind of argument can successfully yield results. As Adam Balcer observes, Russia still holds all the major policy instruments necessary to balance the efficiency of EU's actions in the Eastern neighbourhood, the intricate energy and

trade dependency of former Soviet states on the Russian resources being only one component of the complex of relations[17]. In this context, and one year after the Joint Statement on the Partnership for Modernization[18], this initiative, pursued by the EU as a counter-instrument to Moscow's influence in the Eastern neighbourhood, is already showing its limitations, which were impossible to avoid from the very conception of the document. The initiative is at best a document of compromise, the specter of activities envisaged too large, while failing to make any reference to the concrete benefits the broader modernization may have for the Eastern Partnership countries. The initiative would lead to more visible results for the EaP recipients if in the near future it will manage to adapt to the necessities and changing environment of each country. A possible alternative or continuation to the Modernization Partnership would be for the EU or individual CEE states to engage increasingly active actors in the broader Eastern neighbourhood, such as Turkey and China.

However, for the time being, the EU has its hands full in dealing with the political unrest in the Mediterranean region, which will translate in further delays in the progress of EaP countries towards democratization.

2.3. Is the wind of change in transatlantic relations likely to affect Romanian and Polish perceptions of security?

When it comes to pursuing its foreign policy priorities and transatlantic relations, Poland seems to have enough elements in common with the Romanian agenda, which should be promoted in a coordinated manner: support for democratic processes in their shared neighbourhood, pushing for

the Eastern Partnership to gain more substance, obtaining continued security reassurances from the United States and contributing to stability in the Black Sea region. In the security area, recent developments point out to nuances in US – Polish relations, as well as in Poland’s relations with major European powers, which may have an impact on Bucharest’s relationship with Warsaw.

During the visit undertaken by US president Obama in Warsaw in late May this year, topics which are also relevant for Romania were discussed, among which NATO’s common anti-missile shield plans and support for democracy in Eastern Europe. On this occasion, Polish President Bronislaw Komorowski[19] made no secret out of the fact he would like to see enhanced democracy in Ukraine, though no surprising progress is expected in the near future.

Daniel Fata, a Transatlantic Fellow with the German Marshall fund in Washington and former US Deputy Assistant Secretary of Defense for Europe and NATO, considers that some of the “most important differences between the United States and Russia were never bridged”[20] at the level of the Alliance, hence the need for Central and Eastern European countries to acquire genuine security reassurance, especially in the aftermath of the restructuring of the missile defense plans elaborated during the Bush mandate. In Fata’s opinion, the way in which the US engages Poland “has served as an indication for how the United States approaches all of Central and Eastern Europe, and, to a degree, its relationship with Russia”[21].

In line with this concern comes the decision by Visegrad countries to establish a battle group made up of the four members. This move puts into question or at best doubles the efforts undertaken inside NATO, and points to an increased atomization of security perceptions and capabilities among the V-4 members, of which all are part of NATO as well. In this

context, it is legitimate to question which is the future of the North-Atlantic Alliance and to what degree this may affect Romania’s security interests, in light of the last speech given by US Defense Secretary Robert Gates, as he prepared to leave office.

The US official warned[22] about the risk of NATO becoming strategically irrelevant, as a significant number of members lack the political will and means to commit to the organization’s most consuming operations – Afghanistan and Libya – in terms of troops, funding as well as capabilities. While countries such as Canada, the UK and Denmark have been nominated as top performers on the two major battle fields, other members continue to abstain from providing the needed resources, although the decision to back up the UN resolution aiming to protect civilians in Libya has been voted by consensus within the alliance. Here, particular attention should be paid to Germany, which undertook significant lobby efforts at the level of UN Security Council, aiming to obtain a veto of both Russia and China as to the implementation of the UN resolution on Libya.

US Defense Secretary Robert Gates has repeatedly asked for European governments of NATO member states to increase defense budgets, in order to obtain a more balanced burden sharing system between the US and the rest of the block.

For Andrew Michta, Senior Transatlantic Fellow with the German Marshall Fund of the United States, Gates’ speech “was an implicit admission that NATO’s post-cold war paradigm of democratic enlargement and an expanded definition of article V have run their course”[23]. While Poland seems to be moving past this dilemma, either through consolidated engagement with the United States and a renewed understanding of the relations with Russia, Romania is likely to continue pursuing reinvigorated bilateral relations with

Washington. However, since any engagement requires appropriate funding, the pressure on the Romanian establishment to ensure proper funds for NATO - related operations will grow stronger.

