



The Hon. Victor Ponta

EDITORS' NOTE Victor Ponta is the President of the Romanian Social Democratic Party (PSD) and leads the four-party ruling coalition that also includes the Hungarian Democratic Union, the Conservative Party, and the National Union for the Progress of Romania. He worked as a public prosecutor for the Anti-Corruption and Criminal Prosecution Department at the Prosecutor's Office of the Supreme Court of Justice, specializing in economic and financial fraud between 1998 and 2001, when he was appointed Chief of the PM's Control Department until 2004. That year, he was elected to the Chamber of Deputies as one of the youngest Romanian MPs. In 2010, he won the PSD presidency. In May 2012, he became Prime Minister of Romania, leading his party's coalition to victory in national parliamentary (2012) and European parliament elections (2014). In August 2012, Ponta was elected Vice-President of the Socialist International.

Would you please outline the main achievements of your Government over the past two years?

When we took office, in 2012, Romania was facing a very difficult economic and social situation. As a consequence of a tough wave of austerity policies, the economy had slowed down, the unemployment level had raised, and the living standards had worsened dramatically. My belief was that Romania needed a new vision based on economic development and social cohesion. It was a belief supported by the parliamentary majority and reinforced by the people's trust, expressed through their vote. Consequently, without neglecting the fiscal consolidation process, we have set up a coherent program targeting economic growth and a readjustment of the social equilibrium. Hence, on the one hand we acted to repair several unjust measures, such as the 25 percent decrease of public sector wages, the measures that had affected pensions, or the closing down of hospitals while, on the other hand, we have promoted a series of macroeconomic policies meant to support the business environment, to stimulate investments, to create jobs, and to support the increase of living standards.

A Path for Sustainable Development

An Interview with
The Honorable Victor Ponta, Prime Minister of Romania

By taking these measures, we have managed to restart economic growth, Romania registering in 2013 as one of the highest rates in the European Union. We have brought public sector wages back to their previous levels, increased the minimum wage, reduced VAT for bread, decided on reducing the social insurance contributions for employers, attracted foreign investments, and created jobs.

The main achievement over these past two years of government is setting Romania on the right path of sustainable development, thus offering Romanian citizens the hope that they can enjoy a better life.

As the IMF/WB and other institutions have underscored, Romania appears to have fared better than most countries in terms of economic recovery including several important indicators (budget deficit, inflation, GDP growth, and public debt). What are the main ingredients of this success and, more importantly, what are the next steps to rapidly reduce the existing gap that separates Romania from the more advanced EU members?

Over the past two years, the Romanian government has enacted a successful economic program. Our central objective was to achieve the right balance between the sustainable fiscal consolidation and restarting economic growth, between the economic and the social field, and between the need for strong public institutions and reducing the waste of public funds.

So far, we have achieved significant results: Romania is experiencing a positive economic trend, industrial output and exports are increasing, and inflation and current account deficit are stable, at around 1 percent, whereas the unemployment rate is beneath the EU average. This impressive trend has made some

analysts talk about the advent of "a European tiger." Such descriptions honor us, but also motivate us to continue along this path. To this end, we are determined to carry on the process of reducing the fiscal burden for employers, to lower the level of social insurance contributions, and to lower the level of the VAT for several staple foods. Moreover, we want to continue the projects that offer state aid for SMEs, thus facilitating the access to loans, as well as to start several new programs targeting the business environment.

Last, but not least, we want to continue to improve the absorption of European funds, an important source of financing for the projects tackling competitiveness growth and job creation. For Romania, attracting European funds is of utmost importance. The progress we have registered over the past two years, during which the absorption rate increased five times to the current level of 37 percent, offers us strong reasons for optimism.

The London Stock Exchange IPOs for Romgaz and Electrica, two of Romania's major energy companies, proved the potential of such privatization procedures and also the fact that Romanian energy companies are attractive in the eyes of investors even in rather harsh economic times. Have those two listings met your expectations?



PM Ponta with U.S. President Barack Obama (left) and former U.K. PM Tony Blair



What lessons have you learned from here and how do you intend to implement them in the future? Should we expect similar moves and opportunities for investors in the near future?

The success of Romgaz and Electrica on the stock market represents a positive message for the Romanian economy, and a powerful boost for our policies and our structural reforms. This opening of the Romanian economy has increased the profile of the aforementioned companies. Last year, Romgaz was one of the most profitable companies. Moreover, in 2013, the 20 largest state-owned companies accounted for a profit of €350 million, compared to €85 million worth of losses in 2012.

We had great expectations concerning these companies and we are glad that our expectations were surpassed by the international markets' reaction to their listing. This positive response is clear proof that the Romanian economy is increasingly attractive, has important potential, and continues to offer plentiful opportunities.

