



## **Weekly Briefing**

**Romania External Relations briefing:  
2017 summary of external relations in Romania  
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## **2017 summary of main external relations' developments**

Romania managed to tick several essential goals on the map of external relations this year. In brief, important achievements for Romania were related to an enhanced cooperation with the rest of the EU countries in the defence sector in what could be called the beginning of a “defence and security Union”, the elimination of visas for maximum six-months travels in Canada and the intensification of the relationships with China through several important cooperation projects that started in 2017.

### **a) Enhanced collaboration with the EU countries in the defence sector**

One of the most important events Romania took part as a member state of the EU is the signing of the Notification regarding the participation to the Permanent Structured Cooperation on security and defence (PESCO) in November this year. In this way, Romania takes a step, alongside other 24 EU countries (except Malta and Denmark), on the path of a strengthened cooperation in the field of defence. A deeper cooperation in this domain was long expected, being one of the areas where more Community contribution was needed. PESCO was launched in the context of weakening the European block due to the Brexit, the upsurge of the threats from Russia and the American pressures related to an EU higher contribution for defending the continent. The main aim of such actions is to smooth the path in case of moving troops and equipment within the EU area. There are already almost 50 common projects of the member states that will be developed in the near future, such as an European rapid reaction force. The speed and efficiency in action are the basis of such a structure, which will be complementary to NATO.

What are the implications for Romania?

For Romania, as for the other member states, the PESCO participation is equivalent to a coordination of the defence expenses and investment in common

projects, while also benefiting from the support of the European Defence Fund for certain specific categories of expenditure. One of the requirements for the participating countries is to regularly increase the defence budget and to allocate one fifth of these budgets to endowment expenses and 2% to research spending. In this way, PESCO aim is to develop new military equipment, to avoid multiple acquisitions of military technique for common military operations and to eliminate the gaps in defence capabilities.

In this regard, Romania will have to establish a plan which will include the national contributions and the commitments that will be assumed for participating in the common EU projects.

While the participation of the EU member states in PESCO is not mandatory, neither the quality of a member in the common structure is not definitive. Each year, the participating countries will carry out an evaluation process related to the fulfilment of the undertaken commitments. In case of failure, the country will be excluded from the organization.

The defence collaboration framework is under construction and it is estimated that next year, the participating countries will establish a list of projects that will be developed under PESCO.

#### **b) Visa-free travels in Canada**

One important achievement for Romania this year is the visa-free travels to Canada, starting with December 1, 2017. Canada offered promises related to the elimination of visas for Romanians since 2008 and several negotiations rounds took place at the EU-Canada summits in 2008 and 2014.

Romania and Bulgaria were in a special situation as compared to the other EU member states, for which similar formalities were not needed. The context changed in the last period, due to the joint objective of signing and ratifying the Comprehensive Economic and Trade Agreement (CETA) between EU and Canada. Under these auspices, Romania considered that maintaining the Canadian visa regime will create obvious, unjustified disadvantages compared to other European citizens and will deprive Romanians of the economic and

commercial opportunities created as a result of the agreement. Under CETA free trade deal, 99% of the customs duties are eliminated and cooperation is encouraged in the social, medical and combating climate change areas.

The pleas used against Romania were related to technical themes, but the Romanian officials considered that Romania is well prepared for being a viable partner for Canada given that the European Commission already announced that Romania is technically prepared for the Schengen adhesion, thus respecting all the technical criteria related to the border protection and the migration issues. Moreover, Romania insisted for an equal treatment as for the rest of the EU member states, calling on the EU principle according to which Romania's interests should also be the EU's interests. Another pressure path was the veto right due to the discriminatory treatment, that could be exercised against the free-trade agreement and block it, given that each national Parliament should approve the CETA.

Thus, the condition that Romania and Bulgaria imposed for approving the free trade deal was the elimination of the visa regime for their citizens. The requirement was accepted, and the visas were completely eliminated starting with the December 1<sup>st</sup>, the National Day of Romania. A partial elimination of visas was accepted starting with May 1, 2017, for the Romanian citizens having a Canadian temporary resident visa or a valid US non-immigrant visa.

