



**The Romania and Ukraine Bilateral Agenda.  
Perspectives for a Roadmap on Security and Defence Sector and  
Economic Cooperation**

COUNTRY REPORT. ROMANIA

Bucharest | 2019



The Romanian - Ukrainian  
Civil Society **Forum**  
for Dialogue and Cooperation

This country paper is elaborated within the project "The Romanian – Ukrainian Civil Society Forum for Dialogue and Cooperation", implemented by Experts for Security and Global Affairs Association, Romania and it is supported by the Black Sea Trust for Regional Cooperation, a project of the German Marshall Fund. All the views and opinions belong to the authors and do not necessarily represent those of the ESGA Partners.

**B | S | T** The Black Sea Trust  
for Regional Cooperation  
A PROJECT OF THE GERMAN MARSHALL FUND

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## **Introduction**

The bilateral dialogue between Romania and Ukraine is a complex one. This feature is generated by the multitude of different interests that the two neighboring states have established over time. Often, the definition of these interests has set the ground for complicated situations, difficult to be appreciated, accepted and solved by the political actors.

Following the annexation of Crimea in March 2014, and subsequently the commencement of military operations in Eastern Ukraine, the situation in the region has changed greatly. Vulnerabilities and challenges became more evident, and threats increased in number and complexity. Under these circumstances, Romania has chosen to support the democratic principles as well as the processes of European integration of Ukraine. This type of approach - more responsible and vigilant, has been and is still needed. But it cannot produce results without a responsible approach from all actors involved in diplomatic negotiations, communicating messages or implementing joint initiatives.

Between January - July 2019 the Association of Experts for Security and Global Affairs in partnership with the Foreign Policy Council "Ukrainian PRISM", supported by the Black Sea Trust for Regional Cooperation, a project of the German Marshall Fund, has implemented the project "The Romanian – Ukrainian Civil Society Forum for Dialogue and Cooperation". Within this project we had as a aim to revive the dialogue between Romanian and Ukrainian experts at civil society level, by resuming bilateral meetings in bilateral or trilateral format (extended to the Republic of Moldova), to advocate through government initiatives in solving problems, to propose a set of recommendations and solutions to encourage the transition to a new stage in the bilateral dialogue between Bucharest and Kyiv, in which the stereotypes no longer have control over the content.

Together with our partners, we chose to organize a bilateral forum on the latest challenges in the regional context, that affect both countries - hybrid threats, information war, misinformation, and then continue with a complex analysis of how we have promoted cooperation and dialogue over the last 30 years within different bilateral formats of political, security and economic cooperation. The Forum served as a platform to facilitate the dialogue between experts, government representatives, academia and media from both countries.

The experts' perspective although was a critical one, was oriented towards our foreign policies, to draw public authorities' attention to the opportunities that the analytical environment can generate for improving the bilateral dialogue. Such a perspective allows the elimination of subjectivity from the evaluation of the content of bilateral policies. Another objective was to identify the challenges and areas where cooperation is possible, but the political will is lacking. The third, and most important, objective was to develop a set of recommendations, accompanied by an initial plan of activities or a road-map of actions for the next period, that would allow decision-makers to reflect on the common benefits that can be achieved during at a whole new stage in the political and economic dialogue in our countries.

In the following, we propose to reflect with us on the most important challenges, but also opportunities at the same time, for the bilateral dialogue between Ukraine and Romania.

Experts from both countries, who contributed to the development of the two country papers, set as a priority to promote advocacy activities, to continue monitoring the dialogue between authorities, but also to contribute to the implementation of proposals and recommendations at the end of each chapter of the study, so that the implementation of the roadmap of civil society becomes an effective tool for promoting dialogue and cooperation in different fields of mutual interest.

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Project Manager

## **CHAPTER 1.**

### **The Romania and Ukraine Bilateral Agenda. Perspectives for a Roadmap on Security and Defence Sector**

**Claudiu Degeratu**

#### **Executive Summary**

This paper aims to study bilateral Ukraine-Ukraine security and defence agenda and to provide some recommendations for the development of a new chapter in relations between the two states. Following the Russian-Ukrainian conflict in 2014 and changes in the Black Sea region, Romania had to redefine its relations with Kyiv, considering that the Russian Federation increased its military presence in the region. The need to find new directions of cooperation with Ukraine, even if it is accepted as a priority, has not immediately led to visible progress. The study proposes a strategic framework in which both countries can elaborate a roadmap that ultimately leads to enhanced cooperation in the field of security and defence.

**Keywords:** Romania, Ukraine, security, defence, cooperation, Black Sea region

## **Introduction**

In the regional security context and the NATO adaptation process<sup>1</sup> towards Eastern Europe, bilateral relations between Romania and Ukraine have become a topic of debate. The Russian Federation's invasion in Crimea, an outbreak of conflict by the pro-Russian separatist forces in Donbas, and permanent Russian information war against the Eastern European countries led to a new dynamic in the bilateral relations between Bucharest and Kyiv.

Ukraine, as a victim of this conflict, is changing its perceived status in Romania's national security strategy. After 2014, experts and decision-makers from Romania have significantly analysed and debated how to improve relations with Ukraine.

This study aims to identify challenges and to propose solutions to develop the Romanian - Ukrainian bilateral agenda.

We are discussing a significant change in a strategic landscape of the ex-Soviet security space overlapping a post-1989 transition as a result of the end of the Cold War and layered with the new conflict dynamics after 2014. There is a set of 3 dimensions that historically can explain many aspects of Ukraine's strategic profile: historical dimension, transition dimension and post-2014 conflict dimension.

Our first objective is to identify the reason why security cooperation with Ukraine has advanced in some policy areas, while it has slowed down in others. Based on online interviews applied to the Romanian experts<sup>2</sup>, we identified some of the leading causes of this evolution. The survey identifies several areas, themes and issues in the cooperation between Romania and Ukraine, which are essential for the initiation and intensification of cooperation in the field of security. Overall, we believe that developing a real, even imperfect cooperation at first is more important than manifesting intentions but not materialising them in a foreign and security policy plans.

We added an analysis of the evolution of the relations between the two countries in terms of the historical experience and the results reflected in strategic documents in Romania. This methodological model attempts to demonstrate that Romania's approach to bilateral security with Ukraine is a result of several stages of bilateral relations overlapping, in which good results and failures of both parties have added over time.

### **1. The Legacy of the Cold War - a challenge for Eastern Europe**

Not only Romania and Ukraine have inherited a complicated security environment. For the Eastern European state, however, it was a priority to reconfigure their foreign policy by developing new bilateralism that would replace the old concept of "brotherly relations" within the socialist states camp. Based on communist ideology and under Moscow's careful control, most of the bilateral relations did not generate real progress but instead provided a diplomatic context for relations between heads of communist parties. We cannot ignore economic

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<sup>1</sup> Henrik Boesen Lindbo Larsen, *Nato, EU and Russia After 2014: Great Power Politics and the Ukrainian Crisis*, 1. oplag, DIIS report 2014:18 (Copenhagen: Danish Institute for International Studies, 2014).

<sup>2</sup>See the ESGA Online Survey Report at "Sondaj de opinie: AGENDA BILATERALĂ ROMÂNIA – UCRAINA EVALUAREA DOMENIULUI DE SECURITATE ȘI APĂRARE", ESGA, Bucharest, July, 2019, <http://www.esga.ro/sondaj-de-opinie-agenda-bilaterala-ro-ukr/>

exchanges and cooperation in civilian fields, but in security and defence domains, Moscow had the last word to say.

A notable exception was Romania under the dictatorial leadership of Nicolae Ceausescu. An open opposition of the Romanian leader to the Soviet invasion in Czechoslovakia in the summer of 1968, supported by other socialist countries, has generated an anti-Russian and anti-Moscow attitude among Romanians. This anti-Russian attitude had effects even after 1989. After the August 1968, Romania faced isolation within the socialist camp, including in security and defence sector cooperation.

In the 1980s, Romania's security and defence policy followed a course of increased autonomy (other experts consider it independent) to Moscow, but also of suspicion and frosty relations with countries like Hungary and Poland. The dictatorial regime in Romania imposed a cold and reserved attitude towards any military or security co-operation, including the Warsaw Pact security structures. The foreign policy of Bucharest followed this line by reducing contacts, exchanges and international cooperation. There were several cases when Romanian diplomacy was trying even to come closer to Western Europe and the USA. This line of sceptical approach to the former Soviet space continued beyond 1989 and relied on that Moscow's influence continued in the former Soviet republics, including Ukraine.

After 1992, Romania tried and managed to develop diplomatic relations with Ukraine. For five years (1992-1997), the two countries succeeded in signing the basic treaty, opening embassies and expanded the consular system<sup>3</sup>. The problem of borders' delimitation between, a sensitive issue, two states was solved partially by signing the 1997 Basic bilateral Treaty<sup>4</sup>.

Another sensitive subject is the Bastroe Channel, a Ukrainian project to build a commercial channel with a significant ecological impact on the Danube Delta ecosystem<sup>5</sup>.

Economically, the post-Soviet agenda also included negotiations on the delimitation of the continental shelf and exclusive economic zones<sup>6</sup>. The history of this topic began in 1967 when the USSR and Romania talks started on the maritime gas sectors. The negotiations continued after 1990, and the solution decided internationally with Romania receiving about 80% of the territory claimed and Ukraine 20%<sup>7</sup>.

The Musura Channel in the Danube Delta is another subject of dispute that arose after

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<sup>3</sup> During these years, the bilateral agenda highlighted unresolved issues inherited from the communist period. See Andrei Cuşco, "A Contested Borderland," 2306-3637, 2017, accessed July 6, 2019, <https://www.ceeol.com/content-files/document-700764.pdf>.; Virgil George Baleanu and Conflict Studies Research Centre (Great Britain), *In the Shadow of Russia Romania's Relations with Moldova and Ukraine* ([Camberley Surrey]: Conflict Studies Research Centre Royal Military Academy Sandhurst, 2000).

<sup>4</sup> But remained unresolved issues as the Maican Island and delimitation of territorial waters concerning Snake Island in the Black Sea. See Parlamentul Romaniei, "Lege Nr. 129/1997 Pentru Ratificarea Tratatului Cu Privire La Relațiile De Buna Vecinătate Și Cooperare Dintre România Și Ucraina," Parlamentul Romaniei, accessed July 6, 2019, <http://www.dri.gov.ro/lege-nr-1291997-pentru-ratificarea-tratatului-cu-privire-la-relatiile-de-buna-vecinatate-si-cooperare-dintre-romania-si-ucraina-semnat-la-constantina-la-2-iunie-1997/>.

<sup>5</sup> BIRN, "Ukraine Eases Romania Fears on Canal," <https://balkaninsight.com/2008/05/21/ukraine-eases-romania-fears-on-canal/>.

