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Research visit to Russia, Ukraine, Romania

September 1992

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During my research visit to Russia, Ukraine and Romania, I interviewed government officials, journalists and academics; I also had informal contacts with citizens in each country. This memorandum includes judgements and observations. An appendix (attached) contains summaries of selected interviews.

KEY JUDGEMENTS

Politics

The West has mistaken the collapse of communism for the rise of democracy. Instead, political life bears as much relation to anarchy as to orderly democracy. The Presidents of Russia, Ukraine and Romania aspire to be powerful figures; they try to keep a tight rein on basic decisions and on information; they monitor even municipal decisions. Despite elections, neither the President nor the Parliaments are seen by the population as fully legitimate, and this reduces the authority of both institutions.

At the moment, progress toward democracy and a free market is limited. In Russia, Yeltsin is shifting away from the democrats to the conservative "industrialists". In Ukraine, the opposition Rukh is split and Kravchuk harasses his main opponent, V. Chornovil. Iliescu, seen by Romanian liberals as a neo-Communist, used public ignorance of issues to win election for a second term.

Political primitivism is hampering economic reform. While political leaders speak of the need for a free market, Presidents and parliaments lack the will or understanding to privatize land, close inefficient factories and retrain workers. Until these steps are taken, hyperinflation and unemployment will dominate the economic scene.

Although one can find examples of successful entrepreneurs, these few state in the strongest terms how difficult it is to run a business in current conditions and how much they mistrust the politicians.

Intelligence Services

Intelligence organizations have been negatively affected by the general decline of government authority in Russia, Ukraine and Romania. However, the Security Intelligence services have new mandates, endorsed by their respective parliaments; old, re-packaged personnel, and, to a degree, cold war mindsets. Given political backing, the security agencies would be willing and able to resume their traditional roles.

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Foreign intelligence collection through the acquisition of classified information is seen as a normal and valuable tool of foreign policy, notwithstanding a stated desire to co-operate with Western intelligence services.

Crime and Corruption

Russia, Ukraine and Romania inhabit a legal and spiritual no-man's-land. Amid economic crisis, consumerism has arrived with weak legal structures to handle excesses and moderate disputes. The result is burgeoning individual corruption and circumventing of laws, and the growth of organized crime.

The countries lack an understanding of the meaning of the term "public service". In the absence of regulations governing behaviour of these individuals, bribery and theft are rife. Politicians and public servants avoid passing any laws that might deprive them of these ill-gotten gains.

Security and Intelligence officials claim that Western firms and individuals also are engaged in criminal activities, ranging from falsifying export licenses to drug smuggling, and exporting restricted precious metals. There would seem to be grounds for these allegations, particularly given the tolerance for corruption in these countries, the power of the dollar, and the ease of movement from East to West for "business" purposes. Indeed well-heeled local organized crime figures are finding it easier to enter Western countries, including Canada.

Access to Information

In Western democracies, citizens have access to government-produced information through freedom of information legislation. However, in the countries visited, information is still seen as the government's property and amid economic stringency and old attitudes, early change is not likely. There are no access to information acts in place, or even contemplated. This impoverishes public debate over issues of national concern, since journalists are left to deal in hearsay and rumour instead of factual information.

Historical archives in Russia and Ukraine are largely open to the public, though anyone seen as pursuing a commercial purpose--such as journalists--are charged considerable fees to use the materials; foreign journalists and scholars are charged high fees for photocopies and use of documents.

Security-related information is under the control of the respective security agencies and this information is being withheld for up to 75 years. Archival officials are approaching the security agencies to review their holdings and hand over non-sensitive documents, but so far have had limited success.

Nationalism

Nationalism, which has a long and often sad history in Eastern Europe and Central Eurasia, promises to get worse as the countries of the region move slowly toward democracy. Taboos

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have been lifted; speech is freer; and the wounds and scars of the past are being used as political capital. Unfortunately, economic crisis matched with political pluralism will lead to higher levels of nationalist resentment directed against neighbours and foreign influences.

In Romania, the nationalist candidate for President, Georghe Funar, garnered 15 per cent of the popular vote in the recent presidential election. His supporters are anti-Hungarian and many are anti-American and anti-Semitic. But even centrist Romanians support nationalist territorial claims on the CIS and Ukraine. In Ukraine, Kravchuk is more a neo-communist than a nationalist, but this does not stop him from playing on national feelings for political advantage. In Russia, while nationalism has thus far been an old guard phenomenon, the emerging "industrialist" group will turn to nationalism to deflect attention from economic disaster.

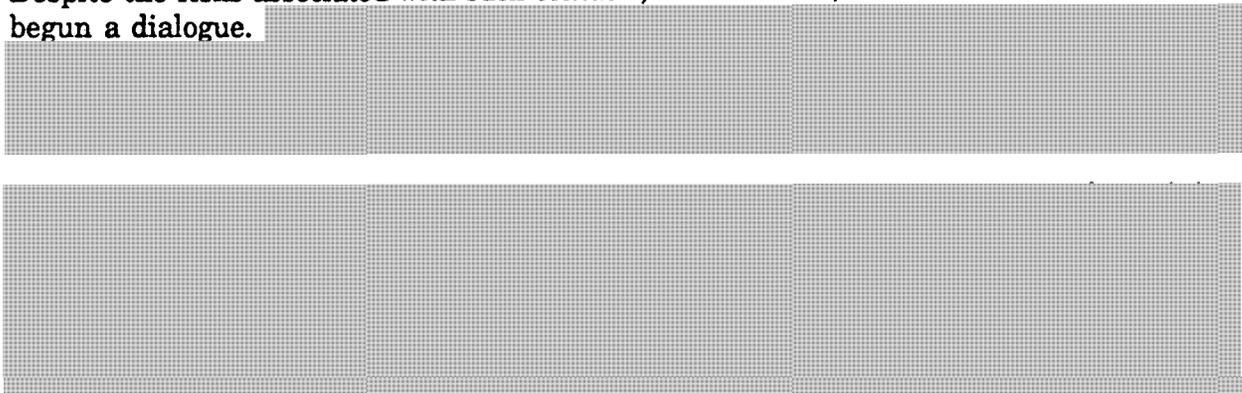
Nationalism in the countries visited will not lead to war between them. But it will complicate efforts at developing economic ties, and absorb the limited diplomatic capacity of these states in fruitless machinations against one another.

