

# Commercial Update

A publication of the U.S. Department of Commerce, International Trade Administration, Central and Eastern Europe Business Information Center in cooperation with the U.S. Agency for International Development

April/May 2001

## CEEBIC Launches EU Accession Section of CEEBICnet

The Central and Eastern Europe Business Information Center (CEEBIC) recently launched a new section of its Web site, CEEBICnet. This new section focuses on the European Union (EU) accession process currently underway in Central and Eastern Europe and its impact on U.S. commercial activity in the region.

There are currently 10 countries in Central and Eastern Europe (CEE) negotiating to enter to the European Union (EU): Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Romania, and Bulgaria. The highly intensive and complex EU accession process has shaped various aspects of the accession countries' transition to a market economy and the development of their commercial rules and regulations.

As part of the accession process, these countries are required to adopt the *acquis communautaire*, the common

body of law in the European Union. CEE countries also have entered into bilateral agreements with the EU in areas such as industrial and agricultural tariffs and standards and certification procedures. These bilateral agreements can affect the competitiveness of U.S. exports to CEE countries. EU accession also affects areas as wide-ranging as government procurement, duty drawback policies, and intellectual property rights.

U.S. companies can now turn to CEEBICnet for the latest information on the complex accession process. Subsections of the EU accession Web page include: (1) milestones in the EU access process; (2) accession criteria; (3) candidates progress in EU negotiations; (4) the European Monetary Union; (5) EU sources of funding; (6) opportunities for U.S. companies as result of EU accession; and (7) challenges for U.S. companies as a result of EU accession. This new section of CEEBICnet can be accessed at [www.mac.doc.gov/eebic/euaccession.htm](http://www.mac.doc.gov/eebic/euaccession.htm).

## U.S. Ambassador and Slovak Deputy P.M. Tour U.S.

The U.S. ambassador to the Slovak Republic, Carl Spielvogel and Slovak Deputy Prime Minister for Economy, Ivan Miklos recently visited four cities in the United States to promote U.S. exports and investment in Slovakia. Representatives of the U.S. Department of Commerce and officials of the Slovak government accompanied the ambassador and the deputy prime minister on the tour.

The tour kicked off in New York on February 26 with Inwest Forum, an investment conference focused on investment opportunities in Czech Republic, Hungary, Poland, and Slovakia. The conference brought together senior representatives from the four Central European governments and featured an address by former Secretary of the Treasury Robert Rubin and remarks from Ambassador Spielvogel and U.S. Ambassador to Hungary, Peter Tufo. Over 300 U.S. companies attended the day-

long seminar. To learn more about investment opportunities and incentive programs in Central Europe, go to the web sites of the foreign investment promotion agencies for Czech Republic ([www.czechinvest.org](http://www.czechinvest.org)), Hungary ([www.itd.hu](http://www.itd.hu)), Poland ([www.paiz.pl](http://www.paiz.pl)), and Slovakia ([www.sario.sk](http://www.sario.sk)). CEEBIC trade specialist are also available to assist companies seeking to make investments in Central Europe. To speak to a CEEBIC trade specialist, call (202) 482-2645 or e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov).

On Tuesday, February 27, the Business Council for International Understanding (BCIU) organized a breakfast

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# Eye on Southeast Europe

*Mr. Cristian Colteanu, Secretary of State with the Foreign Trade Department of the Romanian Foreign Affairs Ministry, speaks exclusively with Commercial Update about the opportunities and challenges of the Romanian market.*

**The Department for Foreign Trade and Economic Promotion has been established under the Ministry of Foreign Affairs. What are your department's top priorities for 2001 and what performance benchmarks have you established?**

Foreign trade activities and international economic cooperation, strong exports, and increased foreign direct investments are top priorities already outlined both in Romania's medium-term national strategy for economic development and in the government's program for 2001–2004.

In order to meet these priorities, Romania will be an active player in the global and regional processes relevant for the international trade system; continue to improve the legal framework for economic relations; boost its exports; consolidate trade measures to protect local producers' interests; improve the business environment and the investment climate; and promote Romanian enterprises' interests abroad. At the same time, we will identify new foreign markets and regain former traditional markets for Romanian goods. We will also make concerted aggressive efforts to attract foreign direct investment, technology, and know-how.

We forecast \$11.2 billion in exports this year – a 6 percent increase compared to 2000. Romania will focus on export goods such as: furniture, apparel, footwear, ships, fertilizers, electric and drilling equipment, machine tools, etc. In order to reduce the negative trade balance, we forecast a slower import rate. Most of our imports will be investment related – necessary to upgrade the production capacity. These types of imports, together with production related imports, will account for 85 percent of the total imports' volume. In this context, we consider our trade relations with the United States. are extremely important.