<sup>6</sup> Laura-Maria Căciunean-Tatu, "10 Years After the Maritime Delimitation in the Black Sea: The Precedential Value of the International Court of Justice's Judgment in Romania V. Ukraine Case, 3rd of February 2009," *Revista română de drept internațional*, no. 20 (2018), <https://www.ceeol.com/content-files/document-768563.pdf>.

<sup>7</sup> Căciunean-Tatu, "10 Years after the Maritime Delimitation in the Black Sea: the Precedential Value of the International Court of Justice's Judgment in Romania v. Ukraine Case, 3rd of February 2009"

1997 and was generated by natural alluvialisation, the climbing of the Musura Bay and the extension of the Musura Channel to the south. Due to the geomorphological changes, Ukraine unilaterally decided to make new border demarcations, which accentuated the existing divergences.

Another cause of bilateral tensions, a Soviet inheritance, was the issue of Romania's economic participation in the development of the Kryvyi Rih mining complex. The participation in this socialist industrial project was a failure, and the loss for Romania is \$ 1 billion<sup>8</sup>.

This post-Soviet bilateral agenda has several essential aspects related to the issue of bilateral co-operation in the field of security and defence. The delimitation of the borders in the Danube Delta area and the maritime area implies the coordination of the specific border protection activities by the national border police. In the absence of a clear situation in the context of commercial and military transit by third parties, especially the Russian Federation's commercial Navy, the security of the borders and the maritime space might suffer.

The longstanding dispute over exclusive economic areas directly affects both countries in the field of energy security and also affects all European or non-European interconnection projects targeting Romania and Ukraine.

The persistence of border demarcation issues and the impact of building the Bystroe canal will also affect the safety of the European border, the Schengen area.

## **2. The Romanian Strategic Approach and Ukraine**

The Romanian security strategies after 1990 have approached Ukraine as a part of a broader concept of the eastern space. This conceptual approach is an answer to the Russian's near abroad strategy<sup>9</sup> and the Western European's newly independent states concept of the region.

The Romanian security strategy, especially after 2001, introduced Ukraine into the concept of the enlarged Black Sea region. Only in the 2015 Romania's National Security Strategy, Ukraine appears explicitly mentioned<sup>10</sup>.

In the Romanian strategic documents, the only bilateral relations, well defined through priorities and directions of action, are those with the USA and with the Republic of Moldova. The rest of the countries, whether neighbouring or not, are included in the Romania's regional policy or within NATO or the EU framework of cooperation.

After the Russian annexation of Crimea, the 2015 Romania's National Defence Strategy mentions Ukraine in a chapter on the regional security environment: "*The Russian Federation is trying to consolidate its power status at the regional level, its actions affecting the regional*

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<sup>8</sup> BalkanInsight, "Romania Bail Out from Ukraine Krivoy Rog Mining Oxidized Ore Project Investment," BalkanInsight, accessed July 6, 2019, <https://www.miningsee.eu/romania-bail-out-from-krivoy-rog-mining-and-processing-works-of-oxidized-ore-investment/>.

<sup>9</sup> Andrew Radin and Clint Reach, *Russian Views of the International Order*, Research report RR-1826-OSD (Santa Monica Calif.: RAND Corporation, 2017).

<sup>10</sup> "Hotărâre Nr.36 Din 18 Decembrie 2001 Privind Adoptarea Strategiei De Securitate Națională a României," accessed July 6, 2019, [http://www.cdep.ro/pls/legis/legis\\_pck.htm\\_act\\_text?id=31060](http://www.cdep.ro/pls/legis/legis_pck.htm_act_text?id=31060).

*stability and the European course of Ukraine, the Republic of Moldova and Georgia.*"<sup>11</sup>.

Since 2015, Romania's strategy towards the Black Sea region is adapting to the new strategic evolution. Romania's old policy of promoting stability and cooperation in the Black Sea region is being replaced by promoting the idea of NATO and the US military involvement in the region<sup>12</sup>.

### **3. A Complicated Bilateral Agenda. Romania's Security Policy and the Relations with Ukraine**

As presented in the previous chapter, the bilateral agenda is an accumulation of problems between the two countries or because of regional developments. Since 1990, the main feature of Ukraine's strategic profile was its strategic ambiguity or multi-vectorial foreign policy<sup>13</sup>. Ukraine had a sinuous evolution, from a state close to the Russian Federation to the current pro-NATO and pro-European orientation.

For a long time, the Ukrainian foreign policy lacks credible steps to engage the Euro-Atlantic community. Despite the existing strategic framework with NATO and important pro-European decisions and plans<sup>14</sup>, Ukraine has tried to keep a neutral status.

An edifying moment for strengthening Romania's position of distrust in Ukraine's strategic profile was the 2007 -2010 evolutions in Ukraine. That was a time when Ukraine quickly changed its attitude towards the Russian Federation. Although we must remember that in 2008, Romania hosted the NATO Summit and supported the Ukraine accession to NATO.

The year 2008 was very problematic. A new Russian gas supply contract for Ukrainian industrial consumers was signed. At the same time, Russian President Dmitry Medvedev warned that Ukraine joining NATO would violate the Friendship Treaty. During the NATO summit in Bucharest, the proposal of the NATO states, including Romania, to invite Ukraine and Georgia to receive Membership Action Plans was rejected. Russia's objections were crucial to block the decision and to influence some of the Allies who were worried about Russia's dissatisfaction.

The 2009 turning point when Russia stopped all gas deliveries to Ukraine had a major influence on Romanian perceptions towards Ukraine internal evolutions. Under Russian pressure, Ukraine signed a 10-year gas transit agreement under very favourable conditions for the Russian Federation<sup>15</sup>.

The year 2010 comes with significant changes in Ukraine. The Parliament ratified an

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<sup>11</sup> "Strategia Națională De Apărare a Țării Pentru Perioada 2015-2019," accessed July 6, 2019, [https://www.presidency.ro/files/userfiles/Strategia\\_Nationala\\_de\\_Aparare\\_a\\_Tarii\\_1.pdf](https://www.presidency.ro/files/userfiles/Strategia_Nationala_de_Aparare_a_Tarii_1.pdf), p.13.

<sup>12</sup> President of Romania, "Strategia națională de apărare a țării pentru perioada 2015-2019", June, 2015, <https://www.presidency.ro/files/userfiles/Strategia-Nationala-de-Aparare-a-Tarii.pdf>

<sup>13</sup> Arkady Moshes, "Ukraine Between a Multivector Foreign Policy and Euro-Atlantic Integration," Policy Memo PONARS, accessed July 6, 2019, <http://www.ponarseurasia.org/memo/ukraine-between-multivector-foreign-policy-and-euro-atlantic-integration-has-it-made-its-choice.>; Elena Gnedina (2015) 'Multi-Vector' Foreign Policies in Europe: Balancing, Bandwagoning or Bargaining?, *Europe-Asia Studies*, 67:7, 1007-1029, DOI: 10.1080/09668136.2015.1066313 ; L. Ferreira-Pereira, "Ukraine in the European Union's Partnership Policy: A Case of Institutionalized Ambiguity," *European Politics and Society* 16, no. 2 (2015)

<sup>14</sup> Ferreira-Pereira, "Ukraine in the European Union's Partnership Policy: A case of institutionalized ambiguity".

<sup>15</sup> Sijbren d. Jong, "The 2009 Russian-Ukrainian Gas Dispute Lessons for European Energy Crisis Management After Lisbon," *European Foreign Affairs Review*, 2010.

agreement to extend the lease to the Russian Federation for the Russian Black Sea Fleet, Sevastopol, in the Crimea Peninsula. "That is not a political linkage but a technical one. The rental payment will be adjusted by the size of the discount on gas" [Dmitry Medvedev] told journalists.<sup>16</sup> The 25 years prolongation was signed in exchange for cheaper gas imports. To further emphasise, the new strategic direction change, Parliament voted against a closer relationship with NATO. The agreement on the fleet, the gas transit deal and the vote in the Parliament have once again demonstrated the ambiguity of the Ukrainian security policy.

The second issue on the bilateral agenda emerging from the transition process is the observance and implementation of the European and international standards on fundamental rights of minorities.

The situation of the Romanian minority is a long-standing issue in bilateral relations<sup>17</sup>. Bucharest says Kyiv is underestimating the statistics because Ukraine is conducting a separate census for Romanians and Moldovans.

Romania's position is to extend the rights of protection to all those who consider themselves members of the Romanian ethnic minority.

Together the Romanians (151,000 people) and the "Moldovans" (258,600 people) would be the third ethnic group in Ukraine. The compact distribution of the Romanian ethnic group existed in the Chernivtsi region - 181,780 Romanians, and in the Transcarpathian region - 32,152. At the latest population census (2001) in the Odessa region, 724 people declared themselves Romanian, and Moldovans 123,751. Romanians still live in other regions: Kyrovograd, Mykolaiv, Kherson, Ananiev, Balta.

The Intergovernmental Co-operation Committee on National Minorities, set up under Article 13 of the Treaty of Good Relations and Cooperation between Romania and Ukraine, has met seven times but without noteworthy progress.

In December 2018, Romanian Secretary of State Dan Neulăescu stressed the responsibility of the Ukrainian authorities to implement recommendations contained in the Venice Commission's opinion on the Education Law of Ukraine. The Romanian side called for consistency in the work of the commission and the need to make recommendations on the commitment of each party to ensure the promotion and protection of the ethnic, cultural, educational, linguistic, religious and informational identity of the Romanian minority in Ukraine and the Ukrainian minority in Romania.

Recently, on April 25, 2019, the Secretary of State Dan Neulăescu had a round of consultations with the Deputy Foreign Minister of Ukraine, Vasyl Bodnar. The consultations provided the opportunity for an in-depth exchange of assessments on the state and perspectives of the bilateral political and sectoral dialogue<sup>18</sup>.

Regarding the situation of persons belonging to the Romanian minority in Ukraine, the

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<sup>16</sup> Interfax, "TOP STORY; Russia Agrees Revision Of Ukrainian Gas Deal In return for Extended Naval Lease.," *Russia & CIS Energy Daily*, April 22, 2010, accessed July 6, 2019, <https://search-proquest-com.ezproxy.members.marshallcenter.org/docview/443538214?accountid=31553>.

<sup>17</sup> BBC, "'Romania, Ukraine Suspend Cooperation on Ethnic Minorities.," *BBC Monitoring European*, August 26, 2010, accessed July 6, 2019, <https://search-proquest-com.ezproxy.members.marshallcenter.org/docview/747312469?accountid=31553>.

<sup>18</sup> "Consultările Bilaterale Ale Secretarului De Stat Dan Neulăescu Cu Adjunctul Ministrului Afacerilor Externe Al Ucrainei, Vasyl Bodnar," accessed July 6, 2019, <https://www.mae.ro/node/48841>.