PERSONAL OBSERVATIONS

Contact with Intelligence Services

Eastern European Security and Intelligence Services are interested in establishing links with their Western counterparts. In Russia, the political leadership (Yeltsin) is more in favour of intelligence cooperation with the West than the SVR rank-and-file, who are conservative and nationalistic and wish to rival the CIA. In Ukraine, the reverse is true. The political leadership (Kravchuk) would have a greater interest in interfering with emigre Ukrainians, whereas the SBU is more pragmatic, and values a regional role over an international one.

Despite the risks associated with such contacts, the Germans, British and Americans have begun a dialogue.



Since the East European Intelligence Services are more professional than national police forces as far as corruption is concerned and since these services are held to have stronger analytical capacities, such a dialogue would be justified even if a sister agency (the RCMP) has already initiated contacts with police agencies.

Foreign Information

The new openness of the societies of Eastern Europe permits the collection of open information relevant to Western needs. On-site collection is valuable because of the limited amount of media reporting on the region.

[REDACTED]

[REDACTED]

Visitors to Canada

Vastly eased exit procedures, the growth of wealthy organized crime syndicates, and the proliferation of thousands of businesses and joint ventures between East and West, have opened the door to the arrival in Canada of dangerous persons, hiding behind a business veneer. Here the "visitor" stream is more significant than "immigrant" stream.

Archives

Although documents pertaining to the CPSU's activities after 1942 are closed to the public, the Russian government is willing to consider a letter from Canada requesting access to documents relevant to Canadian concerns. Furthermore, the archives for now are in the hands of officials loyal to Boris Yeltsin who may be forthcoming with materials in the hope of improving relations with Canada.

[REDACTED]

It is impossible to know in advance, but this request might produce information of operational interest.

APPENDIX**II INTERVIEWS****RUSSIA**

NOTE: This report contains only the views of those interviewed; my comments, if any, are in italics.

(1)

Name: Tatyana V. Samolis and a colleague
Title: Press Secretary, Russian Intelligence Service (SVR) Moscow

The SVR is the direct descendent of the KGB's First Chief Directorate and has always been separate from the domestic KGB. Since the August 1991 *putsch*, the SVR has dropped its communist ideology and serves the Russian government. The SVR's key concerns are nuclear proliferation, narcotics, terrorism, organized crime and collection of foreign information relating to Russian interests.

Ms. Samolis said that Common concerns have provided a basis for discussions with foreign services, including visits from the German Coordinator of Special Services, Schmidt-Bauer (the Germans and SVR will exchange "open" representatives), Stella Rimington, and in October, Robert Gates.

But, she said, Russia and these countries will continue to operate against each other because of divergent political and economic interests. The SVR justifies its own intelligence activity largely on the grounds of reciprocity: you do it to us, so we have a right to do it to you. In particular, the representatives claimed that the US was opening CIA residencies in all of the former Soviet Union, and was aggressively pursuing human sources, since they realized that information from the "sputnik" (SIGINT) was inadequate. [REDACTED]

The SVR is convinced of the value of obtaining classified data. While 80 per cent of government-generated information is open, it is the 20 per cent that is classified that is "really important."

Ms. Samolis claimed that many Western firms and individuals in Russia "exploit" of Russian consumers, harm ecology, and cheat the government. Thus, Estonia was the world's fourth largest exporter of precious metals; however, these were not Estonian metals, they were pilfered Russian metals. "Marc Rich" for instance is an example of an exploitative businessman.

Russia's acceptance of CIA defector Edward Lee Howard is consistent with basic policy to aid those who provide confidential information to Russia, the legal successor of the Soviet Union. The SVR added that if they were to abandon Howard, they would lose the trust of current

and future Russian agents. Their warm embrace of Howard would not damage relations with the US; the US and Israel spy on each other, but this had not damaged ties between them.

Comment:

Rich is a major trader in precious metals and minerals who heads a multi-billion dollar Swiss corporation, and is wanted by US law enforcement authorities on tax evasion and racketeering charges. Newspaper stories linked Rich with Alcan and other Canadian companies.

The SVR aspires to be an aggressive agency pursuing Russia's interests. By Russian political standards, it is conservative; it resents the idea of a real reformation or reconsideration of the role that foreign intelligence plays for Russia. Cooperation with the West will go hand-in-hand with targeting Russia's partners.

(2)

Name: Dr. Andrei Kortunov
Title: President, Russian Scientific Fund

There are three views among Russian leaders about the future of the CIS: (1) The CIS should be a NATO-type alliance, with shared training and military facilities; coordinating mechanisms; and a common political point of view - (CIS Armed Forces Commander Yevgenyi Shaposhnikov and possibly Russian Defence Minister Pavel Grachev). (2) The CIS should be a European-community-type group, ie. should facilitate economic integration, coordinated transportation, and also political and strategic cooperation (Yavlinsky and Gaidar). (3) The CIS should be a CSCE-type community and aim to create democracy in post-Soviet conditions (Gorbachev).

None of these ideas will work, according to Dr. Kortunov. A NATO structure needs a clear enemy to overcome nationalism, and none is available; an EC-type of arrangement is made unworkable by the severe decline in inter-republican trade and the failure (and inability) of republics to synchronize economic reform; CSCE is not feasible because the republics have widely divergent value systems. The CIS may become a regional UN-type arrangement, a forum for discussion, not action.

Regional political arrangements will supercede the CIS. The former Soviet Union will subdivide into European, Caucasian, and Central Asian sub-systems; Russia alone will participate in all systems and remain an international force. The Russian-Ukrainian relationship will continue to be ambiguous, since Ukrainian statehood is based less on ethnic solidarity than on regionalism. Strong economic and ethnic ties link Ukraine to Russia, but there is an equally powerful Ukrainian desire to be independent.