**Romania's government has set ambitious targets regarding foreign direct investment (FDI). What steps will you take to reach these targets?**

Attracting foreign direct investment is key to re-launching the Romanian economy and meeting the conditions for Romania's integration into Euro-Atlantic structures and for EU accession. The national strategy for economic development forecasts a total volume of \$1.8 billion in FDI through 2004. The government understands that foreign investors are looking for a favorable investment environment based on stable, transparent, and predictable legislation.

We are currently coordinating our efforts with the Economic Ministry in Romania to determine which strategic sectors would attract FDI and to make proposals that will eliminate any obstacles foreign investors may face regarding legislation, accounting, banking and financial services, and so on. During the first quarter of this year, we want to make an inventory of the running investment projects, and those projects that have been

blocked or delayed. Foreign investors will be able to access information databases made available on the Internet

For the next stage, we will establish an annual portfolio of priority investments that will attract major foreign investors. We will also set up a mechanism that will pool investments from the public and private sectors. It is important to establish a national network to facilitate cooperation between the private and public sectors and among regions. A special one-stop-office under the direct oversight of the prime minister will facilitate the foreign investors' access to top-level decision makers. We are also considering measures to stimulate foreign investors' interest for depressed zones, free trade zones, regional development, and technological parks; such measures will also include fiscal incentives.

**What measures will the government take in order to improve the investment climate?**

We will focus on solving problems connected with inventories and accounts receivables as registered collaterals for bank loans; accounting regulations for companies with limited liability – in order to become relevant for investors; the international accounting standards; inventory evaluation; fiscal issues – to name only a few.

We think that a speedy solution to these problems will have a positive effect on the business environment and contribute to an increase in foreign investments in Romania.

**Which economic sectors could become extremely attractive for the foreign investors?**

Tourism, SMEs, environmental protection, public works, housing, information technology, oil, the light industry, the food industry and agriculture, among others, show great potential.

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**Want to learn more about commercial opportunities in Romania?**

**Check out this month's special Romania Supplement.**

**Go to pages 7 – 11.**

# Evolving Product Standards in Central Europe

by Laurie Molnar, Central and Eastern Europe Division, Market Access and Compliance

The 10 Central and Eastern European (CEE) countries negotiating to enter the European Union (EU) have undertaken a massive effort to harmonize their standards, technical regulations, and certification procedures with those of the EU. In the long run, this will result in region-wide homogeneity in technical regulations. Once harmonization is complete, U.S. exporters will no longer have to navigate through often less-than-transparent certification procedures to demonstrate conformity with the different national standards of each CEE country. Harmonization may benefit U.S. companies that already export to the European Union, are experienced in complying with EU standards, and do not find those standards onerous.

However, in the interim before harmonization is complete and CEE countries become full members of the EU, U.S. exporters will find the standards area very much in flux. There are increasingly few purely "national" standards as CEE countries adopt European and international standards in their technical regulations. Among the CEE countries most advanced in these efforts is the Czech Republic, which has harmonized more than 90 percent of its standards and technical regulations with those of the EU (particularly, those relating to the health and safety of persons, property, and the environment). In some cases, CEE countries are designating new notified bodies authorized to undertake CE mark product testing and certification.

## EU Signs Bilateral Standards Agreements with Czech Republic and Hungary

A major development in the standards area took place on Feb. 26, 2001: the EU signed unilateral recognition agreements with Hungary and the Czech Republic, called the Protocol to the Europe Agreement on Conformity Assessment and Acceptance of Industrial Products, or PECA agreements. These agreements are intended to facilitate trade between the EU and these countries. As part of the PECA agreements, the signatories agree to mutually recognize one another's conformity assessment procedures. The PECA agreements will go into effect once they are ratified by the Czech and Hungarian governments and published in their official gazettes (expected June 2001). The EU is also discussing bilateral PECA agreements with Poland, Slovakia, Slovenia, Estonia, and Latvia, and soon may launch discussions on PECA agreements with Bulgaria and Romania.

The basic purpose of the PECA agreements is to enable certain products to enter the CEE markets and, vice versa,

for Czech and Hungarian products to enter the EU without additional testing to demonstrate their conformity with standards. PECA-covered products are exempt from further testing if they meet two criteria:

1. They have a CE mark.
2. They fulfill EU country-of-origin requirements or originate in the European Union.

This second criterion will likely create a comparative advantage for EU exporters over U.S. exporters. It appears that while an EU-origin product with a CE mark on it will be able to enter CEE markets without additional testing, the same U.S. product with the same CE mark will have to undergo testing in the CEE countries to demonstrate its conformity with EU standards.