Romanian State Secretary reiterated the official position of the Ministry of Foreign Affairs on the importance of applying in good faith the relevant norms and standards in the field of the protection of the rights of persons belonging to national minorities. He referred directly to the Verkhovna Rada voting on the use of the Ukrainian language as a state language, and strongly reiterated the need for the measures taken by the Ukrainian state to ensure respect for the rights of Romanians under the relevant international norms and standards.

This topic has blocked almost all the bilateral co-operation agenda. This concern, in particular, the work of the Romanian-Ukrainian Joint Presidential Commission and the dialogue on other working formats at the executive level.

Since 2017, President Klaus Iohannis avoided answering to the invitation to visit Ukraine until progress is made in securing the rights of the Romanian minority.

Election of the new president of Ukraine, Volodymyr Zelenskyy, was welcomed<sup>19</sup> with cold in Bucharest and with scepticism<sup>20</sup>. The new president is concerned about the problems of the Ukrainian majority, and in Romania, he is perceived as open to a dialogue with Russia. The Romanian commentators are prudent and do not expect new positive initiatives from Kyiv on the rights of the Romanian minority.

The decision to organise early elections and the high degree of political uncertainty and the lack of experience of the new Ukrainian president will significantly affect the bilateral dialogue on minorities. Moreover, in Romania, due to the presidential elections at the end of 2019 and the local and general elections in 2020, the relation with Ukraine is not a top priority. Under these conditions, it is difficult to say whether we will have significant steps in securing rights for the Romanians in Ukraine.

The strategic ambiguity of Ukraine and the lack of rights for the Romanian minority, especially those related to education, representation, and identity, but also the long line of frontier and economic problems, are causes that explain the poor cooperation in the field of security and defence.

The way Romania has agreed to cooperate with Ukraine in this area has evolved in several stages. The internal development process influences the bilateral agenda, especially political orientation, the internal political will for integration into the Euro-Atlantic structures and the internal reform and adaptation of Romania to the international security environment<sup>21</sup>. There are several stages of evolution:

- First, the stage of the first contacts and the establishment of good neighbourly relations, 1990-1997.
- The second stage 1997-2004, the development of a low level of cooperation in the field of defence and security as NATO PfP members.

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<sup>19</sup> Digi24, "Mesajul Transmis De Klaus Iohannis Preşedintelui Ales Al Ucrainei," accessed July 6, 2019, <https://www.digi24.ro/stiri/actualitate/politica/mesajul-transmis-de-klaus-iohannis-presedintelui-ales-al-ucrainei-1117649>.

<sup>20</sup> G4Media, "Provocările Pe Care Zelenski, Actorul De Comedie Devenit Preşedintele Ucrainei, Va Trebui Să Le Înfrunte," accessed July 6, 2019, <https://www.g4media.ro/france-presse-provocarile-pe-care-zelenski-actorul-de-comedie-devenit-presedintele-ucrainei-va-trebui-sa-le-infrunte.html>.

<sup>21</sup> Cioculescu, Serban, F., "România Şi Ucraina: Gestionarea Unei Relaţii Dificile," Contributors, accessed July 6, 2019, <http://www.contributors.ro/global-europa/romania-si-ucraina-gestionarea-unei-relatii-dificile/>.

- The third stage, 2005-2010, in which Romania, as a NATO member state, tried to intensify the bilateral cooperation and support Ukraine candidacy.
- The fourth stage, 2011-2014, a stage of stagnation of the bilateral agenda. The fifth stage, 2014-present, relations are declining amid domestic uncertainty in Ukraine and divergences on bilateral issues related to the rights of the Romanian minority.

We are currently facing a deficient level of bilateral relations even though Romania, as a NATO and EU member state and the EU, is contributing to assistance to Ukraine in various formats.

Romania is involved in two areas. First, NATO dialogue and cooperation with Ukraine. The objectives pursued by Romania are to support Ukraine's participation in NATO-led operations, to intensify military cooperation, to participate in the planning of civil emergency responses. The second one, Romania, supports NATO's initiative to provide Ukraine with assistance in increasing resistance and protecting against cyber threats (NATO Trust Fund).

#### **4. Romania and Ukraine's Frameworks of Cooperation in Security and Defence Sector**

In the last three years, despite the lack of high-level contacts and joint projects, we can say that Romania does not avoid cooperation in the security and defence sphere with Ukraine.

It is true that on a bilateral basis, the direct assistance projects managed by the International Development Cooperation Agency - RoAid are modest for Ukraine<sup>22</sup>. Most of them aimed to implement assistance programs in the Chernivtsi region, where most of the Romanian minority live. Also, on a bilateral level, there is modest Ukrainian participation in joint military exercises hosted by Romania. We also find a lack of joint military initiatives, even though the need for cooperation is recognised.

Within NATO, Romania is contributing effectively to assist in defence sector reform with other Allies within the NATO-Ukraine framework<sup>23</sup>.

In the EU sphere, Romania uses the Eastern Partnership financial instruments to carry out bilateral or trilateral (with Moldova) projects for cross-border cooperation, border security, security cooperation, police and civil emergency training, communication and infrastructure<sup>24</sup>.

However, Romania does not seem to be interested in stepping up bilateral NATO or EU cooperation beyond the current level until Ukraine will meet the requirements for respecting

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<sup>22</sup> In the last RoAID report from 2017, Romania spent 98.1 mil. RON in Republic of Moldova and 3.3 mil. RON in Ukraine. See p.6 in MAE, "Raportul Național Privind Asistența Oficială Pentru Dezvoltare Acordată De România În 2017," accessed July 6, 2019, <http://roaid.ro/wp-content/uploads/2019/02/Raport-National-AOD-2017.pdf>.

<sup>23</sup> For a good overview see "Comprehensive Assistance Package for Ukraine," accessed July 6, 2019, [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_2016\\_09/20160920\\_160920-compreh-ass-package-ukraine-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2016_09/20160920_160920-compreh-ass-package-ukraine-en.pdf).

<sup>24</sup> For a good overview of the status of situation and recommendations see the policy paper "A New Security Agenda for the Eastern Partnership: Assessing the Key Security Risks for the EU, Georgia, Republic of Moldova and Ukraine," accessed July 6, 2019, <http://eap-csf.eu/wp-content/uploads/Policy-Paper-A-new-security-agenda-for-the-Eastern-Partnership-Assessing-the-key-security-risks.pdf>.

the standards on minority rights.

In order to better understand the context of the bilateral relations between Romania and Ukraine, we summarised in Table 1, all the organisations and forms of cooperation in which the two countries interact.

In Table 1 are highlighted the Romanian non-governmental initiatives which, for many years, succeeded to involve a significant number of the Ukrainian NGOs, think tanks and associations. It is worth mentioning the Black Sea Trust of German Marshall Found extensive programme, ESGA programme for civil society, EFOR programmes and the Black Sea Foundation activities. During the last 20 years, Ukrainian experts and officials were involved continuously in bilateral and regional projects launched by the Romanian NGOs<sup>25</sup>.

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<sup>25</sup> A very good example is 2017 joint study “The Relations Between Ukraine and Romania: Old and New Perceptions. Cooperation Outlooks,” The Foreign Policy Council “Ukrainian Prism,” accessed July 6, 2019, [http://prismua.org/wp-content/uploads/2017/01/The\\_Relations\\_between\\_Ukraine\\_and\\_Romania\\_Old\\_and\\_New\\_Perceptions.\\_Cooperation\\_Outlooks.pdf](http://prismua.org/wp-content/uploads/2017/01/The_Relations_between_Ukraine_and_Romania_Old_and_New_Perceptions._Cooperation_Outlooks.pdf).

<b>Security &amp; Defence (S&amp;D) Sector</b>	<b>Bilateral Romania – Ukraine</b>	<b>Regional &amp; Europe</b>	<b>NATO</b>	<b>UE</b>
<b>S&amp;D cooperation</b> (permanent and ad-hoc interactions)	Pol-mil dialogue Military cooperation Military exercises Border security cooperation Border security training Police/ gendarmerie/security cooperation Civil emergencies cooperation Civil emergencies training	OSCE Council of Europe Romania- Ukraine - Rep. Moldova Trilateral Dialogue Romania - Poland - Ukraine Trilateral Dialogue	NATO- Ukraine Commission NATO-Ukraine Exercises NATO-Ukraine Civil Emergency Exercises	European Neighbourhood Policy- The Eastern Partnership EUROPOL Black Sea Synergy Frontex and Ukrainian border guard cooperation agreement
<b>S&amp;D coordination</b> (permanent mechanisms for joint activities)	Civ-Mil Air & Maritime Space Coordination Joint Romanian-Ukrainian Border Commission Joint Operational Programme Romania-Ukraine, through the European Neighbourhood Instrument (ENI).	OSCE Special Monitoring Mission to Ukraine UN Human Rights Monitoring Mission in Ukraine	NATO's Comprehensive Assistance Package for Ukraine. NATO Trust Fund Joint Working Group on Defence Reform (JWGDR), Joint Working Group on Defence Technical Cooperation (JWGDTTC), Joint Working Group on Scientific and Environmental Cooperation (JWGSEC) Joint Working Group on Civil Emergency Planning (JWGCEP). NATO Exercises in the Black Sea Area	EU-Ukraine Association Committee Support Package for Ukraine European Country Action Programme Neighbourhood Instrument-2014-2020 Black Sea Euroregion Frontex & Ukraine situational awareness, monitoring and risk analysis, training.
<b>S&amp;D integration</b> (permanent and interoperable structures and capabilities)	None	None	None	None
<b>Non-Governmental S&amp;D Sector Programs &amp; Projects</b>	Romania's International Development Cooperation Agency Romania- Ukraine Civil Society Forum	Black-Sea Forum Black Sea Trust of German Marshall Found	NATO Public Diplomacy Programme NATO Information and Documentation Centre in Ukraine (NIDC)	European Instrument for Democracy and Human Rights, Instrument contributing to Stability and Peace, Civil Society Organisations and Local Authorities, Human Development and Migration & Asylum.

**Table 1. Romania - Ukraine Frameworks for cooperation. Source: Author compilation.**

The need to improve the relationship between the two countries is not a new one. Debates in Romania have been influenced most often by external causes and not by an internal interest. During the NATO and the EU candidacy, Romania was strongly motivated to improve its relationship with Ukraine. In the field of security and defence, achieving NATO objectives implied that Romania should have an active presence in regional cooperative security mechanisms and manage bilateral relations in such a way as not to affect the entry into the Alliance. Normalising the bilateral relations with all neighbours was a prerequisite step.

With the admission into the Euro-Atlantic and European structures, the bilateral Ukrainian-Romanian agenda entered in decline, fuelled by the instability in Ukraine, the reorientation of Romania's interest towards the Black Sea region, and fulfilling the NATO's obligations and integration into the European economic space.

Other equally important factors are the lack of a Romanian economic strategy for the eastern area, the lack of political will to develop a foreign policy towards neighbours, the prioritisation of relations with the Republic of Moldova.