The misleading conventional wisdom is that Yeltsin is shifting to the right; that he will dump Gaidar and ally himself with the so-called "industrialists", who include Arkady Volsky and Alexander Rutskoi. Instead, the central Russian government will lose control of political and economic processes in the country, and this will lead to a collapse of central authority.

According to Dr. Kortunov, the signs of collapse are clear:

- There are endless conflicts over tax collection and control of resources between Moscow and regional centres.
- Increasing numbers of army units are behaving more or less independently, striking bargains with local leaders for food and shelter. This is clearly true in the non-Russian republics like Moldova and Georgia.
- The government is losing its social base to act.
- Gaidar has sold out on economic reform, and caved in to the demands of the conservatives.

Power will slip from Moscow's hands into those of the regional leaders. The process of unravelling that gripped the Soviet Union--with Gorbachev always playing catch-up -- is repeating itself within Russia.

The only chance to reverse this trend would be for Yeltsin to abolish the current, ineffective and unrepresentative Parliament, and replace it with a body that would draw the regional leaders into the decision-making process. Yeltsin would also have to cede power to this new body, and be satisfied with a minimal central government role, limited to matters like guarding the coasts and borders, and some financial and international issues.

Western analysts should start paying more attention to Russia's regions and pay less attention to Moscow politics. None of the known leaders--Yeltsin, Rutskoi or anyone else--commands broad public support among Russians. The people who really count are mayors, factory directors and local military commanders.

The emerging regions include little-known places like Chliabinsk, Tatarstan--ethnic and geographic units, run by former nomenklatura. These small units would be easy prey for local "warlords" and mafia operations, but hopefully, the regions would become building blocs for a new Russian federation, which would arise on an American-style "articles of confederation" basis.

Comment:

Kortunov is a perceptive analyst whose views are well worth pondering.

(3)

Name: Oleg Naumov

Title: Assistant Director, Russian Centre for the Preservation and Study of Contemporary Documents, Moscow

According to Mr. Naumov, almost all the files in the archive are open to the public. The exceptions are personal files of Comintern officials. In general, the Russian archives are open

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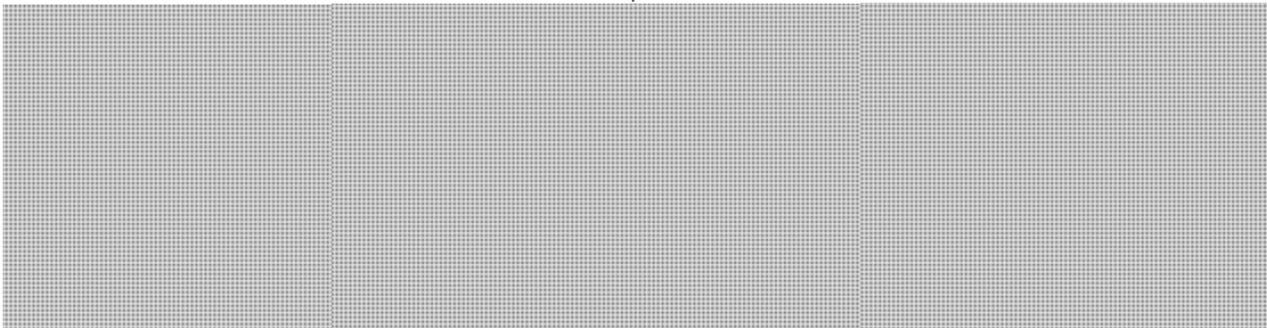
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to the public for free. Rather high fees are charged for xerox copies to compensate for the archivists' low wages.

Post-1942 materials are yet to be declassified. In March, archivists were surprised at the passage of a "Law on State Secrets" which made all government documents secret. One archivist made an argument that since the CPSU no longer existed, its documents were not governmental. The government agreed, so access continued. When the court case against the Communist Party opened, archivists again feared that all their material would be classified as governmental.

In the absence of an archives law, confusion will continue. A project for such a law has been shelved indefinitely. Of course, there is no freedom of information law, either. The archives have had some trouble with journalists who have leaked embarrassing stories, like of the one of ties between the CPSU and Labour Prime Ministers in Britain. Journalists are out for pecuniary gain, so they must pay for the use of archival material.



Comment:

The archives and access to information issue remains unsettled. Russian authorities still prefer secrecy and still see government produced information as belonging to the government, not the public.

(4)

Name: [REDACTED]

Title: Correspondent, Izvestia, Moscow

[REDACTED] believes that corruption in Russia springs from three sources: (1) the mentality and attitudes of the population, which accepts and tolerates corruption as revenge against the state for its own abuses; (2) the collapse of communism; (3) harsh economic conditions. These attitudes and conditions will take 10-15 years to change.

Organized crime, closely linked to the CPSU, thrived under Brezhnev, and this was widely known by the population. The scope of organized crime has broadened with the infusion of foreign capital, formerly the preserve of the government nomenklatura. Gorbachev

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unwittingly boosted organized criminal activity by instituting an anti-alcohol campaign, swelling the ranks of bootleggers. The pecuniary attractiveness of organized criminal activity is so great that many parliamentarians and government officials are involved.

There is nothing to stop them. Though Russia passed a law on public service, the measure did not include enforcement provisions. Politicians will not police themselves: it is just too costly to their personal finances.