Fortunately, some exceptions do exist, which will mitigate the negative effects of the PECA agreements. U.S. exporters of products such as those covered by the EU's machinery, electrical safety, and electromagnetic compatibility directives will be able to put their products onto the Hungarian and Czech markets if the manufacturer self-certifies that the product is in conformity with the applicable EU directives. U.S. products covered by these EU directives will be treated the same as products from the EU. Additional testing will not be required for these U.S. products if the manufacturer affixes the CE mark on the

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## Central and Eastern European Commercial Update

The *Central and Eastern European Commercial Update* is produced by the Central and Eastern Europe Business Information Center (CEEBIC). For more information, or to subscribe, contact CEEBIC at: tel: (202) 482-2645, fax: (202) 482-3898, or e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov).

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## Central and Eastern Europe Commercial Opportunities

### **Bulgaria**

Swejest is a Bulgarian firm with 30 years experience in providing dry cleaning and laundry services. It employs 60 people. Last year its total sales reached \$500,000. It is currently planning to expand its facilities and is seeking U.S. suppliers of dry cleaning equipment.

Contact: Mr. Dimitar Danev  
Executive Director  
Swejest  
10 Ivan Jochev St.  
1510 Sofia  
Bulgaria  
Tel: (359-2) 470-7205  
Fax: (359-2) 470-7013  
E-mail: [danev@interbge.com](mailto:danev@interbge.com)

*Submitted by Georgi Peev, CEEBIC trade specialist, Bulgaria*

### **Croatia**

The Varzadin County Chamber of Commerce in Croatia is acting as an agent to find a joint-venture partner for several local companies seeking to manufacture medium density fireboards (MDF) in a free trade zone near Varzadin. The land for the facility has already been allocated. The amount of the investment being sought is \$20 million. According to current estimates, the facility would employ 100 workers and would almost immediately realize a total annual sales equal to that of the total investment. The local partner companies would also act as customers and are willing to sign agreements with the joint-venture partner.

Contact: Mr. Cedomil Cesarec  
Varazdin County Chamber of Commerce  
Tel: (385-42) 320-469  
E-mail: [ccesared@hgk.hr](mailto:ccesared@hgk.hr)

*Submitted by Miroslav Nikolac, CEEBIC trade specialist, Croatia*

### **FYR Macedonia**

Mikron, a Macedonian manufacturer of home appliances and electrical equipment is seeking a U.S. joint-venture partner and U.S. technology to help it expand its operation. Mikron has been in business for over 40 years and currently employs 355 people. Last year, total turnover was \$2.3 million. Over 86 percent of total production is exported to Germany, Italy, Romania, Turkey, Russia, Yugoslavia, Egypt, Poland, and Bulgaria.

Contact: Mr. Zlatko Boceski  
General Manager  
Mikron  
Krusevsko Dzade bb  
Prilep, Macedonia 97500  
Tel: (389-98) 22-240  
Fax: (389-98) 24-620  
E-mail: [mikron@mt.net.mk](mailto:mikron@mt.net.mk)

*Submitted by Arben Gega, CEEBIC trade specialist, FYR Macedonia*

### **Slovakia**

Tesla Stropkov is a private company with 1,100 employees. It was established in 1960. The company produces telecommunication equipment and telephones for homes, hospitals, and businesses. It also manufactures a variety of plastic products, locking mechanisms, and other medical products. Last year annual sales were \$8.2 million. The company exports to the Czech Republic, Germany, Hungary, Poland, Bulgaria, and Russia. Tesla Stropkov is ISO 9001 certified and is in the process of obtaining its VDA 6.1 and QS 9000 certifications. It is seeking a U.S. joint-venture partner to help it expand its operations.

Contact: Mr. Michal Kopcik  
Marketing Manager  
Tesla Stropkov  
Hviezdoslavova 37/46  
091 12 Stropkov  
Slovakia  
Tel: (421-938) 718-1001

*Submitted by Pavol Matusek, CEEBIC trade specialist, Slovakia*

### **Slovenia**

Magus-R is a small wholesale importer of textiles and sporting goods. It was established in 1996 and currently employs five people. It is seeking to import cotton T-shirts from the United States. The quantity needed is between 30,000 to 100,000 units.

Contact: Mr. Tamaz Mehle  
General Manager  
Litijska 47  
Ljubljana, Slovenia 1000  
Tel: (386-41) 626-293  
Fax: (386-15) 423-823

*Submitted by Marko Mlakar, CEEBIC trade specialist, Slovenia*

## Ambassador Tour

(Continued from page 1)

briefing hosted by the U.S. pharmaceutical company, Pfizer, and attended by representatives of Philip Morris and Citibank. The deputy prime minister discussed the Slovak government's commitment to responsible fiscal policy and attracting foreign investment. As part of that commitment, the government has developed a new set of investment incentives that include a 10-year tax holiday. It has also established SARIO, a new government agency designed to act as one-stop shop for foreign investors in Slovakia. To learn more about the Slovak government's fiscal policy, go to [www.government.sk/miklos](http://www.government.sk/miklos). To learn more about SARIO, go to [www.sario.sk](http://www.sario.sk).

