



Weekly Briefing

**Romania external relations briefing:
Romania's participation in the Summit of the Three Seas Initiative
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Romania's participation in the Summit of the Three Seas Initiative

Romania took part in the sixth Summit of the Three Seas Initiative (TSI) hosted by Bulgaria at the beginning of July. This form of regional cooperation envisages the development of infrastructure projects which are helpful in covering the development gap as compare to the rest of the European Union (EU) and restoring the economies after the pandemics. Romania's interests are in the development of BRUA, a gas pipeline project ensuring access to new gas sources, in the field of energy, and in Via Carpathia and Rail-2-Sea projects, in the transport field. The involvement and support of the United States (US), Germany and European Commission are a strong impetus for achieving the intended aims.

Romania participated at the reunion of the 12 country members of the TSI, a political platform launched in 2015, whose main objective is to provide political support for better cooperation and interconnection of the countries in the geographical area delimited by the Adriatic Sea, the Baltic Sea and the Black Sea, which was hosted by Bulgaria at the beginning of July. The major areas of cooperation are energy, transport, telecommunications and environmental protection. Besides enhancing the economic development of the participating states, other interests regard the consolidation of the European project and the strengthening of the transatlantic relationship, especially by encouraging the US' economic presence in the region.

This is the sixth summit since the launch of TSI. On this occasion, President Klaus Iohannis signalled that there is a high level of trust from the citizens of the 12 member states for concrete steps in the basic areas of the Initiative, namely transport, energy and digitalization. Before the summit, President Iohannis stated the expectations, considering this year's meeting as a new step in the process of consolidating TSI following the decisions taken at the Summit hosted in Bucharest in September 2018. The meeting in Bulgaria was focused on assessing progress and on evaluating the implementation of the list of priority strategic interconnection projects agreed at the Bucharest Summit.

The representatives of the 12 states participating in the sixth summit of the TSI finally adopted a joint statement showing their firm commitment to the Initiative and welcoming the progress made so far. The declaration is the expression of the common political will to work for the rapid development of the countries of the TSI region by improving connectivity through

transport, energy and infrastructure, by promoting public-private partnerships and by new innovative development models. In fact, the basic idea of TSI was to enhance a form of cooperation to support the development of this region and to cover the gap as compared to other EU countries. In this respect, the aim of the founding countries was to persuade the EU to fund infrastructure projects in this area, which is less developed than the rest of the EU. The problem is that the development disparities are not diminishing, although countries in the East has made much progress over the past 30 years. Thus, the states of TSI occupy 28% of the EU's surface and 22% of the Union's population, but produce only 10% of European GDP. An estimation of the International Monetary Fund shows that countries in Central, Eastern, and South-eastern Europe are still lagging behind the 15 most developed ones in the EU in terms of electricity generation capacity, internet density, roads and railroads. The cost of covering only half of this gap raises between 3 to 8 percent of GDP per year.

There are some major projects targeting Romania under TSI, in the fields of energy and infrastructure. In the field of energy, one major project is BRUA, a gas pipeline project designed to ensure access to new gas sources, as well as to facilitate the transport of Caspian gas to the markets of Central and Eastern Europe. In addition to Romania, the project also involves Bulgaria, Hungary and Austria. A first phase of the project was completed in Romania in November last year. About EUR 480 million were invested in the Romanian section of BRUA, of which EUR 180 million through a grant granted by the European Commission. In addition to BRUA, Romania also participates in a project proposed by Hungary. It is about the construction, until October 2022, of a gas corridor on the route Romania - Hungary - Slovakia.

The second major project concerning Romania is Via Carpathia, in the field of transport, which intends to lead to the construction of one of the largest highway in Europe. The project was proposed by Poland, and along with Romania, there are several other TSI countries participating: Hungary, Bulgaria, Lithuania, Poland and Slovakia. The route, starting in Poland, would be extended to Greece. The total distance could be covered in about 26 hours. In the perspective of the accession of Romania and Bulgaria to the Schengen Area of free movement, the route would be extremely accessible and without any stops at the borders.

Another project on infrastructure, this time coming at Romania's proposal, is Rail-2-Sea, which is a 3,663-kilometer-long railway linking the Romania port Constanta to the Polish port of Gdansk. The Romanian routes already exists, only they have to be brought up to the current standards. Currently, freight trains run on this route at 70 km per hour, and passenger trains at almost 100 km per hour if there are no incidents. In the future, the speed should increase to 160

km per hour for passenger trains and to 120 km per hour for freight trains, but this implies investments that require high financial resources.

Romania is also part of a rail freight project, the so-called “Vikings route”, a project of Lithuania, which aims to transfer by rail the international routes for the transport of goods from Europe-Caucasus-Asia (TRACECA corridor) and freight from Turkey and the Middle East to Northern Europe and vice versa. TRACECA is an international transport program involving the EU and 12 other countries, and its aim is to strengthen economic relations, trade and transport in the Black Sea basin, South Caucasus and Central Asia.

In the digital field, Romania proposes a regional digital platform for hydrographic monitoring, but also a project of interconnected digital solutions in the field of energy storage.

The Summit was seen by the Romanian officials as an opportunity to consolidate previous agreed projects and to evaluate the progress. President Klaus Iohannis considers that the infrastructure and energy projects have a high relevance for the objective of the Sustainable Economic Development Initiative and for building the strategic resilience of the economies of the participating states, including in the context of post-pandemic economic recovery efforts. In addition, following the meeting with the US representatives on the margin of the summit, he welcomed the US’s firm commitment to the goals and priorities of the TSI. The President of Romania expressed his appreciation for Washington’s support for meeting the Initiative’s objectives in areas such as the sustainable and competitive economic development of the Central and Southeast European region, strengthening regional interconnectivity and the transatlantic relationship, and developing strategic resilience.

US has been a strong supporter of the TSI since its launch. The Committee on Foreign Affairs of the US House of Representatives unanimously adopted a motion for a resolution supporting the TSI, including a financial grant of USD 1 billion. The resolution sets out plans to increase energy security and connectivity in the region’s infrastructure. US representatives encouraged the leaders of the TSI countries to increase their participation in the Mutual Fund. The Investment Fund of the Initiative was set up by the Polish Bank of Development BGK and the Romanian bank EximBank and aims to attract international private capital for infrastructure projects. The fund has grown and nine of the 12 members have already invested in it. The U.S. government agency for financing development projects decided last year to approve a USD 300 million contribution in the TSI Investment Fund. The US has therefore pledged a permanent 30% stake in the Fund. At the summit in Tallinn from last year, nine members and the fund manager Amber Infrastructure Group pledged nearly EUR 1 billion in investment, and Poland

announced an increase in its contribution of EUR 250 million. The maximum size envisaged for the Fund is EUR 3-5 billion.

Germany also showed interest toward this form of cooperation, stating that it should become part of European investment policies and instruments, as almost half of the EU member states participate in this initiative, which has a strong transatlantic link. The interest of other countries in the works of this Initiative are a strong impetus for moving forward and achieving the proposed aims.

For Romania, there is a large benefit in participating in this form of regional cooperation and in harnessing the opportunities the infrastructure projects might provide. A stronger effort, however, is necessary in all the member countries for carrying out the tasks envisaged, as this sort of projects could also help them in the recovery process. After the crisis caused by the pandemic, following the TSI discussions, Romania has some clear investment projects which could contribute to a faster restoration of the economy.