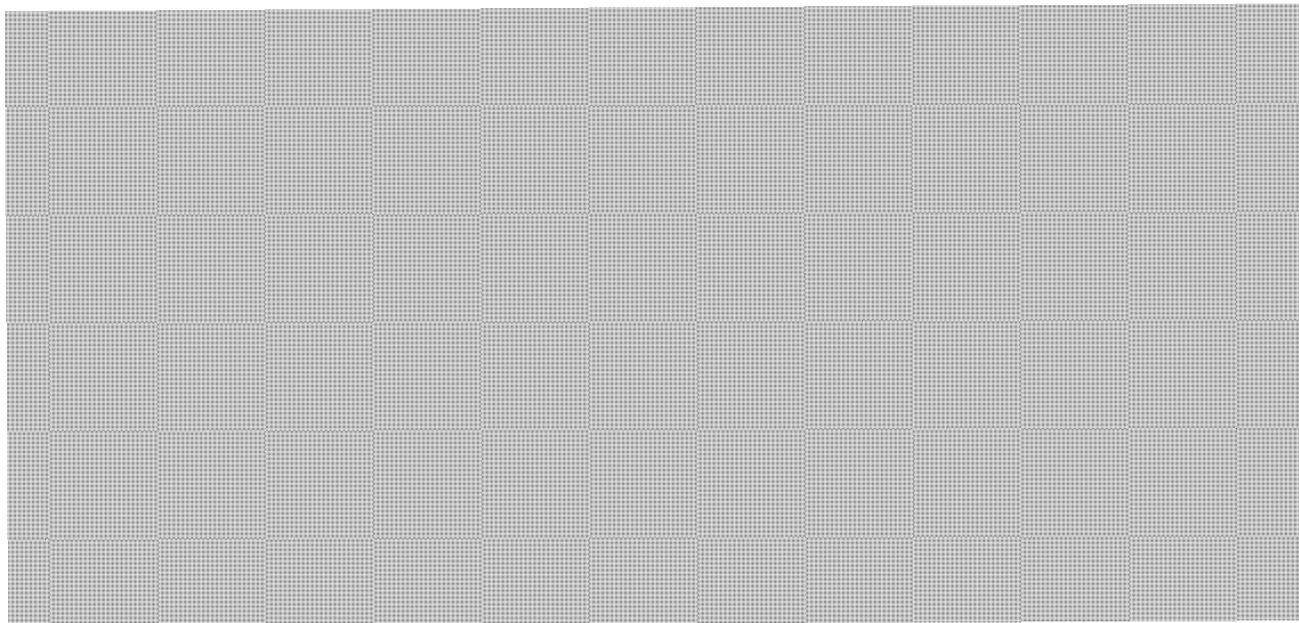
Police morale is low (for reasons) of low pay (though police are paid twice the salaries of professors, for instance). The MVD remains thoroughly corrupted. The Ministry of Security, though less experienced in anti-corruption work, operates under better material conditions and is seen (still) as more reliable and professional.

The police and security agencies operate in a legal void, where illegal acts are not regulated. For instance, the Russian government decided to buy personal computers from the West (at market rates) and then resell them to a Russian company (A) to encourage modernization. The resale in Russia was for rubles (thus much below real market value). No sooner had Company A received the computers than its directors founded a new computer company (B) which quickly bought the personal computers for rubles. Company B, however, resold the computers for hard currency, the profits of which were pocketed by the directors. Technically, all these transactions were legal.

Comment

Based on this story, I asked participants about what kind of foreign assistance makes sense. Their answer: training of personnel. Money and saleable objects--from food to cars--will be scooped up by organized crime.

UKRAINE



[REDACTED]

The Crimea issue was solvable in that Ukraine was willing to grant considerable autonomy to the region. In the Moldova conflict, Ukraine does not support the Dniester Republic, because this could provoke Romania to challenge Ukrainian control of Bukovina. The US Rand Corporation would be arriving in Ukraine shortly to conduct seminars on civil-military relations.

[REDACTED]

Comment:

[REDACTED] spoke with authority and perceptiveness. He introduced me to Nicholas Kravtsev, a retired US 3-star General who advises the Ukrainian government and offered to arrange more meetings for me. There was no opportunity for a substantive conversation with General Kravtsev.

(2)