In the context of the war with the Russian Federation and increasing threats from the East, many voices in Romania asked for a policy review related to Ukraine. Romania tried to use the situation pragmatically, demanding NATO's adaptation to the new evolution. Bucharest's position was clear - NATO needs to increase its military presence across the eastern border and especially in the Black Sea. The desirable end state for Romania was to have a permanent US and NATO military presence including support activities (air, naval, land and logistics)<sup>26</sup>.

## **5. Solutions for Developing Bilateral Cooperation in the Security and Defence Sector. Romanian Experts Views**

In order to identify and evaluate possible solutions for this objective, we conducted an online interview survey involving 25 Romanian experts<sup>27</sup>. The qualitative research was anonymous and included experts from the governmental institutions, think-tanks, education, and non-profit sectors. We have found low interest in bilateral relations and evolutions in Ukraine. Instead, there is a great interest in the Black Sea region.

The state of bilateral relations was mainly assessed as unsatisfactory and to a lesser extent, satisfactory.

Regarding the security environment, the most important topic is the regional one, which is explained by the Russian military presence that is growing in the Crimean Peninsula. Respondents have said that the European security environment in which the bilateral relationship evolves is less favourable, and the trend remains global. The opinion

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<sup>26</sup> "Traian Basescu, La Finalul Summit-Ului NATO: Toate Obiectivele Au Fost Atinse. Romania Va Gazdui Un Comandament NATO, Centru De Antrenament Naval La Marea Neagra Si Va Fi Natiune-Cadru Pentru Siguranta Cibernetica a Ucrainei," Hotnews, accessed July 6, 2019, <https://www.hotnews.ro/stiri-esential-18042680-live-text-traian-basescu-face-declaratii-doua-summit-ului-nato.htm>.

<sup>27</sup> See the Survey Report at "Sondaj de opinie: AGENDA BILATERALĂ ROMÂNIA – UCRAINA. EVALUAREA DOMENIULUI DE SECURITATE ȘI APĂRARE", ESGA, Bucharest, July 2019, <http://www.esga.ro/sondaj-de-opinie-agenda-bilaterala-ro-ukr/>

is generalised about the unfavourable regional environment that explains scepticism related to the development of the relations between Romania and Ukraine.

Most of the experts confirmed that the issue of Ukraine should be an essential topic in the National Defence Strategy of Romania. This majority view is in direct contrast to the lack of provisions in the Romanian strategic documents on Ukraine. Romania's interest in other areas and the concern over the Russian Federation's activity in the Black Sea explains the unsatisfactory state of the bilateral agenda.

This disinterest towards Ukraine, coupled with the high interest in risks and threats from the Russian Federation, explains why Romanian experts believe the security situation of Romania is different than Ukraine. Another possible explanation is NATO's membership and the US military presence in Romania as a security guarantee.

The most critical finding in the interviews is a central role of the Russian Federation in the bilateral relations between Bucharest and Kyiv. The three leading causes (the Russian military presence in Crimea and the Black Sea, Russia's hybrid and information war and the existence of frozen conflicts) that influence bilateral relations are related to the actions of the Russian Federation. This finding should generate a rethink of Romanian foreign policy towards identifying solutions that provide a better framework for cooperation with neighbours regardless of Moscow's actions.

Concerning internal factors that may influence Romania's strategy towards Ukraine, the respondents highlighted populism, nationalism and the lack of an economic strategy for regional economic cooperation.

Experts believe that in the bilateral agenda, the field of security and defence is a secondary priority. The difference in the status of the two countries explains this perception.

The annual strategic diplomatic dialogue and the political-military strategic dialogue are two forms of cooperation suitable for the bilateral relationship. These formats of formal interaction could bring more benefits to the development of the bilateral agenda and eases a structured exchange of information on areas of common interest and provides a framework for interaction and feedback that enhances trust.

The most important forms of cooperation (strategic dialogue, joint training and information exchange) highlight the importance of strategic dialogue on security and defence issues. This framework can be a good start for harmonising perceptions of risks and threats at national and regional levels.

The advantage offered by this framework is that it involves a technical part, military expertise, besides the high-level political dialogue.

Regarding regional cooperation and NATO integration, the participants in the study considered it useful to have a trilateral dialogue Romania-Moldova-Ukraine in the sphere of security and defence<sup>28</sup>. Currently, the trilateral business forum Romania- Ukraine-Moldova is more active, but it does not respond to priorities in the field of regional security. The second priority is Romania's support for the process of Ukraine's integration into the EU and NATO.

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<sup>28</sup> There is no security and defence trilateral dialogue framework although the Romanian experts welcome the idea.

These latter two priorities have been considered so far at the official level, but the results are far from being satisfactory.

From a military point of view, cyber-security, maritime security and the dialogue of chiefs of staff are significant bilateral military priorities for the respondents.

Two themes are appreciated and known in Romania, the promotion of Euro-Atlantic values and reform of the security sector. They have been a constant priority over the period when Romania has applied for NATO membership. The same evaluation of both themes is for Ukraine.

Three-quarters of the respondents estimated that in the next ten years, bilateral relations would have a positive course, which is an indicator of the perceived degree of closeness between the two states.

Regarding the security domain, the overwhelming majority of those asked agreed that the non-governmental sector should play a more significant role in the development of bilateral relations. It is a suggestion that in recent years if there have been any efforts from the non-governmental sector, they have not been capitalised at the official government level as would have been desired.

Some conclusions about the research results summarised are worth mentioning.

There is a low interest and a small number of Romanian experts who are continually dealing with Romania-Ukraine bilateral relations apart from the Ministry of Foreign Affairs specialised department (in fact a small team of diplomats) on Eastern Europe. Except for the Foreign Ministry's and the National Defence Departments, the expertise on Ukrainian security space is deficient, with many loopholes and episodic implications.

Despite many similarities in the typology of risks and threats Romania and Ukraine are facing, we cannot speak of a common perspective on regional security. This gap explains the difference in the strategic culture (historically Ukraine was a Soviet republic integrated into the USSR while Romania had a particular position in the Warsaw Treaty Organization). Another cause is the difference in the international status (Romania is a member of NATO and the EU; Ukraine has an ambiguous status) and different national experiences in the reform of security and defence sectors.

Romanian experts are more interested in the security of the Black Sea region, Moldova and the situation of Romanian minorities. They pay more attention to the consolidation of NATO and US military presence in Romania than to the developments in Ukraine, except Crimea, as a Ukrainian occupied territory.

However, one can see an opening to develop new directions and priorities with Ukraine: high-level political dialogue, bilateral strategic dialogue and several forms of military cooperation. The sensitive point remains the status of the Romanian minority in Ukraine, a subject that once solved, could quickly boost the bilateral agenda.

Romania can use NATO's military presence within limited limits to develop a coordinated defence with Ukraine. Even if it is a breakthrough for the security of the Alliance, tailored forward presence in Romania and Bulgaria cannot be sufficient for credible deterrence against Russia, nor does it significantly improve the situation in Ukraine. In general, the Alliance's decisions to adapt to the Black Sea region are limited to Allied territory, and its strategy is separate from assistance measures offered to Ukraine.

The existence of the Allied comprehensive measures package for Ukraine<sup>29</sup> explains why Romania focuses primarily on the security of the Black Sea and its territory as a NATO's border area.

From a political point of view, the long history of border issues and the rights of the Romanian minority blocks the development of real cooperation with Ukraine in the field of security and defence.

Another cause is the level of defence cooperation promoted by Romania. There is no enhanced bilateral military and security cooperation agenda with none of the neighbours<sup>30</sup>. We do not have structured, and permanent forms of military cooperation at strategic and operational levels such as, for example, between France and Germany or the Netherlands and Germany's integrated capabilities. Romania's cooperation with its neighbours is limited to regular dialogue, small-scale joint exercises and small-scale educational programs. Apart from the NATO Commands headquarters in Romania, Turkey and Bulgaria, there are no permanent regional commands, no integrated operational planning structures and no joint capabilities, no defence industry cooperation and training programs.

These aspects represent limitations on the Romanian-Ukrainian bilateral relations. The presence of NATO forces and headquarters in Romania can only represent, to a certain extent, a framework for future enhanced cooperation but only after Ukraine's admission in the Alliance.

There are enough Allies, who are sceptical that a more substantial operational military connection between Ukraine and NATO could be beneficial to the Alliance. The idea of not provoking Russia and national interests' priorities are the main reason for prudence promoted by some of the NATO members.

The main question for Romania and Ukraine is whether this cooperation in the field of security and defence could be better than the current unsatisfactory level?

At both official and expert level, this chapter of cooperation is a priority, but solutions are not easy to identify in the context in which we should take into account the significant blockade represented by the fact that Romania is conditional on any progress in securing all rights for the Romanian minority in Ukraine.

The cross-border co-operation and demarcation issues could be subject to the decision of an international justice court if both parties want to clarify, such as the Bystroe channel issue.

Two strategies can be identified to unlock the existing situation, but we need to take into account the political context in the two countries. In Ukraine, the degree of instability is higher, and this explains Romania's prudent policy. Also, early scheduled elections<sup>31</sup> in Ukraine and the uncertain election results can generate new sources of blockade between the Presidency and the Council. Even it is difficult to estimate what will be the political

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<sup>29</sup> "Comprehensive Assistance Package for Ukraine". Op.cit.

<sup>30</sup> The enhanced defence bilateral agenda is focus more on security and defence integration frameworks: joint headquarters, joint operational tasks, missions and planning process, integrated capabilities, defence industry cooperation, joint programs, and projects.

<sup>31</sup> The study was written before the conclusion of early parliamentary elections in Ukraine.

configuration after the elections in Ukraine, the potential for blockage between the institutions will remain high, and this will also mean blockages in the minority rights reform.

Between 2019-2020 in Romania, there are presidential, local and general elections, which will lead to the postponement of several foreign policy decisions, including at the bilateral level. For example, the President of Romania has six months to develop the National Defence Strategy of the country, and only after that, the foreign policy strategy implementation follows. This schedule will apply to all Romanian-other nations Joint Committees.

It is fair to say that after 2020, it would be possible to have more favourable conditions that will generate a faster and constructive course with Ukraine. However, it does not mean that the 2019 -2020 period is a lost one. A series of joint steps can be done at a technical level, which may not involve major political decisions that we may call the preparation phase.

This short timeframe could be an opportunity to agree on those areas where progress can be made without influencing positions of the two countries in sensitive subjects.

After this preparation phase, an agreed decision is necessary. However, the big question is if bilateral talks could proceed with or without the condition of progress in minority rights field?

On this issue, Romanian decision-makers need to realise that there is a precedent of the Romanian minority in Serbia. Concerning Serbia, in 2011 Romania agreed that Serbia would receive the candidate status.

In 2011, Romania received assurances from Serbia that it will reform and implement the standards on granting rights for the minority. This commitment is far from being solved, with further problems for the Romanians in Serbia, both in the sphere of education, religious freedom and identity.