After the breakfast, the delegation traveled to Pittsburgh, Pennsylvania, where they visited U.S. Steel, the company which recently made the single largest foreign investment in Slovak history when it acquired VSZ Steel in Kosice, Slovakia. The next morning, the state of Pennsylvania hosted a briefing for Pennsylvania energy companies. To learn more about the Slovak energy sector, go to the U.S. Department of Energy country profile for Slovakia at [www.fe.doe.gov/international/slvkover.html](http://www.fe.doe.gov/international/slvkover.html).

The third stop on the four-city tour was Cleveland, Ohio. Ambassador Spielvogel and Deputy Prime Minister Miklos spoke at a business luncheon organized by the *Cleveland Plain Dealer*. The final stop on the tour of the United States was St. Louis, Missouri. The delegation's visit to St. Louis was organized by Missouri's, Department of Economic Development and was a follow-up to a trade mission that the state of Missouri conducted in Slovakia in 2000. The day included meetings with Emerson Electric and Boeing.

U.S. companies seeking to do business in Slovakia should contact Michael Rogers, CEEBIC trade specialist for Slovakia at (202) 482-2645 or Joe Kaeshaffer, senior commercial officer, U.S. Embassy Bratislava at (421-7) 5296-1079.

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### American Catalog Show in Albania

July 18–19 2001

The catalog show is a cost-effective way for U.S. companies to advertise their products to Albanian companies. U.S. companies submit materials to the U.S. embassy in Tirana, which will promote their products at the show. The show will focus on furniture, construction materials and technology, and processing equipment. To learn more about the show, contact CEEBIC at tel. (202) 482-2645.

## Calendar of Events



### May

**5/22** CEEBIC Business Briefing: Czech Republic Your High Speed Connection to Central and Eastern Europe, Washington, DC

Contact: Andrea Lupo, CEEBIC trade specialist, tel. (202) 482-2645, fax (202) 482-3898, or e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov)

**5/22 – 5/23** Investment Opportunities in Croatia, Zagreb, Croatia

Contact: Silvia Savich, CEEBIC trade specialist tel. (202) 482-2645, fax (202) 482-3898, or e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov)

### July

**7/18 – 7/19** American Catalog Show in Albania, Tirana, Albania

Contact: Jennifer Gothard, CEEBIC trade specialist, tel. (202) 482-2645, fax (202) 482-3898, or e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov). (Materials must be mailed by June 8, 2001).

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### Investment Opportunities in Croatia

*Sponsored by the Overseas Private Investment Corporation (OPIC) and the U.S. Department of Commerce in cooperation with the Ministry of Economy of the Republic of Croatia*

**May 23 – 24, 2001**

**Hotel Inter-Continental  
Zagreb, Croatia**

This two-day conference will allow U.S. companies to hear first-hand from Croatian and U.S. government officials, international financial institutions, and Croatian companies about investment opportunities in Croatia. U.S. companies will also have the opportunity to meet one-on-one with potential Croatian partners.

For more information, contact Silvia Savich at tel.: (202) 482-2645, fax (202) 482-3898, or e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov).

## Product Standards (Continued from page 3)

product, signs a declaration of conformity, and prepares an accompanying technical file.

The PECA agreements will have other important implications for U.S. exporters: For PECA-covered products, U.S. exporters to Hungary and the Czech Republic will be required to demonstrate conformity with the EU's "New Approach" directives. (In some cases, these directives were already in place before the PECAs); U.S. companies will need to obtain CE marks by conformity assessment bodies in these countries for many PECA-covered products to demonstrate their conformity with EU directives. (See the charts on page 7 to see what products the PECA agreements cover at present. More products will likely be added in the future as harmonization efforts are completed.) Contact information for Czech conformity assessment bodies can be found at [www.unmz.cz](http://www.unmz.cz). The Czech and Hungarian governments soon will announce which conformity assessment bodies will be designated for PECA-covered products. CEEBICnet will post this

### The CE Mark: Your Product's Passport to the European Union

The *Conformité Européene*, or CE mark, is a "passport" that allows manufacturers to circulate industrial products freely within the internal market of the EU. The CE mark signifies that the products have met the health, safety, and environmental requirements required by the EU's "New Approach" directives. (For more information, see "CE Mark Questions and Answers" on CEEBICnet at [www.mac.doc.gov/eebic/euAccession.htm](http://www.mac.doc.gov/eebic/euAccession.htm) under "Challenges for US Companies/Standards") To speak with a Commerce Department representative about obtaining a CE mark, contact: Mr. Robert Straetz, Office of the European Union and Regional Affairs, tel: (202) 482-4496; fax: (202) 482-2897.