If there is a lesson we have learned following these experiences, it is to have confidence in Romania's capacities and potential. We have proven we can be successful. It is an additional reason to continue on that path. Moreover, Government intends to list another major company, Hidroelectrica, a company we took over in a very difficult situation and that managed to record last year a profit larger than the profits of the previous decade altogether.

As far as the regional picture is concerned, I believe we have a tremendous advantage. While countries such as Hungary and Poland currently have a different approach in this respect, Romania will continue to privatize minority share packages.

A new leadership has come to Brussels at the Commission and European Parliament level. What agenda and main features do you anticipate for the EU in the years to come? What is your view on the current EU energy strategies and how do they integrate with Romania's own agenda?

What are the main areas and topics most important for Romania in the next EU budget cycle?

The economic crisis and the geopolitical crisis on the outskirts of the European Union call for a shift in the relations within the EU. We need a Europe that is more social in its policies, with a focus on the youth, on jobs, on social fairness, and on restarting economic growth. We also need a Europe with an increased solidarity among its member states. The idea of the Union must remain prevalent, and the member states must behave more as a whole and less as a sum of particular interests. At the same time, over the coming years, the EU must look with increasing attention at the Eastern Partnership and continue to support the European path of the European states on its Eastern border.

As for the energy field, identifying new sources of supply is a strategic objective of the EU. Its accomplishment should increase the independence and the energy security of the member states. Ever since the beginning, I have been a supporter of Polish Prime Minister Donald Tusk's proposal of setting up a European community of Energy. It is an initiative that can only strengthen Romania's role and message on the need of an increasingly integrated Europe.

Following the same pattern of integration, cohesion, and development, we set up Romania's objectives for the 2014 to 2020 financial framework: increasing competitiveness, supporting the citizens, strengthening social solidarity, infrastructure, resources and administration, and government. Romania aims first to develop its human capital by increasing employment and by following active policies concerning social inclusion and education, as well as developing the infrastructure and promoting competitiveness.

In order to avoid the mistakes of the previous governments, we have a different strategy in regard to EU funds absorption. We will engage the European funds in the first part of the financial cycle, via a simpler, more efficient but less bureaucratic recipient-oriented system.

Given the effects of globalization, each country has to be able to build its own competitive advantages in order to perform at the international level. What industries are capable of being economic champions for your country?

One of the objectives of these past two years has been to put Romania on a clear, sustainable, and predictable path. To this end, we have set up a National Investment Plan for strategic investments and job creation. This plan focuses on five main

topics: energy, agriculture, industry, mineral resources, and infrastructure. These fields have experienced development in these recent years, and contributed to the growth of the GDP. Moreover, in the first quarter of 2014, industrial output has increased by 9.1 percent. If last year the industrial sector was responsible for three quarters of the economic growth, the first half of this year confirms the increased industrial competitiveness of the Romanian economy. The IT and manufacturing industries, as well as the commercial sector and the car industry, continue to perform well.

The European Union has set itself goals regarding the development of the innovative industries. Is the Romanian educational system prepared to reach the EU goals? What role does the Romanian IT industry play here and how are the educational system and IT working together in Romania?

We share the European Union's objective to develop the innovative industrial sector. As far as the IT industry is concerned, Romania recorded significant results in the field. Romanian IT experts are valued worldwide and major international IT companies, such as Oracle or Microsoft, are present in Romania.

Furthermore, there is synchronization between the IT sector and the corresponding educational system that is continuously developing and I do not expect any challenges for Romania would come from the strategic outlook of the EU in this regard.

Is the Romanian health system prepared to face the challenges posed by rising costs and aging populations on a backdrop of the real exodus of specialized personnel to western countries?

It is true that Romania has experienced a true exodus of specialized medical personnel. We are aware of this phenomenon and we are taking active measures to ensure that the Romanian healthcare system continues to perform. On the one hand, the fact that Romanian doctors are needed in Western countries highlights the quality of the Romanian medical educational system and of our human resources.



PM Ponta with German Chancellor Angela Merkel (top left) and with other heads of government at a meeting in Bucharest in November 2013



PM Ponta with former U.K. PM Tony Blair

On the other hand, we are aware of the major challenges to our own healthcare system; the Health ministry is working on a reform package meant to address these problems. In addition, we believe that medical specialists are to be given more incentives in order to stay in Romania – it is for this reason that we decided to increase the wages for young physicians, in order to make the medical profession more attractive to the graduates.

Recently, the Romanian Cabinet held a joint meeting with the Israel Cabinet. What are Romania's interests and agenda in this region? How does Romania see the chances for peace in the region? Do the Arab Spring and opening of new societies in the ME and Golf regions pose threats but also opportunities to the global environment?

Romania and Israel share long-standing traditional bilateral relations and we are pleased to see that, in recent years, these relations have been on a positive trend in many fields of cooperation.