Romania's lack of strategy towards Serbia has led to the lack of a joint plan with commitments and clearly defined responsibilities and division of labour in order to have a successful Serbia's EU bid. A better strategic approach would have been to negotiate a bilateral roadmap with distinct stages and a precise timetable. Establishing a joint roadmap in the security and defence field would be a solution for the Romania and Ukraine agenda.

## **6. A Roadmap for Security and Defence Cooperation - A Romanian-Ukrainian Enhanced Framework for Cooperation**

The Serbian case in which Romania made significant concessions based on national interests and pressures from the EU countries can play a role of the precedent in the relationship with Ukraine. Romania has two approaches or solutions to advance its bilateral agenda with Ukraine.

**First, a comprehensive solution** agreed by both parties, including implementation of the Romanian minority rights in the Ukrainian legal framework as the primary mandatory step to improve relations with Kyiv.

**The second solution, a selective solution** in which Ukraine, like Serbia, will offer assurances. A particular bilateral agreement to improve in a jointly agreed timeframe the

situation of the Romanian minority under European standards would be an important starting step. The end state should be achieved before Ukraine will receive a status of the EU candidate.

An essential condition is related to the relationship with the Republic of Moldova. The degree of cooperation between Ukraine and the Republic of Moldova is also essential for Romania's cooperative attitude towards Ukraine. In other words, the Republic of Moldova should be a part of the roadmap, and there is a Ukrainian interest to support this trilateral approach.

If we consider the precedent of Romania's relations with Serbia, then we should bear in mind that Romania, under certain conditions, may accept a medium-term plan. With this scenario, Ukraine, in coordination with Romania, can implement necessary steps concerning Romanian minority and unblock other areas, such as an enhanced security and defence cooperation programme, and support for the NATO and the EU candidacy, in which both sides are interested.

In conclusion, there is a need for a strategy, comprising three steps (a preparatory phase, a non-structured phase and a structured phase) that would lead to a roadmap of the bilateral agenda.

We synthesised in Table 2 the several dimensions in order to build a roadmap in the security and defence sector.

	<b>Selective approach</b>	<b>Comprehensive approach</b>
<b>Preparatory actions 2019-2020</b>	Unilateral technical and legal steps. Non-governmental projects	Coordinated technical and legal steps. Non-governmental national programs
<b>Non-structured initiatives</b>	Unilateral sectoral technical initiatives to improve bilateral agenda.  Governmental and non-governmental projects in the security and defence sector.  RO-UKR Civic Initiatives for Security and Defence reform.  RO-UKR-MD projects for security and defence sector.	Bilateral sectoral technical and legal initiatives to improve bilateral agenda.  Governmental bilateral framework for permanent security and defence dialogue.  RO-UKR Civic Forum for Security and Defence Projects  RO-UKR-MD Security Dialogue Initiative
<b>Structured initiatives</b>	Official unilateral engagements on specific security and defence cooperation issues (e.g. minority issues, the Black Sea, NATO & the EU)	Common Declaration on Strategic Partnership  Romania- Ukraine White Book on Black Sea Security.

**Table 2. Strategic Options for a Joint Roadmap. Enhanced Romanian-Ukrainian Cooperation Framework. Source: Author compilation.**

It is necessary to clarify the issue of the strategic partnership between the two countries. First of all, both countries have strategic partnerships, and the first observation is that the results are quite modest<sup>32</sup>. Except for the Strategic Partnership between Romania and the US, which is efficient and has strategic importance and achieved results, the other strategic partnerships, developed by both parties, have a symbolic political dimension, but there is no real progress in the security and defence areas.

It is therefore preferable that a possible strategic partnership should be the final stage of intensive cooperation. Instead of signing a strategic partnership statement and having modest progress or no substance, it would be preferable to develop a solid foundation and then formalise the partnership.

The purpose of the Roadmap is to develop a joint plan, in which Romania and Ukraine agree that common divergences and interests could be resolved faster and better together.

The Roadmap elements suggested in Table 2 are based on the analysis of the answers in our research and are just a starting point that takes into account that both countries need a minimal joint to-do list, regardless of whether it is a comprehensive or selective approach.

### **Preparatory Phase**

It should consider actions and initiatives that do not require a sudden change or will not influence the current national positions. Instead, the aim is to achieve at the technical level, mutually agreed steps. Some examples: legislative initiatives on cross-border cooperation, institutional development at the national level, or preparation of the human resource for familiarisation with the field of cooperation between countries. Necessary to mention is that some of these preliminary activities must involve the non-governmental sector.

- 1. Ukraine - Romania Non-governmental Forum for Security and Defence Sector Reform**
- 2. Relaunch of the Romanian-Ukrainian Presidential Mixed Commission**
- 3. Independent Progress' Assessment Study on existing Inter-governmental Commissions**
  - a. The Romanian-Ukrainian Joint Intergovernmental Commission on the Protection of Persons belonging to National Minorities.**
  - b. The Ukrainian-Romanian Joint Commission on Economic, Industrial, Scientific and Technical Cooperation**
  - c. The Romanian-Ukrainian Joint Commission responsible for checking the border route and drawing up new border documentation,**

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<sup>32</sup> Ieva Gajauskaitė, "Strategic Partnerships in Foreign Policy: Comparative Analysis of Polish - Ukrainian and Lithuanian - Ukrainian Strategic Partnerships," *Lithuanian Annual Strategic Review* 11, no. 1 (2013), accessed July 6, 2019, <https://doi.org/10.2478/v10243-012-0028-x>, <https://content.sciendo.com/view/journals/lasr/11/1/article-p189.xml>.

- d. The Tripartite Joint Commission on Cooperation in the Area of the Protected Areas of the Danube Delta and the Lower Prut River and others.

### **Unstructured Phase**

At this stage, there is a need for consolidated projects and initiatives in the field of security and defence. Regardless of whether they have comprehensive or selective objectives, initiatives should address several priority areas: common security assessments including regional assessments, exchange of information on actions and measures taken at the national level, and the establishment of a bilateral program dedicated to security and defence. For this phase, non-governmental initiatives will play an essential role in promoting cooperative activities.

For example, veterans and reserve associations could launch a Romanian-Ukrainian debate on the lessons learned on army professionalisation and human resources reform. Below are listed several projects with a specific positive impact on the bilateral agenda.

1. A bilateral forum to support Ukraine's candidacy to NATO and EU admission.
2. Romanian assistance in the rule of law, justice reform, combating corruption areas.
3. Bilateral initiative (Romania - Ukraine) of the Black Sea White Book of Regional Security – periodic report assessment (every 2-4 years) written by think tanks around the Black Sea Area.
4. Promotion of the Euro-Atlantic values.
5. Support in the Security & Defence Sector Reform and Democratic Control over the armed forces.
6. Cyber Security Cooperation.
7. Bilateral Military Exercises.

### **Structured Phase**

This phase is the official stage involving Presidency, Parliament and Executive powers, agencies or ministries that should generate a joint strategic basis. These may take a form of the joint cooperative plan including for operational activities, development of niche capabilities, an integrated training program, and a provision of relevant critical services, including regional security. For example, a Joint Operational Center for Transport Security on the lower Danube and the Black Sea, joint missions in the sphere of maritime security or cybersecurity. Several examples of structured cooperation are worth wiling.

1. High-level Dialogue (heads of state).
2. Diplomatic, strategic dialogue.
3. Security & defence dialogue.
4. Security & defence dialogue (Romania - Ukraine - Moldova; Romania - Ukraine - Poland).

5. Romania - Ukraine Chiefs of Staff Dialogue.
6. A Black Sea White Book of Regional Security (a joint assessment on regional security).
7. Air & Maritime Military Bilateral Permanent Cooperation.
8. Intelligence cooperation.
9. Joint military training and student exchanges.

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## **CHAPTER 2.**

### **The Romania and Ukraine Bilateral Agenda. Perspectives for a Roadmap on Economic Cooperation**

**Leonela Leca**

#### **Executive Summary**

The present paper aims to analyse the existing framework for the economic cooperation between Romania and Ukraine and to elaborate a roadmap for enhancing future economic interaction. While it acknowledges the factors that are influencing the present state of economic dialogue between the countries, the study highlights the importance of infrastructure in the development of economic ties with the country Romania has the longest border with – Ukraine. Despite the different positions generated by the bilateral disputes, the paper focuses on the trade specifics during Romania's process of transformation to a democratic society and market economy and the potential of bilateral cooperation.

**Keywords:** Romania, Ukraine, economic cooperation, energy, projects, trade, diplomacy

## Introduction

The economic cooperation between Romania and the neighbouring country it has the longest border with – Ukraine – was repeatedly discussed in the last decade by the expert and the business community. Although the need for improvement was repeatedly stressed, despite its promising perspectives, the cooperation remains rather modest. In order to correctly assess the elements of the public policies that need to be adjusted or/and changed, a set of prerequisites that are shaping the current economic relations between the two countries must be acknowledged.

Both countries' markets have undergone major structural and institutional changes since 1990. Although different by many criteria, Ukraine and Romania's markets inherited the remains of the communist institutional deformations. Some qualitative distortions of institutional forms of economic system such as corruption, shadow economy, growing imbalance in the socio-economic development of the regions along with low level of innovation and foreign economy are persisting.<sup>33</sup>

Along with political instability which has prevented the two sides from boosting bilateral relations, the economic bilateral agenda was also influenced by several disputes inherited from the past. These are the delineation of the continental shelf and Romania's and Ukraine's economic zones in the Black Sea, the Krivoy Rog steel plant, the Serpent Island as well as the more recent projects such as the Bastroe navigable canal in the Danube Delta.

The turning point for both countries markets interaction represented the full or partial/selected integration in the EU's market. Romania's accession in the European Union offered supplementary tools to enhance trade and economic cooperation not only with EU countries but also ensured competitive advantages in trade with extra-EU countries. In case of Ukraine, the reform process started with the signing of the Association Agreement in 2014 and the Deep Comprehensive Free Trade Agreement in 2016<sup>34</sup> with the European Union and offered Ukraine the access to the European Single Market in selected sectors and access for the EU investors in the same regulatory environment in the associated country as in the EU.<sup>35</sup>

Despite this improved common ground for reconsidering economic cooperation between Romania and Ukraine, and the repeated official statements that apart from the problems inherited from the past the two states have a common future to build, substantial results are still being awaited.