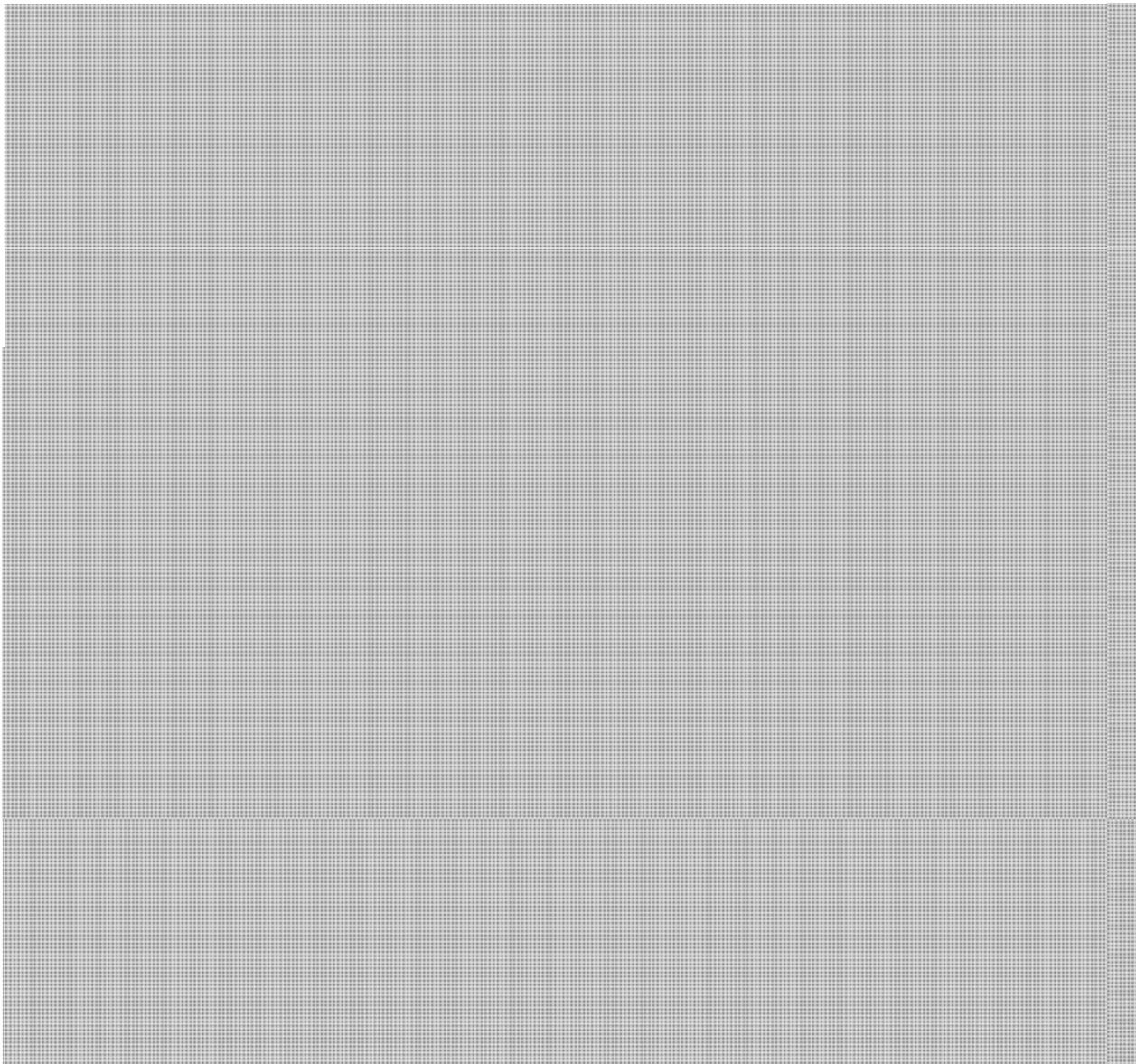
Names and Titles

[REDACTED]

The one or two police officials who battled against organized crime in the early 80s, I was told had left or go on to the Police Academy. There is widespread corruption in the militia; the honest police are depressed by low pay and an unresponsive legal system. Officials of the organized crime branch of the SBU reported that their group, numbering 100, was short of cars (1 car for 5 officers) and gasoline (40 km/day limit of travel).

Under communism, some journalists and police officials spoke for the public interest as regards corruption; this is no longer happening. The so-called district control commissions are thoroughly corrupted. The current regulations which bind the police--in which the Procurator General has to authorize wiretaps, following authorization by local Procurators--is making effective investigation impossible. Additionally, Ukraine has no witness protection law.

According to those interviewed, Mafia groups in Ukraine, which are divided into those with ethnic links (Assyrians, Caucasians, Chechens, Osettians, Azeris, Slavs etc.) and those with regional Ukrainian links, are branching out into new areas. One Assyrian mafia leader is now residing in Iraq. The armed forces are experiencing theft of all types of weaponry, technical equipment, even tanks. Since 1987, when organized crime expanded its operations, a clan war had been going on, with killings each year.



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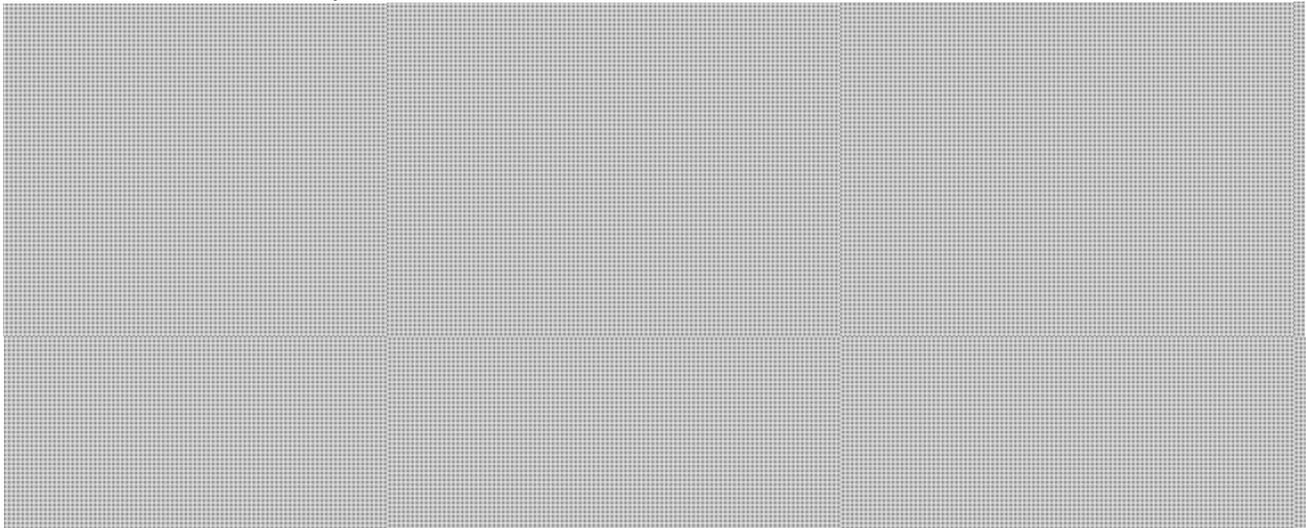
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Comment:

██████████ is a well-informed and perceptive journalist, who is well-connected with the Ukrainian security and police apparatus. ██████████ possesses good analytical skills as well. The SBU anti-corruption unit is eager to establish contact with parallel Canadian institutions.



██████████ over the next six months the key battle will be over the constitution: Does Ukraine want a strong Presidency as laid out in the proposed document? It should; otherwise instability will result. Furthermore, the Ukraine will hold Parliamentary elections and, should Rukh leader V. Chornovil win more Parliamentary support, stagnation will result. On the economy: Kravchuk favours slow but steady progress and he will ultimately surpass the Russians in successful reform.

Ukrainians worry about relations with Russia since the Russians seem to want a stronger CIS, the Ukrainians a weaker one; nationalists, such as Sergei Stankevich seem to be on the rise and cooperating with the powerful Volsky industrialists group.

Comment:

Krawchenko is a well informed, if stalwart supporter and defender of President Kravchuk.

(4)

Name: Volodimir Hruzyn

**Title: Executive Director, International Renaissance Foundation, Subsidiary of the
SOROS Foundation**

Mr. Hruzyn explained, the Soros Foundation is a private group founded by George Soros, an American Financier. Its goal is to encourage open societies and to this end educates and trains police, journalists, army officers. In Ukraine, it also sponsors a Council of Advisors to the Ukrainian Parliament, whose membership includes Geoffrey Howe and Marc Lalonde. The Foundation also hired American 3-star General Nicholas Kravtsev, a Vietman veteran

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and former NATO commander, and Bogdan Kwavchenko, a Canadian Political Science Professor, to work for the Ukrainian government.