At the same time, Poland seems to have joined the group of NATO member states which aim at securing a deeper dialogue with Russia and pursuing greater transparency of U.S. and Russian tactical nuclear weapons. Poland, alongside Norway, Germany and the Netherlands, presented a document at NATO Foreign Affairs Ministers' reunion in Berlin on 14 April 2011, which was backed by other member countries such as Belgium, the Czech Republic, Hungary, Iceland, Luxemburg and Slovenia.

Basically, the propositions entailed in the document[24] recommend NATO and Russia to:

- Use the NATO-Russia Council (NRC) as the primary framework for transparency and confidence-building efforts concerning tactical nuclear weapons in Europe;
- Exchange information about U.S. and Russian tactical nuclear weapons, including numbers, locations, operational status and command arrangements, as well as level of warhead storage security;
- Agree on a standard reporting formula for tactical nuclear weapons inventories;
- Consider voluntary notifications of movement of tactical nuclear weapons;
- Exchange visits by military officials (presumably to storage locations);
- Exchange conditions and requirements for gradual reductions of tactical nuclear weapons in Europe, including clarifying

the number of weapons that have been eliminated and/or stored as a result of the 1991-1992 Presidential Nuclear Initiatives (PNIs);

- Organize a NRC seminar on tactical nuclear weapons in the first quarter of 2012 in Poland.

Another major policy chapter which will see important developments during the Polish presidency of the EU Council is nuclear energy. As Poland is aware of the political sensitivity of the dossier, ahead of the European Council in December 2011 dealing with the results of the stress tests in nuclear plants, it is very likely that Warsaw will continue work on a European framework for the regulation of nuclear issues, to ensure high standards of nuclear safety in the EU. Based on the energy needs of each country, it is essential for member states to preserve their attributes in deciding the energy mixes best fit for their specific profile. At the same time, the Polish presidency is expected to support initiatives contributing to the nuclear safety at the European level, including through the development of a regime of bilateral agreements between the EU and third countries, with the aim to promote the peaceful use of nuclear energy.

The changing security context in Central and Eastern Europe and Poland's nuanced reorientation towards new poles of power puts increased pressure on the Romanian decision-makers to find the right mix of policies that may ensure a fair and balanced representation of Romania's interests in the region and engage the Polish counterparts accordingly.

CHAPTER 3. EASTERN EUROPE'S ECONOMIC DILEMMA

by Gabriel Szekely

3.1. Overview

After the global financial crisis will have finished ravaging the economies of Europe, the ones left standing will face an even greater threat – that of a persistent and, unless a miracle happens, almost implacable fading of competitiveness when compared to the emergent economic powers. The “lessons learned” stereotype can apply, of course, to matters of regulation and financial surveillance, but the complex economic system of Europe depends on more than financial services and the banking sector, and a structural rethinking of the entire system might be needed, to ensure the relevance on the international stage.

The aforementioned segments, if healthy, can provide a foundation for a circulation of capital, but this capital needs the profitable economic base in which to develop. Without it, this capital can just as easily leave towards more promising markets, and, in part, it already has done just that.

The emergent economies, like China, have been, for a long time, nothing more than a gigantic foundry of cheap manufacturing, but this paradigm is slowly shifting[25] as the leaders of these economies are trying to encourage internal consumption as an alternative to growth solely through exports. Furthermore, the emergent economies are also moving away from relying on cheap manufacturing towards more middle and high end products, and here they come in direct competition with the United States and the European Union. In this veritable triad (big emergent economies, the United States and the European Union), the west, and especially the EU are vulnerable, since its' loss of the

competitive advantage is doubled by a shaky financial foundation, and in the short to middle term the situation is unlikely to reach a positive outcome. And it is here that the Eastern bloc of the Union might provide solutions.

Besides the economic troubles, the EU has to face another obstacle, that of the investor confidence, that has placed the hardships of the Eurozone at the epicenter of the global financial instability[26], even though, from a purely economic point of view, the fiscal positions of the United States or Japan are even more disastrous (the national debt levels of the US and Japan are unsustainable). The struggle for investor confidence might be the most difficult test for the EU as a whole, Germany by itself not being enough to favorably reverse the moods of the markets.

3.2. Troubles of the Eurozone

Created around the core exporting powers of Germany and France, the Eurozone was meant to develop into the economic heart of the EU, a direct competitor to the United States of America. However, even if governed by a single monetary policy, set by the European Central Bank (ECB), the lack of a fiscal union is the single biggest vulnerability of the Eurozone, and the current trouble of some of the member states attest to that.

No fewer than three members of the Eurozone – first Greece, then Ireland and Portugal – have had their finances shattered as a consequence of reckless government spending, of speculative investment that went bust and overall structural flaws that are visible in other European economies as well. Without the swift involvement of the international financial institutions (International Monetary Fund, World Bank) and the European Commission, that provided substantial financing, these three countries would have been forced to declare themselves bankrupt. But this decision

would have had dire repercussions for the EU, endangering the credibility of the Euro and maybe even destroying the largest alternative to the American dollar in the international financial system. Even though the intervention prevented the bankruptcy, the countries are currently dependent on international financing, as the structural imbalances accumulated prevent an organic overcoming of the difficulties.