While the present study aims to focus on elaborating a set of recommendations from Romanian point of view, it is important to insert the economic cooperation between Romania and Ukraine in the regional security environment. The problem of ensuring

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<sup>33</sup> "The level of economic security of the EU and Ukraine: Comparative Characteristic", Ganna Kharlamova, "Emerging Importance of Wider Black Sea Area Security", Lucian Blaga University of Sibiu, Global Studies Center

<sup>34</sup> European Commission, Ukraine <http://ec.europa.eu/trade/policy/countries-and-regions/countries/ukraine/>

<sup>35</sup> Partial reform process started in 2008 after Ukraine entered the World Trade Organization when the negotiations for signing the Association Agreement commenced.

economic security, directly linked with the security environment, is an indispensable condition for sustainable development of the state, guaranteeing the independence of the national economy, stability and efficiency of society's life. Therefore, ensuring economic security is among the most important national priorities.<sup>36</sup>

For Ukraine, promotion of its economic interest and interaction with any countries of EU, is currently facing many provocations and vulnerabilities due to the Russian aggression in Eastern Ukraine as well as the illegal annexation of Crimea and the extended military influence and control over the transportation (including commercial) routes through the Black Sea. Maintenance of the informational warfare and disinformation by projecting Kremlin's narrative to the regional audience impacts also the economic dimension of Ukraine's development and cooperation with the EU.

A special chapter in Ukraine's cooperation with the EU is represented by the Nord Stream 2 project, a project with economic and political implications. It is perhaps the most controversial existent gas infrastructure project, that not only has divided the European Union in supporters and opponents of the project but is also shaping the transatlantic relation while directly impacting the Eastern Neighbourhood of the EU and most of all, Ukraine.<sup>37</sup> Supported by a Germany that insists on the economic viability and capacity to improve EU's energy security the project is maybe the most politicized project. Ukraine, along with Central and Eastern Europe led by Poland and the Baltic States have a limited timeframe until the project's construction is finished to negotiate their strategic interests and, together with the rest of the European opponents of Nord Stream 2, to consolidate the EU's energy priorities.<sup>38</sup>

The Roadmap elaborated by this study is based on the analysis of the factors that are influencing the present state of economic cooperation between the two countries and the sectors of the economy with the highest potential for cooperation. The theoretical basis of this study is presented by the fundamental principles of regionalism and institutionalism.

In order to understand Romania's profile in conducting its economic interaction with Ukraine three dimensions are analysed: the historical one, the institutional one and the geographical one.

## **1. Romania's economic relations with neighbours – between the past and the future.**

It is important to underline that the reduced level of foreign economic cooperation of Romania is not only in the case of interaction with Ukraine. Reduced economic cooperation is also registered with other non-EU members that are bordering Romania. The causes of this limited foreign economic activity are rather internal and are only to a small

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<sup>36</sup> European Commission, Ukraine <http://ec.europa.eu/trade/policy/countries-and-regions/countries/ukraine/>

<sup>37</sup> "The Impact of Russia's Strategic Interest in the Black Sea Region on Imbalancing the Russian Economy", Leonela Leca, ESGA, 2019, <http://www.themarketforideas.com/leonela-leca-j165/>

<sup>38</sup> "Nord Stream 2. Implications for Eastern Neighbourhood", Leonela Leca, 2019, <http://www.esga.ro/nord-stream-2-implications-for-the-eastern-neighborhood/>

degree impacted by the bilateral disputes.

The patterns of Romania's economic relations with its neighbours are deriving from Romania's process of transformation to a democratic society and market economy. Not only the structure of the internal market was shaped by the radical changes since the 1990's but also Romania's cooperation with its external regional and international partners is a result of these changes.

The pace of economic reform since the fall of communism, including privatization of industry, the return of collectivized farmland to its original owners, and the removal of government subsidies for consumer goods, has been slower than in many other formerly Communist countries of Central and Eastern Europe. Still, Romanian market has been considered an intermediate reformer, „situated below the leaders of transition (Hungary, Poland, Slovenia, the Czech Republic and the Baltics) but above the laggards of the Former Soviet Union”.<sup>39</sup>

The political changes in the past three decades have influenced, in an irreversible manner, the Romanian external trade. The export potential was reduced and preserving former external markets became more and more difficult with no more regional market orientation. Moreover, the commerce routes were changed, moving from traditional trade partners to the European Union.

Even after 2007 when Romania entered the EU and the economic growth followed a constant, up-growing trend, the institutional, structural and social factors are still influencing the countries' capability to create a sustainable environment for accessing foreign markets. The process of liberalization, macroeconomic stabilization and related tight budget discipline, restructuring and privatization, legal and institutional reforms are influenced by the “shadows of the past” and not synchronized with the development of the institutions necessary to support a well-functioning market economy.<sup>40</sup>

Economic growth is positively correlated with the sophistication and the quality of the export structure at the country level. Given the positive link between export quality and economic prosperity, it is not surprising that upgrading the export structure, is a major objective of industrial policies in countries around the world<sup>41</sup>.

Since 1989 Romania registered a negative balance of external trade. For the first years of transition, this fact was explicable by the need of modern technology in almost all economic sectors and by the demand for final goods from the population. For the next few years the external trade deficit was only a reflection of the inability to expand and conquer external markets based on national products by Romanian capital and the continuous

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<sup>39</sup> “Post-Socialist Transition: A Comparison Between Romania and Poland”, Rosu, I. 2002 <http://faculty.chicagobooth.edu/ioanid.rosu/research/notes/kornai.pdf>

<sup>40</sup> “The Romanian Economy from Transition to Crisis. Retrospects and Prospects” Daniela Luminita Constantin, Zizi Goschin, Aniela Raluca Danciu, <https://pdfs.semanticscholar.org/2a04/d22b8e793c584ca86bd03157b6cf4218e519.pdf>

<sup>41</sup> “Climbing the Rungs of the Quality Ladder: FDI and Domestic Exporters in Romania”, Matej Bajgar, Beata Javorcik, May 25, 2019 <http://users.ox.ac.uk/~econ0247/Romania.pdf>

increase of consumption of imported goods on national level.<sup>42</sup> While some former communist states registered positive trade balances in the last decade in intra-EU trade (Czech Republic, Hungary, Poland, Slovenia, Slovakia), Romania recorded the greatest deficit from the European states former Comecon<sup>43</sup> members.

External trade relations were redefined, but the new markets for export that were opened are merely from the European Union. Simultaneously with the development of economic relations with the EU28, trade with states from extra-EU territory has experienced a drastic reduction. The volume of trade with EU Member States become dominant outweighing the relations with former traditional partners (China, MENA<sup>44</sup>, Soviet countries). If in 1989 only 45.2% of Romania's exports were oriented to European countries; in 2018, the export with EU member states reached over 76% of the total national export<sup>45</sup>. In the case of imports, the dependency of the EU region is even more pronounced, increasing by 75% in 2018 compared to 30% as it was in 1989.

Despite an enhanced trade with the EU, the Romanian economy did not compete effectively on the European market and intra-EU trade contributed to the deepening of total trade deficit. In addition, a qualitative change in Romanian export was registered, from average to lower added value on export (from export of iron, steel, fertilizers and railway locomotives) to raw materials and semi-finished products with low added value. This change led to a reduction of Romania's competitiveness towards external partners and to the mitigation of the image created by 1989, of an economy in full swing and development on industrial bases. The decrease of competitiveness impacted Romanian capability to be present in the regional markets.

The global economy is disrupted by the modern innovative technologies. The global majors in the energy sector were overrun by the big tech companies. From the technological perspective, Romanian labor force is quite a competitive one. But the share of Romanian owned companies in Romania is a small one. The share of Romanian owned companies in export is another factor that plays a role in cooperation with its neighbors. Foreign trade in Romania is mainly performed by foreign-owned firms. During last years, the export dynamic shows that except food industry, with an increased share of domestic owned companies' exports from 39% in 2015 to 45% in 2016 in total industry and manufacture of wood and furniture products from 64% to 66%, in all other domains Romanian companies lost their position on export markets (as average, on total manufacturing, from 22% to 18%).<sup>46</sup> This tendency can lead in time to the fragility of the export activity.

All these specific characteristics of the Romanian trade evolution and patterns in

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<sup>42</sup> Romanian Statistical Review nr. 3 / 2018, <http://statistici.insse.ro/shop/0,05,010,015,020,025,030,035,040,045,0199019911992199319941995199619971998199920002001200220032004200520062007200820092010201120122013201420152016>

<sup>43</sup> The Council for Mutual Economic Assistance, an economic organization from 1949 to 1991 under the leadership of the Soviet Union that comprised the countries of the Eastern Block along with a number of communist block elsewhere in the world.

<sup>44</sup> Middle East and North Africa region.

<sup>45</sup> "INS: Deficitul balantei comerciale a Romaniei s-a majorat cu aproape o jumatate de miliard de euro in primul trimestru", <https://www.agerpres.ro/economic-intern/2018/08/09/ins-deficitul-balantei-comerciale-a-romaniei-s-a-majorat-cu-aproape-o-jumatate-de-miliard-de-euro-in-primul-semestru--158087>

<sup>46</sup> ZF&PIAROM, 2018

selecting external partners are part of the Romanian economy system behavior and are important in addressing the future of economic cooperation potential between Romania and Ukraine.

## **2. Romanian Economic Diplomacy. A need for renewing tools and mechanisms in order to enhance cooperation.**

As mentioned above, Romania inherited patterns of economic interaction with its neighbours due to multiple historical and conjunctural factors. In approaching all international markets, but especially the Eastern neighbourhood the traditional but already obsolete way of conducting business is still in place. Subventions for export and participation at fairs and exhibitions is still seen by the Romanian government as a model for externalization and international economic cooperation. In the recent years, the acute need for modernizing the tools that are promoting economic cooperation is observed. One of the mechanisms that is efficiently used by West European Countries in promoting international economic cooperation is the economic diplomacy.

The term of economic diplomacy is constant in the official statements and debates in Romania in the last years. Nevertheless, the real understanding and proper use of the concept is missing. If the US is relying on a sophisticated framework in the field of economic diplomacy and uses special mechanisms and programs for different regions, the West European countries also adapted their institutional and public policy framework and are promoting their foreign economic interests successfully. At the EU's level both European Parliament and the European Commission stressed the importance of need of an Economic Diplomacy Strategy. Nevertheless, the implementation of the economic diplomacy is taking place at the national level. Still there are some Central and East European countries that registered positive evolutions in modernizing their institutional framework. A good example in this respect is the case of Slovenia. In 2014, immediately after the EU imposed sanctions against Russian Federation, the Ministry of Foreign Affairs of Slovenia developed a set of recommendations and alternative solutions and markets for the Slovenian companies.

In the Romanian acceptance, the official sources state that: economic diplomacy provides the necessary connection between diplomatic demarches and the goal of ensuring the economic welfare of the country's citizens. Its objective is to put all foreign policy instruments to good use to further advance the economic interests of Romania and Romanian entrepreneurs. Economic diplomacy ensures an efficient framework for institutional cooperation that supports the concerted efforts aimed at promoting national economic interests abroad, while attracting Foreign Direct Investments (FDI) to Romania. Economic diplomacy's main components are aimed at: furthering Romanian economic interests abroad; supporting and promoting energy security objectives; cooperation with international financial institutions; inter-institutional cooperation on economic issues; and

providing economic expertise.<sup>47</sup> In theory, it is rather difficult to understand what is the “efficient framework for institutional cooperation that supports the concerted efforts aimed at promoting national economic interests abroad, while attracting FDI to Romania”, what are the responsible institutions that must cooperate and what are the examples of the concerted efforts”. In practice, things are even more complicated. It is almost impossible to understand what is the toolbox and mechanisms that the economic diplomacy is using and how are they responding to the modern market model. The institutions that were promoting Romanian companies abroad disappeared in 1989 and Romania became a receiver, not a sender of the economic component of the foreign policy. The existing mechanisms used by the Department of Foreign Trade or Eximbank, are also functioning according to the old paradigm and do not respond to the needs of the business community. Under these circumstances, the gap between the economic actors and the institutional ones is being amplified.