### The EU's New Approach Directives

The European Union's (EU) "new approach" directives deal with large families of products such as machinery, gas appliances, pressure equipment, toys, and construction products, or horizontal risks such as those addressed in the EU's Electromagnetic Compatibility Directive. The directives consist of broad, essential health and safety requirements that products must meet. For more information on EU "New Approach" directives, their requirements, what products they cover, and the technical details regarding meeting health and safety requirements, see: [www.newapproach.org/directiveList.asp](http://www.newapproach.org/directiveList.asp)

information once it becomes available.

U.S. exporters should be aware that significant changes are underway in the standards and certification procedures throughout Central and Eastern Europe. Exporters can consult CEEBICnet for updates on information and work with the Department of Commerce's Market Access and Compliance Division (MAC) and the Foreign Commercial Service in CEE countries to navigate through the changing rules.

#### Contacts:

**United States:** Ms. Laurie Molnar, desk officer or Ms. Melissa Wilson, desk officer, Market Access and Compliance (MAC) Central and Eastern Europe Division; tel.: (202) 482-4915; fax: (202) 482-4505.

**Czech Republic:** Ms. Judy Ebner, commercial attache or Jana Ruckerova, commercial specialist, U.S. and Foreign Commercial Service, U.S. Embassy Prague; tel.: (420-2) 5753-1162; fax: (420-2) 5753-1165.

**Hungary:** Mr. Scott Bozek, senior commercial officer, Ms. Pamela Ward, commercial attache, or Kinga Svastics, commercial specialist, U.S. and Foreign Commercial Service, U.S. Embassy Budapest; tel: (36-1) 475-4236; option 5; fax: (36-1) 475-4676.

## Standards and Certification Requirements for U.S. Products Entering Hungary

Product Category*	Requirements	Method**
<b>PECA (hot water boilers, gas appliances, good manufacturing practices for pharmaceuticals, good laboratory practices for pharmaceuticals, and medical devices)*</b>	Conformity with relevant EU objectives.	Testing and issuance of CE mark by Hungarian-notified body for that product.
<b>PECA (machinery, electrical safety, electromagnetic compatibility)</b>	Conformity with relevant EU directives	Manufacturers self-certification: affix CE mark; prepare declaration of conformity and technical file.
<b>Other (products not covered by PECA)</b>	Conformity with Hungarian national standards.	Product testing and certification.

## Standards and Certification Requirements for U.S. Products Entering the Czech Republic

Product Category*	Requirements	Method**
<b>PECA (hot water boilers, gas appliances, good manufacturing practices for pharmaceuticals, good laboratory practices for pharmaceuticals, and medical devices. personal protective, equipment, pressure equipment, and protective systems for use in potentially explosive atmospheres.</b>	Conformity with relevant EU objectives.	Testing and issuance of CE mark by Czech-notified body for that product.
<b>PECA (machinery, electrical safety, electromagnetic compatibility)</b>	Conformity with relevant EU directives	Manufacturers self-certification: affix CE mark; prepare declaration of conformity and technical file.
<b>Other (products not covered by PECA)</b>	Conformity with Czech national standards.	Product testing and certification.

\*Product categories refer to EU "new approach" directives.

\*\*In Hungary and the Czech Republic, medical equipment must also be registered with the relevant authorities. See Commercial Service report on certification of medical equipment in Hungary at [www.mac.doc.gov/eebic/countryr/hungary/market1.htm](http://www.mac.doc.gov/eebic/countryr/hungary/market1.htm); for the Czech Republic at [www.mac.doc.gov/eebic/countryr/czechr/market.htm](http://www.mac.doc.gov/eebic/countryr/czechr/market.htm).

# Special Feature: Romania

This *Special Feature:Romania* is a new section that will appear periodically in *Commercial Update*. It is designed to keep U.S. businesses aware of developments in the Romanian market. In addition to investment, export and business opportunities, it will feature articles on industry sectors with competitive advantage for Romania, legislative updates, and information on trade regulations and customs. The *Special Feature* will also monitor the progress made toward the improvement of the business and investment environment. If you have specific questions, suggestions, or comments, please contact the *Special Feature* coordinator and international trade specialist for Romania, Cristina I. Marine, at tel. (202)-482-3462, fax (202) 482-3898.

## Romania – Growth Trends Likely to Continue in 2001

by *Cristina Marine, international trade specialist, CEEBIC*

Romania's overall performance has improved in 2000, with economic indicators showing positive growth after three consecutive years of decline. According to data in a January 2001 report, Romania's GDP increased by 2.2 percent last year, to \$36 billion. Industrial output grew by over 8 percent in 2000 as a result of increased exports, industrial restructuring, and more privatizations. However, the annual average inflation rate was 45.7 percent, way above the targeted rate of 27 percent. The year-end inflation target was overshot as a result of a number of tax and utility tariff increases, the impact of the worst drought in 50 years, higher oil prices, and the nominal depreciation of the leu, the domestic currency. Unemployment fell from 12.2 percent to 10.3 percent at the end of 2000.

