



CENTRAL AND EASTERN EUROPE / ROMANIA  
COUNTRY RISK PROFILE:  
PARLIAMENTARY ELECTIONS IN FOCUS

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## AT A GLANCE

1. This is the first general election under the new electoral law introducing a system mixing a “first past the post” element with proportional representation to replace the proportional representation system in place since 1989.
2. The election campaign has officially started today, 31 October, although most candidates have been campaigning in their constituencies since their nomination in September 2008.
3. The 2008 election is for the dual chamber parliament only (Chamber of Deputies and Senate), with presidential elections scheduled for 2009.
4. Candidates have to win an outright majority in their constituencies to receive a seat in parliament; there is only one round of voting.
5. Even after achieving a majority, seats are not guaranteed because a party needs to win a minimum of 6 seats in the Chamber of Deputies and 3 seats in the Senate in order to secure parliamentary representation.
6. All parties that receive more than 5% of the votes cast and coalitions with more than 10% of the votes cast will be included in the proportional distribution of the vacant seats from the constituencies where no winner has been decided in the sole round of voting.

## OVERVIEW

There is consensus among political analysts (albeit not yet supported by recent opinion polls) that only three parties are certain to pass the threshold imposed by law – the Social Democrats (“PSD”), the Liberal Party (“PNL”) and Democratic Liberal Party (“PD-L”). The Conservative Party (“PC”) has formed a coalition with the PSD and the two parties are fielding joint candidates under the “PSD-PC” umbrella. The Hungarian minority party, (the “UDMR”), a junior member of the current government, is likely to meet the 5% threshold for both chambers as it enjoys steady and concentrated electoral support that should result in several UDMR candidates winning seats outright. By contrast, the far-right Greater Romania Party (“PRM”) is likely to be the main casualty of the new electoral system as its support is disparate and it has not managed to find a strong coalition partner to help it meet the threshold of 10%.

It is unlikely that any of PNL, PD-L, PSD- PC will emerge with a parliamentary majority. Therefore, at this stage the main focus of analysis is on what type of power-sharing deal will the three main parties opt for and how the president, Traian Basescu (PD-L), will use the semi-presidential political system to influence the choice of prime – minister and the conduct of politics and business generally.

## OUTCOME SCENARIOS (BY LIKELIHOOD)

Below we provide our analysis on the various configurations of governing coalition that we believe are likely to emerge after the November elections. We have also included analysis of the impact of such results on the future of the Fondul Proprietatea.

### LOW CHANCE

#### PD-L/ PNL

**01** The PD-L was formed from the merger of the Democratic Party and a splinter group of the PNL.

**02** The relationship between the two party leaders, Traian Basescu (PD-L) and Calin Popescu Tariceanu (PNL), is unworkable. Tariceanu, as prime minister, and Basescu, as president, have ensured that the two institutions that make up the executive branch have been in constant conflict since 2004.

**03** The parties can reach a possible agreement over the position of prime minister only if a technocrat were to be appointed, such as National Bank Governor Mugur Isarescu.

**04** Such a coalition would be short-lived and very divided. An early election could result around the presidential elections in 2009.

**05** Further procrastination can be expected in the listing of the Fondul Proprietatea due to the lack of support for the Fund within the PD-L. The PD-L might also try to force management changes at various energy companies – representing a big portion of the Fund's assets – as they are mostly PNL political appointees.

### MEDIUM CHANCE

#### PSD-PC/ PNL

**01** On the face of it, these parties seem to have more synergy mostly based on their opposition towards President Basescu.

**02** Both parties' candidates to the premiership - Mircea Geoana (PSD) and Tariceanu - are unpopular. Both have expressed the wish to be their party's candidate to the post.

**03** A difficult coalition government to press for further reforms as long as Basescu remains president and if the PD-L secures a strong presence in parliament after the polls.

**04** Incompatible economic doctrines – including the PSD's opposition to Fondul Proprietatea/The National Energy Conglomerate, which are two key projects for the PNL.

**05** The UDMR is likely to join the government as a junior coalition member. This could ensure a larger parliamentary majority for the government. The UDMR's support for the Fund is not very strong and if the PSD's opposition to the Fund is seen as winning, the UDMR is likely to join them in trying to fold the Fund.

### HIGH CHANCE

#### PSD-PC/ PD-L

**01** These two parties are most compatible as they are both placed left/centre-left on the political continuum.

**02** The Democratic Party, which formed the basis for the PD-L, was itself a splinter from Social-Democratic Alliance from as early as 1993. The PSD was also a member of the Alliance. The PD participated in government with the PSD until 1998 and only formed an alliance with the PNL ahead of the 2004 elections (in order to defeat the then PSD government led by Adrian Nastase).

**03** Both parties will likely agree to support the candidature of Teodor Stolojan to the premiership – Stolojan will meet with Basescu's approval too as he acted as an economic advisor to the president after the 2004 elections. This will probably result in a deputy prime-minister and foreign office role for Geoana.

**04** A potential problem with such a coalition is that whilst a win by PD-L would give Romania a stable government, it would also give President Basescu a more docile cabinet, which Tariceanu has denied him. Whilst being a strong anti-corruption campaigner, President Basescu is a true social-democrat when it comes to economic policy – he supports increased wages for public workers and generally encourages loose fiscal policies.

A PSD-PC/ PD-L government would not bode well for the future of the Fondul Proprietatea. Generally, both parties opposed the Fund and such a coalition could result in the Fund being folded.

**Marker Global's information is exclusive.**

All information in this report has been researched and collated locally by Marker Global's analysts.

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