The actual visa treatment applies to all those who travel to Canada for tourist purposes, for visiting relatives and friends or for exploring business opportunities. The maximum period of stay in Canada is six months. An Electronic Travel Authorization is mandatory in this case, but it can be obtained online. For longer periods, a work or study permit is needed.

Beyond the visa waiver, the agreement has important economic benefits for Romania. The exports in Canada will be encouraged due to tariff cuts for products where Romania has significant competitive advantages, such as leather and footwear, agricultural products, shipbuilding services, automobile construction and car parts, ceramics and textiles. 93% of the export tariffs for

agricultural products in Canada will be eliminated, while the export tariffs of 9.5% in the car construction sector will be cancelled. Another important advantage of the CETA is the mutual recognition of professional qualifications, while easier investment conditions will be available for companies in the two regions.

**c) Strengthened cooperation with People's Republic of China**

There were also several important contributions for enhancing the cooperation between Romania and China. In September, Romania applied the decision to facilitate the visa regime for Chinese citizens coming to Romania on short stays. In this way, Chinese citizens are no longer required to have an invitation approved by the General Inspectorate for Immigration of the Ministry of Internal Affairs for the purpose of requesting Romanian short-stay visas for business, tourism and private visits.

The cooperation in the infrastructure area was strengthened by Romania's adhesion in May, this year, at the Asian Infrastructure Investment Bank (AIIB), located in Beijing. According to the Government Memorandum for the approval of the initiation of negotiations, Romania's action was determined, from the political point of view, by the goal of consolidating its bilateral relations with People's Republic of China and for further promoting the relationship with countries in Asia, another important aspect of the Government's Programme. From an economic point of view, this decision is a recognition of Romania's capacity of being part in the common projects of the financial institution and in providing access for the Romanian companies to new financial resources in different areas.

In addition, on the occasion of the 16+1 Summit of Heads of Government from Central and Eastern Europe and the People's Republic of China in November, Romania became part of the Interbank Association Agreement 16+1, being represented by the Romanian state bank Eximbank.

The energy domain is a key collaboration field in the relationships between Romania and China. Under the 16+1 framework, Romania organized the first

Ministerial Conference on Energy Cooperation in November this year, with the participation of officials and representatives of companies from Romania, China and the other Central and Eastern European countries, followed by a 16+1 Energy Fair and Expo for exploring joint business projects.

In July, Romanian authorities approved the transaction through which China Energy Company Limited (CEFC) will take over the majority stake in the joint-venture with KazMunayGas International (KMGI). Romania has a special interest in this transaction, given that the main assets of KMGI are located here. Therefore, investments for developing new projects in Romania are expected to occur in the near future.

The negotiations between China General Nuclear Power Corporation (CGN) and Nuclearelectrica were resumed this year. In October, Nuclearelectrica announced that CGN is the selected investor for the construction of the two nuclear reactors at the Cernavoda Nuclear Power Plant, in a project estimated at 6.45 billion euro. The following step of the selection process is the negotiation of both the Memorandum of Understanding on the Joint Implementation of the Project and the Founding Act and the Investors Agreement of the new project company. In this company, the selected investor will hold the majority stake.

Another potential and resourceful opportunity for the future development of economic cooperation between China and Romania was capitalized through the collaboration protocol concluded between the Qingdao and Constanta ports and the partnership agreement signed between Ningbo-Zhoushan and Constanta ports. In this way, the Constanta port intends to be an important part of the Asia-Europe transport corridor.

Several other intentions of collaborations and already started projects could be identified in the area of infrastructure, tourism, agriculture, vehicle components. The experience of China regarding the smart city is already shared and implemented in several cities in Romania, for example the smart parking in Constanta and Timisoara and the intelligent lighting system in Alba Iulia. A

further enhanced collaboration is expected especially in the field of industrial parks.