Exports for the first 11 months of 2000 stood at \$9.52 billion, a year-on-year increase of 23.4 percent increase, while imports reached \$11.51 billion, mainly responding to the need for more industrial inputs. The resulting trade deficit of \$1.98 billion through November was higher than the deficit of 1999 for the same period. Among Romania's most important exports were textiles, metallurgical products, electrical machinery and equipment, and footwear. Imports of machinery and electrical equipment rose 16.6 percent in the first eight months of 2000; increased imports of capital equipment were the result of accelerated enterprise investment; imports of textiles were up 11.7 percent, as raw materials and intermediate goods were needed for the textiles and clothing sector.

Romania has been trading with the European Union (EU) countries, the member countries of the Central Europe Free Trade Agreement (CEFTA), the Organization of Petroleum Exporting Countries (OPEC), as well as the United States. While the EU is Romania's most important trading partner (63.6 percent of total exports and 57.2 percent of total imports), trade with Central and Eastern European countries, including the Former Republic of Yugoslavia, Russia, Ukraine, and Moldova, increased in 2000.

As of January 2001, Romania cut import duties by 80 percent for industrial goods from the European Union, European Free Trade

Agreement (EFTA) and CEFTA countries, Turkey, and Moldova.

Experts agree that the positive macroeconomic trends of 2000 will continue this year, with an official GDP growth forecast at 4.5 percent. It is expected that domestic demand will be stronger and the export-driven industrial output will continue to grow. However, since imports are likely to exceed exports, trade and current account deficits will grow in 2001. It is anticipated that policymakers will let the leu depreciate in nominal terms, thus leading to moderately higher inflation than the targeted rate, with consumer price inflation on a decreasing trend.

The International Monetary Fund (IMF) and the World Bank (WB) are promising renewed external financing if Romania stays on the course of sustained reforms. They cite a need for Romania to implement IMF-mandated credible, consistent, and public reforms. IMF funding has a direct impact on foreign lenders and credit rating agencies, as well as on both World Bank and EU funds.

The World Bank's Country Assistance Strategy (CAS) for Romania, currently available in draft on the Internet ([www.wb.org](http://www.wb.org)) makes an excellent overview of the country's decade of transition and highlights some of the lessons learned.

The World Bank seems to agree with observers who note "there is reason to believe the economic situation may improve." However, the draft CAS for Romania clearly states that economic improvement, "in line with the government's own medium- and long-term strategy," is linked to simultaneous progress in three major areas: restructuring and liquidation of the inherited, loss-making industries; accelerating private-sector growth; and implementing institutional and governance reform. The bank sees Romania's development agenda structured on five pillars: (1) promotion of economic growth; (2) institution building to strengthen the rule of law; (3) greater access to opportunity; (4) strengthening of the social safety net; (5) natural resource and environmental protection and sustainable development.

*(This article is based on public information included in PlanEcon Quarterly Report of January 19, 2001, the World Bank's Draft Country Strategy for Romania, and multiple-source press releases.)*

# Basic Transportation and Customs Facts for Romania

by Bogdan Bartolomeu, managing director, SDV-SCAC Romania<sup>1</sup>

Shipping from the United States to Romania is relatively easy, as most major international airlines and shipping lines are operating on this route. However, there are a number of issues that have to be carefully addressed before shipping the goods. Documentary requirements for goods being imported into Romania are complex. Shipments arriving without proper and/or correct documentation are not released by customs, and U.S. exporters will invariably incur additional expenses. It may be advisable to use the services of an international freight forwarder with a full service operation in Romania to avoid unnecessary costs and delays. A list of freight forwarders specializing in Central and Eastern Europe is available on CEEBICnet.

## **Airfreight** – Bucharest Otopeni Airport

The Otopeni International Airport is situated 10 miles north of the capital city of Bucharest. The airport has two main runways and can accommodate all types of aircraft. At present, it is served by all major European carriers and all of these airlines offer flights from the United States to their European hubs, where one can make a connection to Romania. Although most airlines will operate wide-body palletized aircraft upon leaving the United States, the segment from the European hub to Bucharest will be operated with short-haul narrow body aircraft, which will drastically restrict the weight and dimensions of the freight. The U.S. companies' forwarder will have to pay special attention when booking the freight in order to make sure that it can be accommodated on all the flight segments to Bucharest. Most air carriers will also show cargo flights, with flight numbers between the European gateways and Bucharest. However, U.S. companies must bear in mind that these are Road Feeder Service (RFS) numbers, which in fact indicate trucking. This type negatively affects transit time increasing it from two to three days to eight to ten days.

At present, no U.S. carrier offers direct flights to Bucharest. Some U.S. airlines will accept and transport the freight through code sharing and/or partnerships with European airlines. When using this type of operation, companies should be aware that the computer systems of some European partners will not be able to handle airway-bill numbers for U.S. carriers; it is an inconvenience that might lead to loss of freight and create difficulties in tracing shipments.

