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## **Here we go again!**

### ***Romania after the presidential elections***

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#### **A complex story**

The American decades old sit-com `Here we go again` portrayed the life of two divorced couples, whose members remarried and now they had to face reality and live interacting with former companions.

This is basically the Romanian political life: each mainstream party governed with each mainstream party against each mainstream party – multiple marriages and divorces with exchanges of partners.

In 2004, Traian Băsescu run a coalition of Liberal and Popular Parties to defeat the then all powerful Social Democrats. He became president and the Liberal leader Calin Tariceanu prime-minister. The country entered EU in 2007 but, with this major task completed, the scandal ridden coalition felt apart. Tariceanu remained to govern having only 20% in Parliament but supported from opposition by Social Democrats. The cost was immense since the Parliament voted populist laws (sharply increasing pensions and salaries in education and health systems), which the government choose to apply in order to stay in power.

Meanwhile Basescu was politically isolated and turned himself in a sort of opposition from the top, criticizing the government and the Parliament. A strong anti-Basescu parliamentary coalition was created and they started the impeachment procedure against the President. The Constitutional Court decided that although Basescu was provoking scandals this was not anti-constitutional. The majority in Parliament choose to ignore the Court`s opinion and voted for impeachment. The Constitution asks for a referendum to confirm the Parliament`s decision and the subsequent voting turned into a triumph for Basescu – a spectacular 74% voted against his impeachment, although the turnover was low.

In 2008 the government ignored the signals about the economic crises and significantly increased the social and wage payments. The budget deficit reached 5% although the economic growth remained strong in 2008, with crises hitting Romania`s economy only in the last quarter. The Parliamentary election in late 2008 were meant to clarify the situation, but they showed Basescu`s Popular Party finishing shoulder to shoulder with the Social Democrats (around 33% each of them), with the Liberals as the virtual king makers having 18%. But the Liberals asked to keep the prime-minister position and each of the major parties refused. A unexpected move created for the first time the `big coalition`: Populars and Social-Democrats. The formal leader of the Popular Party Emil Boc became prime-minister, the social-democrat one Mircea Geoana took the leadership of the Senate and the two parties split equally the government portfolio.

The new government came in power when the economic storm hit Romania. Its economy which grew several years in a row thanks to foreign investments, remittances sent by Romanians working abroad and the construction boom was hardly hit when all the three engines were damaged. The economic decline reached 7.7% in November 2009. At the beginning of the year, the government signed a syndicated loan with IMF, European Commission and the World Bank, Romania receiving 20 billion Euro for several years. The agreement included harsh conditionalities about reforming public sector and pension system, reducing budget deficit and maintaining macroeconomic stability. The government succeeded in passing some of the measures agreed with IMF, the most important

being a law that establishes unitary criteria for public administration salaries, fiercely opposed by the civil servants' unions.

But the permanent conflicts between the two partners determined Social Democrats to leave the government and to recreate their alliance with the Liberals within the Parliament. For the first time in the last 20 years, a Romanian government was dismissed by the Parliament in October 13, 2009. Emil Boc remained to run a care-taker government, which is still in office due to the fact that Basescu and the majority in Parliament were not able to agree on a successor.

### **The night with two presidents**

The budget deficit agreed with IMF for 2009 was 7.3% and the government managed to control the expenditures but other major requirements of IMF were not met. A pension reformed law that was in line with IMF agreement has been stalled after the fall of the government. An IMF delegation came in Bucharest in November and tried to convince all major parties and trade unions about the urgency to take measures to equilibrate the economic situation. A minimal consensus was reached to pass a quick budget law in the Parliament, but the issue was totally overshadowed by the presidential elections.

With 32% Basescu came in the first place on November 22, Geoana on the second with 31% and the new liberal leader Crin Antonescu on the third one with 20%. Geoana was supported in the run-off by Antonescu, Hungarian party and virtual all other parties, from the extreme right fascists to the small Green party. The OSCE report on election blame the media imbalances against Basescu. Major news media outlets are owned by politicians or powerful businessmen who oppose Basescu. He accused the journalists and the so called `media moguls` of trying to manipulate people against him.

With the biggest alliance of parties, media and business ever seen in Romania supporting him, it was amazing that Mircea Geoana failed to defeat Basescu in the run-off. To be sure, three out of four exit-polls gave Geoana as a winner in the night of the run-off, December 6. The margin of the three exit polls varied from 0.5% to 1.5% for Geoana, while a fourth one decided it was too close to call and later announced 0.5% for Basescu. Geoana proclaimed himself the winner and gave the victory speech. Basescu rejected immediately the exit polls results and claimed the victory in his turn, saying that exit polls are misleading, because the polling companies are owned by the same moguls that campaigned against him.