Besides the high cost of the financing, securing these funds (which at least in the case of Greece will be a long-term prospect, given the gravity of the Greek crisis) has become not just a financial issue, but a political issue, more and more European countries voicing dissatisfaction towards this costly issue. In Germany, for example, the governing coalition has suffered defeats during the latest regional elections[27], mostly because of the government support for the rescue plan of the stricken Eurozone economies, and the hostile attitude towards further intervention has taken hold in other European countries as well (Finland with its' True Finns movement that managed to become part of the Helsinki government on opposing this issue alone).

The greater issue is that, even if the financial situation is stabilized in these countries, they will still have to deal with the diminishing competitiveness of their economies. In the case of Greece, which has at the moment an "African" financial rating, tapping the financial money markets is too expensive, so the dependence on "official" EU+IMF+WB help is, for the moment, almost complete. The bottom-line is that Germany and France cannot support the entire European construct on their own, and the Eurozone was built on specifically this concept – increasing the economic development and production capacities and competitiveness of the core countries, so that the EU can compete on equal terms with the United States. Unfortunately, in this case, questions of sovereignty came in conflict

with the ability to form a solid European economic power.

3.3. The emergent Poland

As the only European country that managed to avoid recession in 2009[28], Poland is uniquely positioned to represent an Eastern European economic alternative to the Western powers and one vehicle for such an initiative could be the Visegrad Group, which Poland clearly dominates from the standpoint of economic strength.

Poland is set to take over the rotating presidency of the EU, after Hungary (both members of the Visegrad Group), and from this position it can hold leverage over one especially important tool of the EU, the long-term budget of the Union (for the 2014-2020 period), whose most important component is the Common Agricultural Policy, a vital tool that is meant to level the disparities existing between the eastern bloc and the western states of the EU. In this particular issue, a united Eastern bloc at the negotiating table can hold a significant sway, especially since the western members might take the need to react to austerity and unknowingly transform it into a further weakening factor of the Union.

Reducing the amount of funds meant to strengthen the eastern bloc of the EU, combined with the inability, for the moment, of these countries to fund their own investment needs, might end up destabilizing both the east and, implicitly the west, at the moment implacably linked to the poorer neighbors.

3.4. The case of Romania

Romania was particularly hit by the financial crisis, going from one the success stories of Europe in terms of yearly economic growth to a massive plunge of GDP and persistent recession. With the help of the IMF and the European

Commission, the situation was stabilized and the second half of 2011 is expected to bring recovery, with quite good economic growth in 2012 and beyond[29]. Even so, one of the big problems of Romania is still (and without decisive policy intervention it might turn chronic) the inadequate level of growth-sustaining investment, the most striking symptom of this being the inability to take advantage of the structural and cohesion funds of the EU.

Like most Eastern bloc countries that have joined the European Union, Romania seems unsure about the position and role it has inside the EU and that uncertainty is chronic within the Union, which is still a collection of sovereign interests that rarely converge. On the long term, the goals of the EU are, formally, good on paper, but in reality one cannot ignore the fracture that seems to be growing.

The central issue for the short to middle term economic prospects of Romania is Bucharest's ability to resist destabilizing the fragile economic recovery through excessive spending or populist fiscal measures (2012 is an important electoral year), that would erase the recent successes of the tough austerity measures imposed as part of the financing package agreed with the IMF.

3.5. Policy alternatives for the Eastern bloc countries

As already mentioned, the relevance of the Eastern bloc interests inside the EU can only work synergistically. In the absence of a unified voice the national priorities (one still cannot judge the effectiveness of the European Union by its' regional allocation of resources) the supportive role of the East as part of the EU would be diluted.

From the standpoint of monetary policy, the generic goal of the states that recently became members of the European Union is the entry into the Eurozone, the European bloc's monetary union. In light of the

recent troubles of some members of the Eurozone, one can anticipate a reform of the entry criteria, in order to prevent episodes like the Greek one, when the macroeconomic statistics provided by the authorities in Athens proved to be unreliable, and the result was a near bankruptcy of the Greek state, with evident risks over the entire European monetary structure.

With the exception of Slovakia, that entered the Eurozone in January 2009, the other members of the Visegrad Group settled around a more tentative approach, with an entry date set for 2019 at the earliest. The other two members of the extended Visegrad 4+2 format, Bulgaria and Romania, plan to enter the Eurozone in 2013 and 2015, respectively. In the case of Romania, this initiative might be more difficult, the convergence effort requiring a fiscal discipline that might not be feasible, considering that 2012 and 2014 are election years. In this context, a coordinated effort of the V4+2 format might be a more beneficial solution instead of an asymmetric monetary policy approach.