## **Ocean freight** – Port of Constantza

The Port of Constantza is one of the major ports on the Black Sea, and can accommodate vessels up to 100,000 tons. There are a number of special installations available in the port, such as an oil terminal, grain elevator, roll-on roll-off (ro-ro) facilities, bulk terminals for minerals and coal, and a container terminal.

Major shipping lines, such as Maersk-SeaL, CMA-CGM, Evergreen, Hapag Lloyd, and MSC, provide weekly container services to Constantza. From the United States, most lines will transship in one or two European ports before arriving at Constantza. Transit time from East Coast ports is between 24 and 30 days on the average. Regularity and quality of service can vary widely, and businesses are advised to consult with a freight forwarder familiar with this route.

Upon arrival at the Constantza container terminal, the importer has the option to clear customs with one of the local port customs brokers, and then either pick up the freight or arrange with a line to send the container on their own chassis to the final point of destination. This is not a recommended procedure, since customs clearance in Constantza is a rather difficult procedure requiring the presence of the importer's representative in the port. (Look for the second part of this series on customs regulations in Romania in an upcoming issue of *Commercial Update*.)

A better solution is to have the container transited from Constantza to an inland customs office close the final destination. This can be achieved by instructing your forwarder to identify the appropriate inland customs offices for your customer and request that the shipping line list as final destination that particular customs point. It is important to note that transit policies from the port of Constantza vary among shipping lines and Romanian Customs sometimes changes procedures with very short notice.

## **Intermodal** – various sea and inland freight terminals

Special cargo can also use intermodal transportation such as (a) air freight to a European airport and then trucking to final destination Romania or (b) ocean freight to major ports in Europe and then trucking to Romania. This type of operation is suitable and efficient mainly for project cargo. Each operation should be analyzed carefully, taking into consideration complex issues such as licenses, permits, and customs regulations in each of the countries transited.

<sup>1</sup> SCAC Romania is part of the European transportation group SDV.

## Romania's Communications and Information Technology Ministry Sets New Priorities

At a press conference in Denver, Colo., in early February, Mr. Dan Nica, the new Romanian minister of communications and information technology presented an upbeat program of his agency. The minister noted a new government action program focusing on the development of the communications and information technology sector. The program includes:

- relaunching and continuing the privatization of communications entities;
- introducing and implementing legal and institutional reform;
- encouraging the development of market competition (granting licenses for voice telephony, supporting small and medium sized enterprises, ensuring a better use of radio frequency spectrum);
- introducing communications development programs, including fixed lines for all communities with more than 1,000 people, the modernization of communications, and enhanced broadband capabilities;
- launching the strategy for the modernization of public administration by re-engineering the data flow between public institutions, building up the public administration infrastructure, developing applications to be used in education, and establishing a single access point to public information and multimedia centers.

Minister Nica also offered details on his agency's six priorities:

- **Education:** equipment for schools, training for teachers, development of adequate teaching methods, and utilization of these sites for adult education and retraining.
- **Culture:** support for the creation of cultural websites.
- **Communications infrastructure:** building a modern infrastructure, systematic use of Internet standards, training for civil servants, improvement of the government services for the general public.
- **E-commerce:** implementing fiscal, financial, and administrative measures to assist companies in the utilization of information technology and e-commerce;
- **Research and Innovation:** encouraging high-tech start-up companies.
- **Regulation:** Updating Romanian law; preparing Romania for accession to the European Union, and creating a more favorable business environment that promotes the use of information technology and attracts foreign direct investment.

As short-term actions, the Communications and Informa-

tion Technology Ministry will launch projects that will be financed through public and private sources. Examples include:

- **EDUC School and EDUC High School** projects, which will promote primary and secondary school access to the Internet.
- **The Virtual Library** project, which will provide a coherent electronic information environment by the establishment of interconnectivity between Romanian public institutions (libraries, museums, information centers) and the public.
- **Points of Electronic Information** project, which will build an integrated information system for public information.
- **Multimedia Points** project, which will facilitate access to global information through the use of technology.
- **The Unified Emergency Call System – 112** project, which will help Romania to better respond to emergency situations, such as earthquakes, floods, fires, etc.
- **The development of rural telecommunications** project, which will provide communication services for rural and mountain regions
- **The modernization and the development of radio communications and TV networks** project, which will facilitate national coverage of the second channel of state TV and modernize the broadcasting systems.
- A project for the implementation of a **radio network for data transmission using the point to multi-point technology** to be implemented between 2002 and 2012.
- **The implementation of the governmental infrastructure**, which will be developed in several stages. This infrastructure will be the backbone for e-government, to be implemented initially through pilot projects. The project starts in March 2001 and will be completed by the end of 2004.
- **Cyber Center**, which will bring together the IT industry, businesses, and Romanian universities.