We are concerned with the recent developments in the Middle East and their impact on regional security. We believe that the possibility for peace is still there and that the parties must continue to strive for attaining a peaceful settlement of the conflict. We have supported all the efforts deployed by the EU and U.S. in this respect, and we encourage the parties to resume negotiations.

It is a fact that the Arab Spring and the opening of new societies in the ME and Golf regions have brought opportunities but also threats to the regional and global environment.

The Arab Spring has shown that potential for democratic change exists in the region. Of course, revolutionary moments can be confiscated by extremist actors, but that does not mean that the European Union and Romania should not encourage the transition towards legitimate regimes and democratic governing systems.

The threats are also there, and it is up to us, in strong coordination with all of our partners, to counter the spread of terrorism and extremism that are already destabilizing the region. We must continue to fight terrorism, irrespective of the identity and of the objectives of its authors, and I reiterate that as far as cooperation in this field

is concerned, Romania remains an active and effective international partner.

Romania is still outside the Schengen area with the rule of law being one of the main subjects of concern for its European partners. What is Romania's current plan for joining Schengen and what can be done to strengthen its partners' confidence vis-à-vis of the rule of law and judiciary independence? How can Romania consolidate its anti-corruption reform?

I must emphasize several aspects. On the one hand, I am honored to lead and the Romanian Social-Democratic Party is fully committed to strengthening the rule of law and ensuring the independence of the judiciary. We have proven our commitments to our international partners over the past two years and we will follow them. Maintaining the independence of the judiciary and observing the rule of law are paramount for the development of our country.

On the other hand, the opposition towards Romania's accession to the Schengen Area is a matter of political debate in some member states, which has very little to do with concerns regarding the judiciary or the rule of law. The European Parliament, the European Council, and the European Commission together have certified repeatedly that Romania fulfills all of the conditions for joining the Schengen Area. We have invested funds and efforts in order to build capable and efficient institutions and mechanisms that are meant to keep the borders of the European Union safe. However, for various political reasons, closely connected with the rise of Euro skepticism and European populism, several of our European partners have, until now, been against our accession to the Schengen Area.

We will continue to prove to them that Romania is of fulfilling its commitments and of maintaining the same high standards required for protecting the external borders. Joining the Schengen Area remains a major objective and we will continue to pursue it.

This is an electoral year for Romania. The Romanian Social Democratic party reflects both a change in generations as well as a consolidation of a "progressive" trend that is growing around the world. What lies ahead?

PSD is the strongest political party in Romania and, during the past few years, it has managed to undergo a process of modernization, while at the same time consolidating its ideological and political dimensions. The major force of PSD comes from the experience and the expertise of its members, as well as from the progressive view it proposes on the Romanian political scene.

We are the party of all generations, a party that respects its past and at the same time supports the young generation. We believe this positive, constructive, and inclusive approach is what Romania needs for the coming years. We want PSD to continue to act as an engine of change in Romanian society, and this is what increases the importance of the upcoming presidential elections.

Most polls indicate that you are the best placed candidate for winning the race. What would the Presidential ambitions and projects for your country be? What will you bring to the position of Head of State and to Romanian politics?

For people unfamiliar with Romania over the past 10 years, it would seem strange to find out that the main project of a candidate is to become the President of all Romanians, of all citizens. During these 10 years, Romania has had and still has a president that sows discord; this has cast Romanians against each other, who has generated a large number of political scandals, with a definite impact on the efficiency of the public institutions and with a tremendous cost in the honor and credibility of the public office.

My project is to promote a different model of presidency, one that unites people and strives for consensual decisions, that is based upon constitutional powers exercised in good faith. The President must propose a vision to his country. I have this vision, this project. I started enacting it in 2012, when I took over as Prime Minister and it is called "A Strong Romania."

"A Strong Romania" is a strong state offering all of its citizens access to high-quality public services, stimulating a competitive and growing economy and ensuring an independent Judiciary, as well as a just, inclusive, and solidary society.

What is your vision for the future of Romania, now at almost 25 years since communism has collapsed and preparing to celebrate its centennial in a few years? Where do you see your country in 10 to 20 years? How do you see yourself transferring your vision for Romania into reality and to the next generations?

I see Romania in the coming years as a developed economy that has managed to overcome not only the trauma of the communist period, but also the pitfalls and the problems that have left their mark on its transition to democracy and market economy. I hope that on December 1, 2018, when we will celebrate 100 years since our Great Union, when the Romanian provinces were brought together after the end of the First World War, we will find ourselves as a more united nation, which has managed to overcome its divisions, and is building for itself a better and brighter future in Europe.

I had the privilege of being the youngest Prime Minister of the Government of Romania. I share many of the concerns and views of the younger generation and by looking at my colleagues and the Romanian society, I believe that we have the resources to overcome decades of political divisions and the memories of the totalitarian regime, in order to build a prouder, stronger, and developed country. ●