Ukraine is moving glacially away from old Soviet structures; the government was unwilling to make tough decisions on closing inefficient factories, establishing a real currency. Kravchuk has authoritarian instincts. The public is depressed and looking for someone to blame--maybe Russians; they yearn for a strong leader.

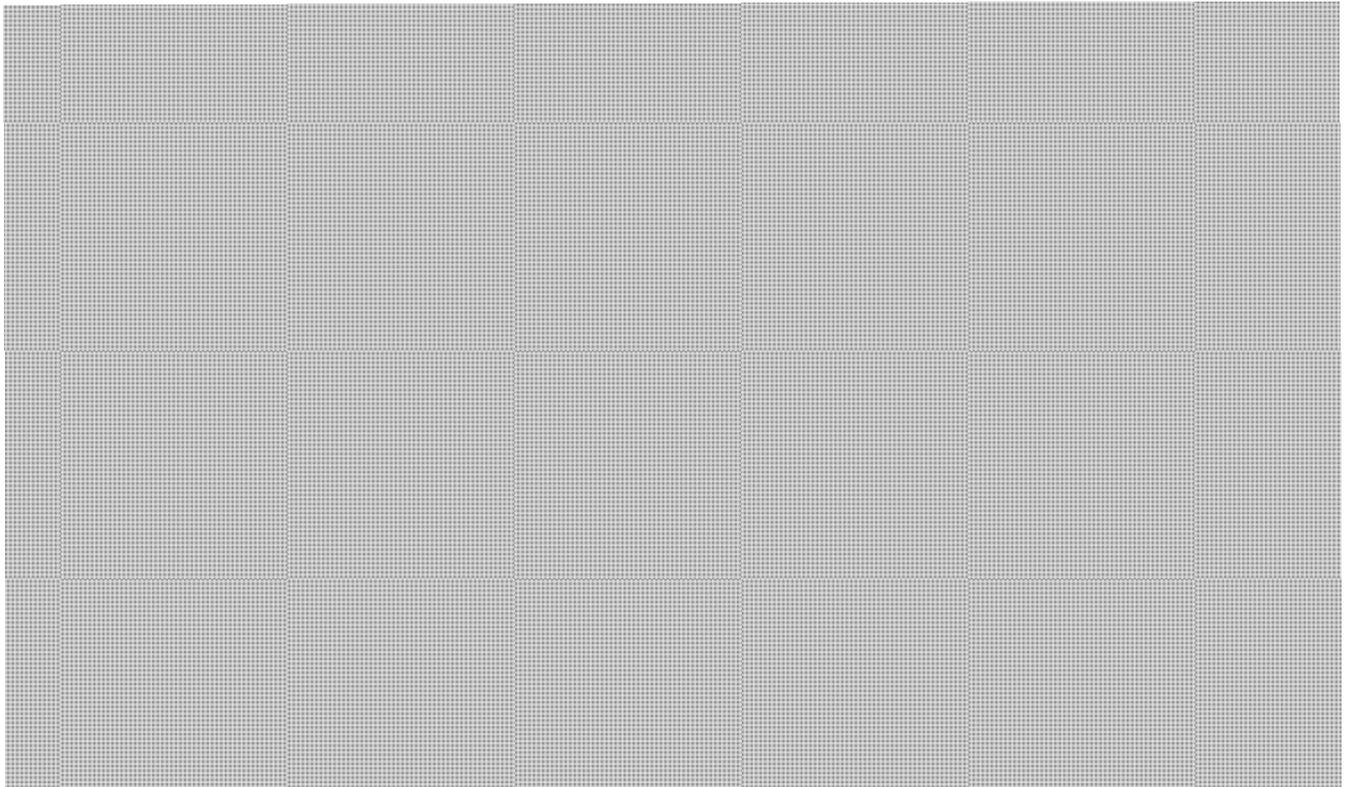
Why? The Soviet Union killed the Ukrainian elite and Ukrainian initiative, through famine, purges, and the gulag. The remaining quality Ukrainians left long ago for Moscow where three million live.

Mr. Hruzyn had hopes over the long term as Ukraine is closer to Europe than Russia, and possesses good economic potential.

Comment:

Hruzyn is a capable observer who is well-heeled and well-connected.

ROMANIA



████████████████████ Moldova and Bukovina have historically been a part of Romania; indeed, Romania sided with Germany in WWII partly to regain these territories. The