Finally, in the regulatory sphere, the ministry explained that by 2002, the Authority for the Regulation of Communications (ART) and the Inspectorate for Control and Monitoring of Communications and Information Technology Field will be established.

*(Based on the press conference of Mr. Dan Nica, Romania's minister of communications and information technology, held Feb. 1, 2001, in Denver, Colo.)*

# Commercial Opportunities in Romania

**Actanol SA** – Equity co-investment opportunity in alternative fuel production plant. The facility will be located in the south of Romania and will produce biodiesel fuel, rape mulch, glycerin, and bioethanol. This is a joint venture operation of Romanian, German, and U.S. partners with extensive experience in the field of alternative fuels. The local component, long-term export contracts, transportation and distribution channels, and sustained multiple source supply of rapeseed are important elements for the success of this project. For detailed information, call or e-mail CEEBIC.

**Alfa Global Solutions SA (AGS)** develops and implements business management software for small and medium-sized companies. AGS staff has expertise to work with various platforms, development environments, and languages. AGS boasts notable successes in administrative and managerial business tools (financial administration, stock, assets, and HR management), e-commerce, security software, graphics and image processing, and Web games. AGS is looking for U.S. partners to expand its activity portfolio and to further diversify its business. For further details, call or e-mail CEEBIC.

**ALLPRO SA** – \$3.5 million investment opportunity in tomato paste/juice facility and fruit nectar facility located in southwest Romania, in the Dolj County. Excellent soil and climate conditions contribute to large vegetable and fruit crops, that ensure

sustained supply of tomatoes, peaches, and apricots with superior organic qualities. Experienced management has a detailed business plan and feasibility study that allow for tight implementation schedule. For detailed information, call or e-mail CEEBIC.

**Danube Delta Tours** – Investment opportunity in ecological tourism business in the Danube Delta. The unique ecosystems of the Danube Delta consist of marine levees, lakes, channels, streamlets, and wetlands. This 4,152-km<sup>2</sup> surface of water and land is home to spectacular and unique species of fauna and flora. This small company has recorded sustained growth for the past five years, and its professional management secures year-round ecological tourism programs. For further details, call or e-mail CEEBIC.

**EuroMallServices SA** – Investment/partnership opportunity in/ with this company specializing in Web security, networking solutions, Internet data secure transmission, multimedia production, and software production. In January 2001, EuroMallServices launched “Incoterms 1990,” an excellent tool to navigate Romanian customs regulations and business legislation. For further details, call or e-mail CEEBIC.

**InSight Software** provides quality services of software consulting, development, and integration. The company specializes in overall project management and provides

special data capture services. Insight software services cover, among others, development and implementation of data base applications, GIS, scientific and industrial modeling or simulation algorithms, data security programs, and Internet programming. InSight Software looks for business partners in the United States. For more details, call or e-mail CEEBIC.

**POLIFARBE SA** – Long-term partnership opportunity with this company, located in western Romania, producing varnishes, paints, primers, and thinners. State-of-the-art French equipment ensures sustained high productivity and competitiveness of the company’s diversified products. Experienced management team and proprietary technologies are key to the company’s success in a highly competitive European market. For detailed information, call or e-mail CEEBIC.

**RomFiber SA** seeks credit facility or equity partner in the range of \$400,000 to build a fiber optic cable assembly and research facility in Bucharest, Romania. Products to be assembled include single-mode and multi-mode fiber optic cables and patch cords such as: loose tube and buffered 62.5/125; loose tube and buffered 50/125; 20/125. The typical customers for RomFiber product are companies in the high bandwidth provider/user field. Industry data show that the fiber optic market is growing at a rapid rate: the \$15 million market in 2000 represented a 500 percent increase over a two-year period. For further details, please call or e-mail CEEBIC.

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## Eye on Southeast Europe (Continued from page 2)

### What is your assessment of U.S. – Romanian trade relations and what is your short and long-term vision of these relations?

Romania has a long history as an important trade partner for the United States in Central and Eastern Europe. Our exports have grown from \$70 – \$80 million in the early nineties to \$320 million in 1997 – 1999. The volume of U.S. imports into Romania has also increased during the same period. According to Romanian customs data, bilateral trade reached \$771 million at the end of 2000, and U.S. imports stood at \$391.1 million last year. We anticipate that the bilateral trade volume could reach \$1 billion in the near future. The United States was the fourth major investor

in Romania in 2000, with a total investment volume of \$663 million.

The Romanian government is keen to consolidate its cooperation with the new U.S. administration in the framework of the Strategic Partnership. Romania also participates in the South Eastern Europe Cooperation Initiative (SECI) and in the Stability Pact for the Balkans – both excellent opportunities for further cooperation.

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## **A Message From CEEBIC**

Due to technical problems beyond our control, we were unable to bring you *Commercial Update* in February and March. These problems have been resolved and we expect to bring you *Commercial Update* regularly starting in June.