There is a need for a coherent vision and an action plan that is adapted to the modern market needs. Defining responsible institutions, the framework of cooperation, promoting public-private partnerships and creating programs using modern tools along with increasing efficiency in using European mechanisms must become a priority.

### **3. Romania – Ukraine. Advantages of regional economic cooperation**

There are three major poles of development in the World: the US, Japan and the largest market in the World - the EU<sup>48</sup>. In case of Romania, the EU membership offers many benefits for Romanian market. Although the market system and the public institutions in Romania are not perfect, an investor’s interests have a high likelihood of being guarded, given that Romania is a member of the EU.

For Ukraine as a country that deepened its cooperation with the EU, cooperation with the EU countries offers also many opportunities for development. Beside the spill-over of good institutions, nurturing of stability and lower incidence of slippages of democracy, membership or proximity to good neighbours and deepening relations with them by access to such rich markets is important in order to achieve high rates of competitiveness. Kiev should take full advantage of the rich markets close to them. While there is some distance away from Western Europe, Ukraine shares a border with four EU countries (Poland, Slovakia, Hungary and Romania). Of these, three have become developed economies, and one is on the way to achieving the same. This basically means that Ukraine will soon border countries with relatively large and growing markets and would be able to trade closer to home. More regional trade means higher growth, which in turn will spur even more trade. For leaders of developing countries access to developed regional markets is the key message.<sup>49</sup>

The economic theories as well as the global realities show that the biggest volumes

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<sup>47</sup> Economic Diplomacy, Romanian Ministry of Foreign Affairs, <https://www.mae.ro/en/node/2069>

<sup>48</sup> Poles of development and technological advancement. “Das Book. On Growth and Development”, Dan Silva, Club Romania

<sup>49</sup> Idem.

of trade are the intra-regional ones not the inter-regional ones. It is important for Romania to understand this structural changes at the global level and to take advantage of the existing and future commercial corridors.<sup>50</sup> At the level of strategy, the Romanian Department for Foreign Trade is stressing out the structural changes and the growing non-EU markets that need to be addressed. Externalization to a new market, within a country's neighbourhood - "near-shoring" is the new business model. Delocalization or externalization near-shoring will represent, according to the Strategy of the Romanian Department of Foreign Trade a big opportunity for the Romanian trade. For example, the big European companies are controlling major international chains located in Romania and in the attempt to penetrate neighbouring countries have already the benefits related to logistics, culture, qualified labour, etc.

Enhancing trade with Ukraine will mean diversification of markets, one of the priorities of the economic agenda in the last years. Romanian products made in EU can access a big market via short transportation routes. Of course, there are challenges related to the ongoing transformation process in Ukraine. Issues such as high level of corruption, the shadow economy, unpredictable fiscality and slow progress in the reform process are leading to a certain degree of risk and unpredictability. At the same time, since the signing of the Association Agreement, many opportunities of cooperation with Ukraine appeared. Ukraine's examples of cooperation of with Italy, Germany, Poland and Lithuania can serve as a basis for Romanian business community in order to better understand the opportunities offered by accessing this market.

#### **4. Perspectives of economic cooperation with Ukraine**

There are two components of the economic cooperation potential between Romania and Ukraine that can boost interaction. The first one derives from Romania's membership in the EU and its capability to contribute to the regional economic projects by accessing EU funds. Unfortunately, these resources are not accessed at their full potential. Many financial instruments are only partly used because the decreased capacity to absorb EU funds. The second component relates to the trade potential between countries. But the later one depends on a large extend to the first one. Operationalizing regional projects aiming to develop the cross-border interconnectivity, transport, energy, communications, health and environment would create proper opportunities for increasing economic relations and trade flows.

The Romanian Department of Foreign Trade created a renewed version of the "Business guideline for Ukraine. 2018". In describing the process of cooperation with Ukraine it starts with "Ukraine is not an easily accessible market".<sup>51</sup> This statement, although not completely false, derives also from the lack of infrastructure and Romanian companies' inability to access new markets. Poland, Italy, Germany, Netherlands, Spain

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<sup>50</sup> "Romanian National Export Strategy 2014-2020", Romanian Ministry of Economy, Foreign Trade Department. [http://www.dce.gov.ro/SNE\\_2014\\_2020.pdf](http://www.dce.gov.ro/SNE_2014_2020.pdf)

<sup>51</sup> Indrumar de afaceri. Ucraina, [http://www.imm.gov.ro/adaugare\\_fisiere\\_imm/2018/11/UCRAINA\\_Indrumar-de-afaceri-sept.2018-1.pdf](http://www.imm.gov.ro/adaugare_fisiere_imm/2018/11/UCRAINA_Indrumar-de-afaceri-sept.2018-1.pdf)

are a few of the EU members that register important volumes of trade (both imports and exports) with Ukraine. For these countries Ukraine is a quite accessible market. Another important example is Lithuania. Although not having direct borders with Ukraine, Lithuanian economic cooperation with Ukraine is notorious and registered many positive results.<sup>52</sup>

At the governmental level, a very modest work was done. The Ukrainian-Romanian Joint Commission on Economic, Industrial, Scientific and Technical Cooperation was established. Unfortunately, the works of the commission merely exists (after being stopped for 5 years were relaunched in 2018). The most recent evolutions include the visit of the Deputy Minister of Ministry of Economy and Trade of Ukraine who attended in June 2019 the Business Forum of the Eastern Partnership held in Romania. Bilateral meetings took place and a Memorandum of Understanding concerning tourism was signed. Also, the parties agreed to organize the next meeting of the Joint Commission on Economic, Industrial, Scientific and Technical Cooperation in October - November 2019.<sup>53</sup>

At the present moment there are several infrastructure projects that are being developed with EU's financial instruments. One of the EU's European Neighbourhood and Partnership Instruments is the Romania - Ukraine Joint Operational Programme 2014 - 2020. In the framework of this Programme at the end of June 2019, the Romanian and Ukrainian authorities finalized the signing of the financing contracts for the four large infrastructure projects included in Romania-Ukraine Joint Operational Programme 2014 - 2020, totalizing 21.1 million Euro, out of which 17.3 million Euro being European funds (which represents 30% of the programme budget). The four large infrastructure projects which receive financing under Romania - Ukraine Joint Operational Programme are Clean River; Regional Cooperation for Prevention and Fighting of Cross-Border Crime between Romania - Ukraine (SAGA); Improvement of the population safety and security level in the cross-border area by enhancing the joint training and cooperation actions in emergency management (BRIDGE) and Cross-Border Health Infrastructure.<sup>54</sup>

Nevertheless, the structural funds accessible for such projects are not capitalized at their maximum potential and Romania could have registered better results in this sense. Another instrument is the EU strategy for the Danube Region (EUSDR). Officially

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<sup>52</sup> Compared to the size of its internal market (although in absolute figures Romanian trade with Ukraine exceeds in trade), Lithuania occupies a special place in Ukraine's top trading partners. The country's systemic approach towards Ukraine is not only limited to the EU's mechanisms within the Development cooperation policy agenda. Besides assistance in implementation of the EU-Ukraine Association Agreement (AA / DCFTA), there is Lithuanian political engagement in supporting Ukraine. The country initiated in 2017 a Marshall Plan for Ukraine called "Ukraine2027". The initiative provides assistance in Western and domestic investment support for Ukraine's economy. Together with Poland, Lithuania is preparing for its second Presidency in 2017 which will be preceded by the Polish Presidency.

<sup>53</sup> Ministrul adjunct al Ministerului Dezvoltării Economice și Comerțului al Ucrainei a participat la Forumul de Afaceri al Parteneriatul Estic în România, <https://romania.mfa.gov.ua/ro/press-center/news/73453-zastupnik-ministra-jekonomichnogo-rozvitku-i-torgivli-ukrajini-vzyav-uchasty-u-biznes-forumi-skhidnogo-partnerstva-v-rumuniji>

<sup>54</sup> "17.3 million Euro financing for large infrastructure projects contracted under Romania-Ukraine Programme", <http://ro-ua.net/en/communication-en/news/978-17-3-million-euro-financing-for-large-infrastructure-projects-contracted-under-romania-ukraine-programme.html>

launched in 2011, it is one of the four macro-strategies existing at the level of the European Union, being co-initiated by Romania and Austria and representing a mechanism for the cooperation of the Danube basin countries for the economic, social and territorial development of the macro- the Danube region. Within this instrument, also, about only 40% of the available funds were used by Romania in promoting common projects. The report “The Evaluation of the effectiveness, communication and stakeholder involvement of the EUSDR” launched on June 17<sup>th</sup>, 2019, states that there have been some achievements of the EUSDR at strategic level, but the overall impact of the strategy is not very high. In general, internal actors largely agree that the momentum of EUSDR has decreased and many of the actions foreseen in the Action Plan cannot be achieved.<sup>55</sup>

The Three Seas Initiative (TSI). This political and economic platform, at Presidential level was launched in 2015. The Initiative includes the 12 EU Member States located between the Adriatic, the Baltic and the Black Seas: Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. At the Bucharest Summit held in 2018 a list of 27 multilateral and 21 bilateral and national projects were presented. Unfortunately, because of the lack of coordination between the Ministry of Foreign Affairs and the Ministry of Economic Development and Trade, despite Romania's invitation, Ukraine's representative did not attend the business forum on the sidelines of the Three Seas Initiative summit in Bucharest.

The projects should become a proof of the prevalence of the economic dimension of cooperation within the Initiative and bring concrete results. From the multilateral project's list a few initiatives are important for Ukraine. In the energy field, the BRUA and Eastring are important for the future energy transport infrastructure development in the region. A project with a Ukraine's participation is the “Diversification of gas supply sources and integration of gas infrastructure in the Three Seas Region with the implementation of the Baltic Pipe project and cross-border interconnections Republic of Poland-Slovak Republic and Republic of Poland-Ukraine”. In the digital chapter, “Transportation stock exchange in the 3SI region”, “Digital platform monitoring hydrographic bases in the 3SI region”, “U-space, low altitude space as a new field of economy. Central European Drone Demonstrator (CEDD)” are important for Ukraine. In the transport field Ukraine (as a surrounding region) is participating in projects such as “Via Carpatia” and “Viking Train”.<sup>56</sup> Although the TSI has not realized any grand projects yet, some new capital instruments as The Three Seas Initiative Investment Fund were recently established. Stakeholders of the projects, including Romania and Ukraine have serious potential for cooperation.