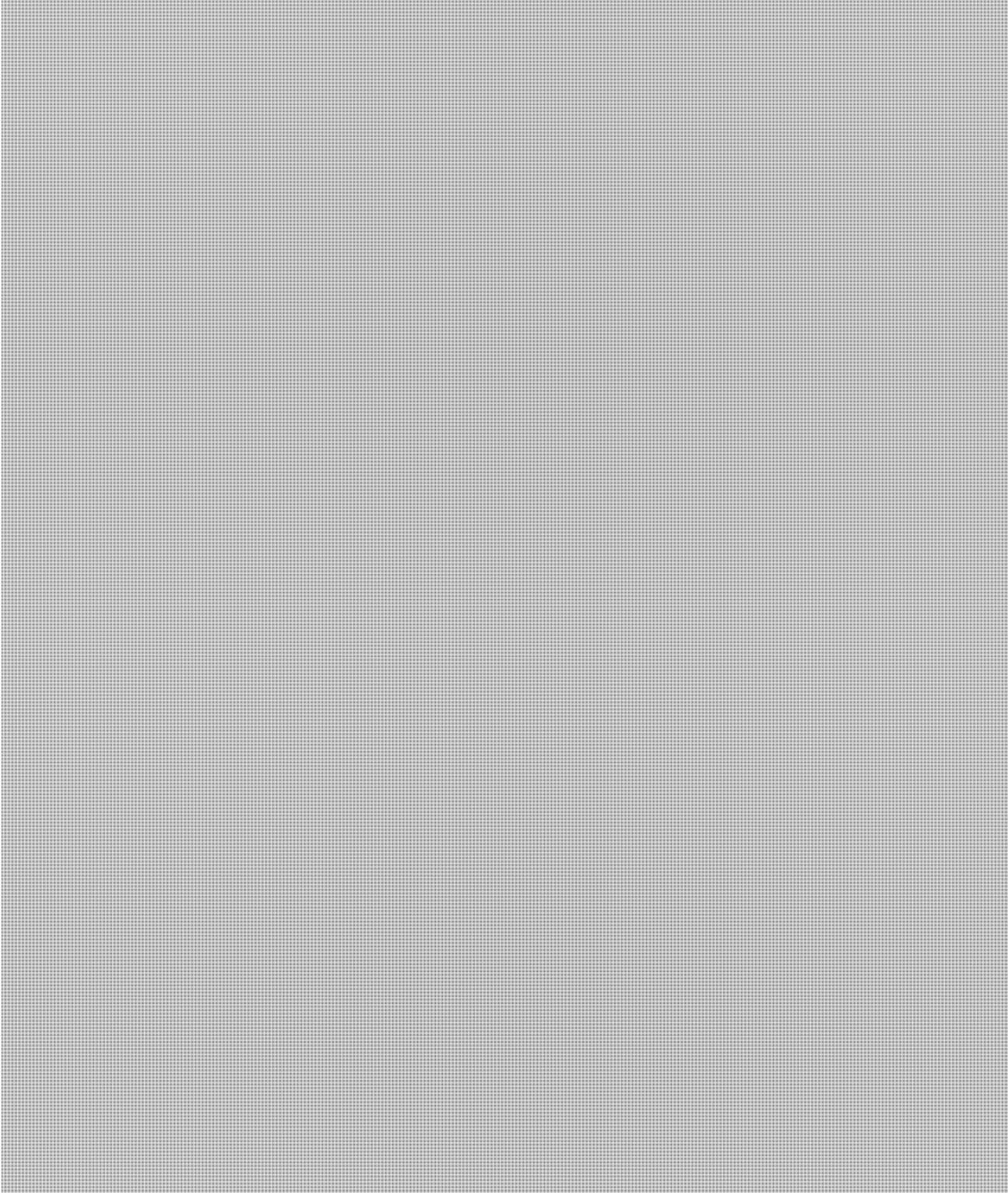
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Molotov-Ribbentrop treaty ceded these lands to the USSR, but it is now discredited; more significant is the 1947 Paris Treaty which left the borders as those agreed upon in 1940. This Treaty would allow for two independent states to develop, which states could then opt to merge, just like the two Germanies have done.



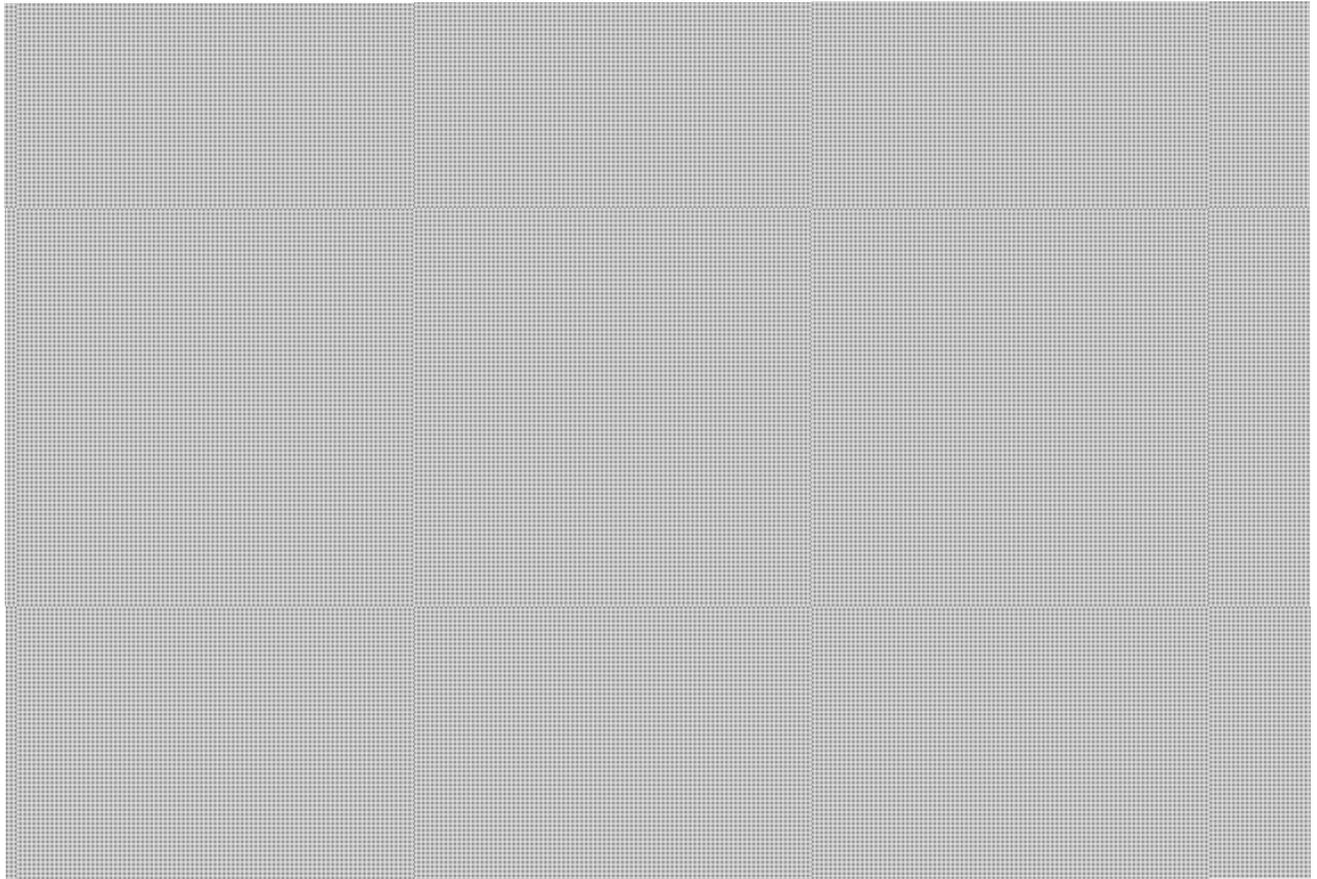
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(5)