Actually, the difference was given by another factor: the three `Geoana winning` exit-polls failed to take into account the votes of the Romanians living abroad while the `Basescu wining` one adjusted the results accordingly. The official results proclaimed Basescu as a winner due to the votes from abroad. While in Romania was virtually equality, the 130.000 Romanians that voted outside the country made the difference, 78% of them voting for Basescu.

Geoana put himself in the embarrassing situation to proclaim the victory Sunday night and to find out Monday morning that Basescu will be the actual President, situation which created a new category of political jokes in Romania. However Geoana did not recognize the official result and his party contested the election to the Constitutional Court. There a few chances for the election to be rerun given the lack of clear proves to prove a fraud that `could have changed the result`, as the law mentions. But many of the anti-Basescu voters are convinced a fraud took place, Basescu himself used this political weapon in 2004 against the Social Democrats; frauds accusations in elections are becoming an entrenched reality in Romania, which causes profound mistrust in the democratic system.

### **Impact on EU and foreign policies?**

The short answer to the above question is `limited`. Fortunately, the foreign affairs in Romania tend to be consensual, to be managed by career diplomats within the Foreign Affairs Ministry and the EU Affairs Department and to be ignored by the politicians in the electoral campaigns. President Basescu made Republic of Moldova and the Black Sea region two major interest areas for Romania. This is the reason he is popular in Moldova and the Romanian citizens there voted with him in an amazing 94% in the run-off. But even with a Mircea Geoana as president these would have been priorities. Much noise was made in the electoral campaign because Geoana paid a secret visit to Moscow this year. He explained he was trying to establish personal contacts there, but it was sufficient to hear treason accusation from a public still fiercely anti-Russian. As a former ambassador in Washington and an important actor in Romania's accession into NATO, Geoana is a convinced pro-American and the accusations are clearly unfounded. The bilateral relation with

Moldova changed dramatically this year after the pro-European coalition took power in Chisinau. The Moldovan government expects a stable government in Bucharest to establish a probable `European Integration partnership` between the two countries, an idea that was in the air in the last months. Whoever makes the government the traditional Romanian position to push for Moldova`s integration will remain high on the agenda. Romania will also remain a strong supporter of Nabucco pipeline and of a common EU energy strategy.

### **Who`s making the government: the domestic challenges are here to stay anyway**

The buyers of the Romanian state bonds reacted nervously to the news that Basescu won a new term. Indeed, a Geoana victory had the advantage of a clear perspective to form a government. To obtain the support of the Liberals, Geoana promised to appoint the popular mayor of Sibiu and leader of German minority Klaus Johannis as prime-minister. He was supported by the Hungarian party also and benefited from a clear majority in Parliament. This project was already abandoned with Johannis recognizing Basescu`s victory. The former and future president has limited chances to have a government approved by the Parliament. He still maintains a strong leverage because he can dissolve the Parliament and provoke early elections if the legislative fails to approve one more appointee proposed by the President. Many MPs are not willing to run another electoral campaign and Basescu may hope to force them into accepting a prime minister from his party. Another possibility is for Basescu to appoint a neutral person, acceptable for the both sides, maybe a technocrat that could address the IFM conditionalities. Basescu already tried this in October by appointing Lucian Croitoru, the chief economist of the Central Bank, as his first option after the parliamentary motion against Boc government. Although he came up with an economic program based on the IFM agreement, Croitoru was rejected by the Parliament, with the majority adopting `no-other than Johannis` stance.

There is much confusion now in Romania, with the Constitutional Court analyzing the fraud reclamations of the Social Democrats and with some signals of internal conflicts within the Liberal Party, some people there saying the that `no-Basescu-at-any-cost` strategy of Crin Antonescu is too costly for the party after the electoral victory of the same Basescu.

Many things depend on Basescu`s willing to change its abrasive way to make politics. Now that he is the first Romanian president to win a second consecutive term in office, he has little to prove in the face the other politicians, but rather a statue to build for himself in the face of history. Whoever is making the next government, it will have to stay within an inflexible 5.9% budget deficit target for 2009. That means unpopular measures to sack state employees, to reform the pension system and to control state companies. While watching actively the political turmoil, IFM gives signs of losing the patience with the Romanian politicians. It already delayed the second installment of the loan and losing it completely would mean the virtual bankruptcy for a country that already pays unaffordable interest rates for its bonds bought by the private banks. The cold shower from the IMF could end quickly the current politic squabbles in Bucharest.

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