In their economic interaction, both Romania and Ukraine can play a strategic role in accessing new markets. Ukraine is laying at the intersection of transport routes toward markets from Europe, Russian Federation and Asia. The country has many natural

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<sup>55</sup> The Evaluation of the effectiveness, communication and stakeholder involvement of the EUSDR, [https://www.danube-region.eu/images/EUSDR\\_OperationalEvaluation\\_FinalReport\\_20190617.pdf](https://www.danube-region.eu/images/EUSDR_OperationalEvaluation_FinalReport_20190617.pdf)

<sup>56</sup> The Three Seas Initiative. Priority Interconnection Projects”. 3SI Summit, Bucharest. <http://three-seas.eu/wp-content/uploads/2018/09/LIST-OF-PRIORITY-INTERCONNECTION-PROJECTS-2018.pdf>

resources, highly qualified labour force at reduces costs. Romania can become a gate to Europe for the Ukrainian exports. In order to create the basis for a consistent and extensive economic cooperation and considering both countries' market structure Romania and Ukraine must ensure their cooperation in the field of infrastructure. As a part of public capital, especially transport infrastructure is the most powerful instrument in stimulating the economies of the world, being considered in a metaphoric way the “wheels” of any economic activity.<sup>57</sup>

The infrastructure at the border between the two countries is at the lowest development levels in the area in comparison with the other neighbouring countries and regions and indicates a type of isolation effect. It cannot ensure accessibility and connectivity at international standards, intermodal transport is still limited, as the naval and air links are underdeveloped. The road and rail infrastructures are sufficiently dense if compared to their national figures. However, quality wise the infrastructure still leaves room for improvement. Most roads were built before 1989. Technical differences in terms of rail transport between the two countries (i.e. use of different rail gauge) and limited multi-modal transport capabilities makes cross-border transportation more difficult.

There is a huge potential in reconstruction, rehabilitation, modernization of cross-border transport systems, improvements of multimode transport (road/water) facilities of cross-border interest, elaboration of joint strategies/policies/plans for improving the cross-border transport infrastructure.

In the field of maritime connections, there is a need of expanding cooperation and maritime capabilities of the ports of Ukraine and the port of Constanta. Ukraine's increased commercial ties with China as well as its future participation on One belt One Road Initiative would offers incentives for the expanding maritime commercial routes.

At the same time smaller projects as ports from Romania at the Black Sea and Danube are easier to realize and would allow immediate transport of goods and passengers. Such an initiative is the new ferry across the Danube River Orlivka (Ukraine) – Isaccea (Romania). It is supposed to be a 24-hour, modern, technological, international checkpoint for ferry, sea and river freight and passenger traffic with a permanent mode of operation. The daily throughput of the new point should be about 200 units of road freight transport, 500 – passenger cars, and passenger traffic - 1,500 people. In the absence of this connection, the distance for the closest border custom is 200 km longer.<sup>58</sup> The ferry allows the creation of a new transport connection in the Eastern Europe, boosts investment and creates new jobs.

Although it took twenty years to finalize the project, (the idea of constructing the project was launched in 1998 when the Euroregion “Lower Danube”), the ferry line represents an achievement, and will serve as a business model for regional economic cooperation in the future. Future public-private partnerships that would develop small and

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<sup>57</sup> Transport Infrastructure Development, Public Performance and Long-Run Economic Growth: A Case Study for the Eu-28 Countries, <https://www.mdpi.com/2071-1050/11/1/67/pdf>

<sup>58</sup> “Ferry between Ukraine and Romania in Isaccea this summer”, [http://www.romania-actualitati.ro/ferry\\_between\\_ukraine\\_and\\_romania\\_in\\_isaccea\\_this\\_summer-124011](http://www.romania-actualitati.ro/ferry_between_ukraine_and_romania_in_isaccea_this_summer-124011)

medium-sized regional projects must be encouraged.

Romania and Ukraine have a big potential in the energy field cooperation. Both countries have experience in most of the fields of the energy sectors.

Ukraine is a full participant of the Energy Community - an international organization that includes both EU members and non-EU countries. The goal of the Energy Community is to liberalize and integrate member countries' energy markets, while Ukraine has assumed an obligation to implement the principles of the EU's Third Energy Package as a member of this organization. The ultimate and main goal of the Government's effort in implementing the principles of the Third Energy Package is to create fully functional natural gas and electricity markets in Ukraine. This will in turn enable our country to integrate into ENTSO-G, the European Network of Transmission System Operators for Gas, and ENTSO-E, the European Network of Transmission System Operators for Electricity.

Romania and Ukraine can cooperate in the field of integration in the regional markets and cooperation on the issues related to the importance of Ukraine as a transit country, as well as on reforming Ukraine's energy market, upgrade of the gas network, creation of the appropriate regulatory framework for the electricity market and energy efficiency in Ukraine as a means of reducing dependence on energy imports.

Cooperation in the gas sector must focus on interconnecting the national systems with international pipelines in reverse flow (Isaccea). The operator of the Romanian natural gas transmission system, Transgaz, stated that it is considering the construction of an additional interconnect or with Ukraine, which is linked to another project under the Initiative, the Bulgaria – Romania – Hungary - Austria pipeline (BRUA) for the export of natural gas from the Black Sea deposits. However, this project is still at an early stage, therefore there are only declarations regarding its potential.

An important role could be played by Romania in the Nord Stream 2 project. Although the revised Gas Directive was adopted under the Romanian Presidency of the European Union, Romania must continue to ensure that any future scenario must unfold under the regulatory effects of the Third Energy Package and the renewed Gas Directive in order to provide a competitive gas market. Even that, according to the recent developments, the Nord Stream II project will be delayed, Romania must contribute to the negotiations held in trilateral format EU-Russia-Ukraine. The interests of the member states that are mostly affected by the project must be taken into consideration. Guarantees from Germany and Austria that future deliveries to Central and Eastern Europe will take place must be negotiated. At the same time, the role of Germany, Austria and other supporters in the negotiation process has the capacity to take into consideration the interests of the Eastern Neighborhood countries thus to consolidate the security in the Black Sea. The evolution in the Black Sea is of paramount importance in both security and energy terms.<sup>59</sup>

Romania and Ukraine could also focus on identification of potential EU certified Transmission System Operators to participate in the operation of the unbundled Gas Transmission System. Common challenges are related to underground gas storage facilities

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<sup>59</sup> “Nord Stream 2. Implications for Eastern Neighborhood”, Leonela Leca, 2019, <http://www.esga.ro/nord-stream-2-implications-for-the-eastern-neighborhood/>

(UGS). Facilities to enable linkages between communities and public services which promote co-operation on a cross-border and wider international basis could be developed by common initiatives.

Common Research and Development projects in the energy field could be also launched.

The IT Sector is another field that offers ground for future cooperation between Romania and Ukraine. IT is the fastest-growing segment of Ukraine’s economy which grew at an annual rate of 20 percent, and, according to forecasts, will be the country’s major export in two or three years. But the most significant way the IT sector is part of the knowledge economy is in its complete transparency. The IT sector has grown without any government intervention, and there is little room for corrupt practices, as IT companies have no need for quotas, subsidies, or licenses. The sector functions according to Western standards, and its employees, who work on common projects with their colleagues from the West, have adopted Western corporate attitudes in which there is zero tolerance for corruption.

Cybersecurity and critical infrastructure protection are a subsidiary component of the regional infrastructure project. Huge business opportunities are presented by this type of projects. Joint ventures between companies from Romania and Ukraine could represent a successful answer to these needs.

Although both countries experienced positive results in the IT field, there are no contacts between private experts. Common projects or at least regional events in which Ukrainian experts could participate would enhance the potential for future cooperation.

## 5. Bilateral economic cooperation roadmap proposal

The table below presents the several dimensions in order to build a roadmap in the economic cooperation sector.

	<b>Selective approach</b>	<b>Comprehensive approach</b>
<b>Preparatory actions 2019-2020</b>	Unilateral technical and legal steps. Non-governmental projects	Coordinated technical and legal steps. Non-governmental national programs
<b>Non -structured initiatives</b>	Unilateral sectoral technical initiatives to improve bilateral agenda. Governmental and non-governmental projects in the economic sector. RO-UKR Civic Initiatives for Economic and Energy reform, RO-UKR-MD projects for Economic and Energy Sectors.	Bilateral sectoral technical and legal initiatives to improve bilateral agenda. Governmental bilateral framework for permanent economic cooperation dialogue. RO-UKR Civic Forum for Economic and Energy Projects RO-UKR-MD Economic and Energy Cooperation Initiative
<b>Structured initiatives</b>	Official unilateral engagements on specific economic cooperation issues (e.g. regional infrastructure, Black Sea transportation corridors,	Common Declaration on Strategic Partnership Romania- Ukraine White Book on the Action

	etc.)	Plan concerning the economic cooperation.
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## **Project Description:**

The Experts for Security and Global Affairs Association, Bucharest, and its partner, Ukrainian Foreign Council "Prism", Kyiv, has launched in January 2019 a new project with the title

"The Romanian – Ukrainian Civil Society Forum for Dialogue and Cooperation".

The project was supported by the Black Sea Trust for Regional Cooperation, a project of the German Marshall Fund.

The development of formal discussions between Romanian and Ukrainian experts in an organized form – a bilateral Civil Society Forum for Dialogue and Cooperation, aims to provide continuity of the dialogue among different actors interested in the development of the bilateral partnership on specific, pragmatic and relevant issues for both sides.

For the first meeting, that took place in February 2019 we have chosen to debate a topic with a high-level priority: "Perceptions of Hybrid Threats and Informational Warfare in Romania and Ukraine. How to Align Interests and Options?"

Our aim through the first edition of the Forum is to address threats and common challenges to our national interests.

The strategy for developing the Romanian – Ukrainian Civil Society Forum for Dialogue and Cooperation is based on two elements:

1. The constant meetings of a working group consisting of experts who deal in their analyzes with the Romanian-Ukrainian dialogue, which will have the mission to identify solutions and recommendations for common challenges;
2. To organize public thematic meetings, depending on the priorities of the bilateral dialogue, identified as such by the working group.

The third element relates to the external work of this working group, namely, to communicate transparently to the interested public new elements of the bilateral dialogue, as well as to positively influence the cooperation between the public institutions of both states.

The Project goal is assistance in the increase of the potential of cooperation and political influence/role of expert community and civil society actors, elaboration of common perception of goals, objectives and threats in the region, further strengthening and widening of the contacts between the experts and civil society activists and sharing best practices in tackling the aforementioned issues by reloading the format of the annual bilateral Romania-Ukraine Civil Society Forum.

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**Bucharest, Romania**

**2019**

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