Regardless of sovereign interests, one cannot eliminate the possibility of a drastic modification of the entry criteria or even the common currency structure, the consequences of which being better withstood by a unified eastern bloc.

In order to avoid and eliminate redundancies, a more coordinated investment strategy is needed for the Eastern countries, especially when it comes to the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) financing. In the case of both of the international financial institutions, several reports have uncovered a rather unsuccessful streak when it comes to supporting SME's in the Eastern bloc of the EU, caused either by the disbursing banks ability to distribute these funds or their unwillingness to do so. Furthermore,

the absorption of structural and cohesion funds also needs better coordination, or, at the very least, a more informative approach in relation with the other regional beneficiaries (Bulgaria and Romania still having less advanced absorption mechanisms).

Regional coordination can be an asset also when dealing with one of the most stringent issues – that of energy security. The recent events in North Africa and Middle East (the “Arab Spring”) have heightened fears of supply diversification, and significantly increased the clout of Russia as the most important source of oil and natural gas for the EU (Russia already is the largest individual oil producer in the world, with a daily capacity of over 10 million barrels, not far from the record set during the Soviet Union and prime minister Vladimir Putin has recently “ordered” the oil industry to maintain this rhythm of daily production for at least the next decade). In this regard, Poland might have an advantage since it possesses vast amounts of shale gas, a novel hydrocarbon resource but whose exploitation is still unregulated at European levels and might face opposition from countries that fear the consequences on the environment of the extraction process.

Bottom-line, thought somewhat redundant and cliché, the need for unity, especially in the eastern part of the EU has never been greater, since the current crisis is vastly more complex and potentially destructive than any that came before. In this context, the Eastern bloc of the EU can configure, through careful investment and coordination, a solid counterpart to the Western European powers and, implicitly, strengthen the entire Union.

CONCLUSIONS

Against an unfavourable international background, dominated by Europe’s

continuing grappling with the consequences of the economic and financial crisis, prospects for bilateral cooperation between Poland and Romania have chances for yielding positive results on European dossiers such as the Common Agricultural Policy, the Common Security and Defense Policy and the Cohesion Policy, given the similarities between the two countries.

More efforts should aim at achieving a common position on the Common Agricultural Policy; in relation to this point, both Warsaw and Bucharest would have to gain from a balancing of the direct payments made in relation to the other member states, as these funds represent an important revenue for both Polish and Romanian farmers. The Commission’s proposal aiming to introduce a maximum threshold for the level of direct payments made towards large-sized farms would not however be beneficial for neither of the two countries. At the same time, in Romania’s case, it is necessary to give proper support to a scheme funding small farms, given the significant number of small-sized agricultural businesses existing. Perspectives to see further progress on other areas of common concern for the two capitals, among which the Eastern Partnership, remain rather limited, as the EU tries to identify more efficient instruments of engaging Russia in the political and economic spheres. Despite its efforts, the current unrest in Northern Africa has temporarily shifted the Europeans’ focus from the Eastern neighbourhood, while giving Russia more time to recalibrate its position towards most of the EaP countries.

Bucharest should support Warsaw’s initiative of involving Ukraine in the regional stabilization efforts, whereas Poland’s support is important in promoting further democratization in the Republic of Moldova and achieving a consensus on this topic at the European level. The common focus should target the legitimate

European aspirations of EaP countries, and the benefits of 'win-win' solutions, especially in terms of visa liberalization and broader economic reforms in the region. A special attention should be paid by both Warsaw and Bucharest to the elaboration of an updated cooperation framework between the EU and Russia by the end of 2011, which will seek ways to further develop the modernization partnership.

Warsaw clearly distinguishes itself as a regional leader, also at the level of the Visegrad group, emerging out of the crisis with a healthy economy and renewed possibilities of attracting foreign investments and ensuring a sustainable growth, whereas other Eastern countries, Romania included, still struggle to fully use their structural funds. Poland's record in using the structural and cohesion funds

should serve as a model for Romania, and hopefully set the tone for enhanced cooperation and coordination mechanisms between the two.

As regards the European Enlargement Policy, apart from finalizing accession negotiations with Croatia, the Polish Presidency of the European Council is likely to continue exploring opportunities for Turkey's accession to the EU and support the European aspirations of Western Balkans countries. Romania's support is expected to be full in all three cases.

Another major topic of common interest for Warsaw and Bucharest is the Common Trade Policy, which is likely to witness significant developments with the 8th ministerial conference of the World Trade Organization in December 2011.

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