Name: [REDACTED]

Title: Editor, Romania Libera

The political transition to real democracy will be long and complicated. [REDACTED] believed the mass media is under the influence of the government and even the few independent newspapers that exist are all heavily in debt and do not reach the countryside. Under American pressure, Romania established a second television network, but this was pure tokenism; it broadcasts innocuous programs only a few hours a day.

The opposition Democratic Convention is interested in encouraging foreign investment and allowing free market to bring Romanian prices in line with global prices. For now, however, unemployment remains artificially low because of government intervention, and some 85 per cent of factories are not profitable.

Iliescu is an ineffective, conservative leader who is instinctively tied to a command economy. He has openly stated his preference for the kolkhoz as the best mode of agriculture. He had been put in power with the assistance/blessing of the Kremlin and the KGB.

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[REDACTED]

The district council works with the Prefect; its size depends on the number of inhabitants of the down. In Iasi, there were 45 councillors who represent the National Salvation Front (FSN), the National Democratic Salvation Front (FSDN), the Democratic Convention, the Agrarian and Ecology parties. When the district council passes law, the Prefect must verify that it coincides with national legislation. The prefect cannot himself annul legislation; he refers defective measures to a judicial council which rules on them. The district council can pursue its claim with the procurator general if dissatisfied with the local judges' decision.

At first, there were many conflicts between the district council and the Prefect; lately, the council consults with the prefect before taking decisions.

On an issue like land reform, the Iasi council took the matter up with the district's parliamentary representatives, but did not have success. Foreign investment was essential. Iasi had good potential for production of food, antibiotics, synthetic fibres--but to compete internationally, it needed foreign money. Investors must be given loan guarantees.

[REDACTED]

[REDACTED] the Romanian "revolution" of 1989 has allowed for free speech and this is positive; but little else has improved. Europe generally is in trouble; Nazism is raising its head in Germany and France. Romania is constantly belittled and insulted by Hungary. Because of geographic propinquity, Romania must maintain good relations with Russia.

[REDACTED] argued that America is the great international evil-doer. Its pro-democratic intrusions into Europe have re-created 1914. America is hypocritical: it wages genocide in the Gulf and yet criticizes Serbia for defending its interests. Romania does not need the American Most Favoured Nation treatment: this is just another trick to exploit Romanians. How dare Americans criticize Romania for having so many soldiers on the streets: look at what happened in Los Angeles.

Another enemy are the "internationalist" Romanians who wish to be "doormats" for Hungarians and Americans.

Comment:

[REDACTED] is an excellent example of a nationalist ideologue whose objective is to rally the nation by stirring up hatred of other peoples.

[REDACTED]

Moldova is a small state which is weak economically (80 per cent of its enterprises are in the TransDneister Republic) and needs a larger ally. Most Moldovans would prefer Romania to Russia, and Romania has already provided economic and military assistance.

But Russia is coercing Moldova with the TransDniester threat and the Ukraine, initially neutral, is now siding with the Russians having resolved the Crimea and Black Sea Fleet disputes. So it is unlikely that Moldova and Romania will merge in the near future.

[REDACTED]

[REDACTED] A quarter of the Moldovan population is Russian/Ukrainian and is wary of independence. Moldova suffers from a weak economy, dependent on trade with other former Soviet republics. What would be best in these conditions is for Moldova to negotiate a special status in the CIS--like France's status within NATO.

A clear decision in favour of the CIS or Romania could lead to (renewed) civil war within Moldova. Perhaps over time a lawfully conducted population exchange could occur to ease the situation.

Russia has supported the TransDniester insurgents and is pressuring Russia to ratify the CIS accord.

[REDACTED]

[REDACTED] that the Democratic Convention is a loose coalition of groups, generally committed to social democracy and liberalism. The coalition could easily split after the Romanian elections. One point of tension is between the Civil Alliance Party, which favour granting land to those who are most productive, and the Peasant Party, which wants to return land to its original owners or their descendants. The Romanian state continues to own 85% of all property; tough privatization decisions must be made.

The Democratic Convention favours the firm establishment of property rights; lowering of taxes; building up infrastructure for commerce, transportation, roads, communications.

Iliescu opposes reform, but may be pushed into it by Parliament. On his side, he has the TV and radio, the intelligence services and the Council of Defence.

The Civic Alliance is the "brains trust" of the Democratic Convention; as such, its ideas will be more influential from its numbers.

Russia will not change without internal conflict. Yeltsin is not a Western-type leader; he does not understand how a market economy works, and harbours a communist mindset, even though he had formally abandoned communism. Russia should reform by sector; it should establish free trade zones. Shock therapy will fail.

(11)

Name: Marian Constantinescu

Title: Vice President, Ecological Movement of Romania

Mr. Constantinescu said that the Romanian Ecological Movement is an issue-specific group that can work with any government that is formed. Thus far, its point of view is best represented locally, where several mayors and many city councils are in the hands of the greens.

Romania has been slow to move on installing pollution-reducing devices in industry because of the cost involved; this is why responsible foreign investors are so needed.

The greens do not favour nuclear power, but understand that it is vital for Romanian industry. They are happy with the Canadian-built reactors in safety terms, but worried about the poorly-built, Soviet-style Bulgarian and Czech nuclear reactors near Romania's borders.

Romanian greens differ from Western European greens: The westerners are anti-capitalism, anti-industry. In addition, the Westerners want to impose crippling taxes on anyone who drives an Eastern-built car into Western Europe, thereby establishing a new Berlin Wall.