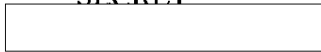


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Washington, D.C. 20505

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7 July 1994

APPROVED FOR RELEASE - CIA INFO DATE: 07-07-2011

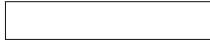
Romania: Political Discord Retards Reform

President Ion Iliescu and the ruling Party of Social Democracy in Romania (PDSR) are seeking the support of centrist opposition parties, but a broad alliance of parties or politicians willing to sacrifice political support to tackle Romania's economic problems is unlikely. 

Existing Structure A Recipe for Stagnation

The current regime rests on two pillars, the PDSR, which is lukewarm toward reform, and several anti-reform extremist parties. The PDSR, composed mainly of former Communists who support President Iliescu, and the extremists, hold 250 out of 484 parliamentary seats. The PDSR's plurality in the last election--based largely on support from peasants and workers--reflected the Romanian electorate's conservative and cautious nature. 

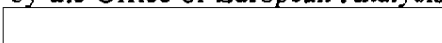
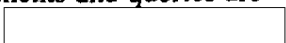
Their reliance on the extremist parties has often embarrassed Iliescu and the PDSR and has hobbled the government's efforts to tackle Romania's many problems. The growing influence of moderates within the PDSR also is straining relations with the party's ultranationalist and neo-Communist allies in parliament.

- The moderate PDSR faction, backed by President Iliescu, is urging the party to move faster on economic reform.
- The ultranationalists, however, are most interested in using parliament as a forum for anti-reform and nationalistic diatribes, while the small neo-Communist party harps on the government's failure to shelter the population from the pain of reform. 

Democratic Opposition Weak, Disorganized

The opposition remains fragmented and is plagued by personality conflicts between party leaders. The two key democratic opposition groups are the Democratic Convention--a coalition of approximately 18 parties--and former Prime Minister Petre Roman's Democratic Party-National Salvation Front (DP-NSF). Together, they control 203 seats in parliament.

- The Democratic Convention, led by Emil Constantinescu, came in a strong second in the last election. It has a centrist orientation and advocates democratization and a market economy.
- The DP-NSF--from which PDSR members broke away in early 1992--supports democratic reforms and advocates a mixed-market economy. Its

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leaders hope to play the role of moderator and facilitator between the PDSR and Democratic Convention, but are trusted by neither. [redacted]

Political Support for Reform Unsteady

The hold of the PDSR and the extremists on parliament probably will deny Romania the necessary political cohesion to sustain accelerated economic reform. The political ideology and interests of old-school politicians in the PDSR--and opposition distrust of the PDSR and Iliescu--make sustained cooperation with the opposition unlikely.

- Mostly members of the nomenclatura under Ceausescu, PDSR hardliners fear the opposition would take advantage of a role in the government to sideline former Communists and overturn the republic--eliminating the power of Iliescu--in favor of a constitutional monarchy.
- More rapid economic reform--including the accelerated privatization and restructuring called for under a recently negotiated pact with the IMF--are anathema to the PDSR's current partners. Furthermore, unless the PDSR is willing to make the concessions necessary to attract the opposition into a coalition, the influence of these anti-reform parties is likely to grow.

[redacted]

Limited Accommodation Likely

The opposition parties' distrust of the PDSR--and of each other--will make coalition talks difficult and protracted. Nevertheless, the shared realization that Prime Minister Vacaroiu's government has been ineffective and the need to moderate the influence of the extremists probably will eventually force the PDSR and the democratic opposition to cooperate in supporting a government with a limited mandate to execute needed restructuring. [redacted]

A reformist PDSR or technocratic government supported by the CDR to implement austerity and close non-viable state enterprises would risk becoming an orphan of Romanian politics.

- The populist PDSR--elected on a platform of slower, less painful reform--probably would distance itself from the government as unemployment grew.
- The centrist opposition, distrustful of the PDSR and desiring to wrest power from the former communists, may abandon the government at the time reforms are biting the worst in a bid to force new elections. [redacted]