

Export and Investment Promotion Planning System

88/89 Trade and Economic Overview

Mission: 476 BUCHAREST

Country: 035 ROMANIA

SEVERAL FACTORS ARE CONTRIBUTING TO CONTINUING ECONOMIC DIFFICULTIES FOR ROMANIA. DEBT REPAYMENT CONTINUES THE TOP PRIORITY. IN THE INTERIM DESPITE A HIGH PRIORITY ON EXPORTS PARTICULARLY OF FURTHER PROCESSED & HIGH TECHNOLOGY GOODS MUCH NEEDED HARD CURRENCY EXPORTS ARE FALLING IMPORTS ARE BEING ARBITRARILY REDUCED TO CONTINUE PRODUCING A HARD CURRENCY BOP'S SURPLUS TO SERVICE THE DEBT ON AN ACCELERATED BASIS. CONSEQUENTLY REDUCED RAW MATERIAL IMPORTS ARE RESULTING IN SHORTAGES FOR EXPORT PRODUCTION. NOW EVEN PRIORITY IMPORTS LISTED IN THE FIVE-YEAR PLAN ARE SUBJECT TO COUNTERTRADE REQUESTS. AT THE SAME TIME NO NEW LOANS ARE BEING UNDERTAKEN. THE BELT TIGHTENING IS LIKELY TO CONTINUE UNTIL 89 WHEN THE BULK OF THE DEBT WILL HAVE BEEN LIQUIDATED. THIS SITUATION WILL BE FURTHER AGGRAVATED BY ROMANIA'S LOSS OF GSP & LIKELY LOSS OF MFN ACCESS TO THE USA MARKET. THE IMPLICATIONS FOR CDA ARE UNKNOWN. DOMESTICALLY ROMANIA CONTINUES TO ENCOUNTER MANY CHALLENGES. AGRICULTURE WHICH HAS TRADITIONALLY BEEN AN IMPORTANT HARD CURRENCY EARNER HAS BEEN SUFFERING THROUGH SEVERAL YEARS OF VARYING DROUGHT CONDITIONS. WHILE SOME IMPROVEMENT IS HOPED FOR IT IS UNLIKELY TO REGAIN ITS FORMER IMPORTANCE. LACKING REPAIR PARTS MAINTENANCE OF MANUFACTURING FACILITIES (WHICH IN MANY CASES ARE BECOMING INCREASINGLY OUTDATED) IS FALLING BEHIND. THIS TOGETHER WITH A LACK OF RAW MATERIALS & ORGANIZATIONAL PROBLEMS IS RESULTING IN PRODUCTION SHORTFALLS. HOWEVER ENERGY IS THE SECTOR WHICH APPEARS TO BE EXPERIENCING THE GREATEST DIFFICULTIES WITH A RESULTANT IMPACT IN ALL OTHER SECTORS OF THE ECONOMY. ROMANIA'S CURRENT 5-YEAR PLAN (86-90) EMPHASIZES INVESTMENT IN ENERGY IRRIGATION & FURTHER PROCESSING OF RAW MATERIALS. APART FROM NUCLEAR POWER THE PLAN IS TO NOT INVEST IN NEW FACILITIES BUT TO MODERNIZE UPGRADE & IMPROVE PRODUCTIVITY IN ALL INDUSTRY SECTORS. GROWING PUBLIC ATTENTION IS BEING DIRECTED TO PRODUCT DESIGN QUALITY & PRICING. THE USE OF INCENTIVES & PENALTIES IN PRODUCTION UNITS FOR EXCEEDING OR FAILING TO MEET OBJECTIVES IS GROWING. CDN ECONOMIC ACTIVITY WITH ROMANIA IS CONCENTRATED ON THE CERNAVODA NUCLEAR PROJECT. VIRTUALLY ALL ORDERS FOR CDN EQUIPMENT/COMPONENTS FOR UNITS 1,2 HAVE NOW BEEN PLACED, WITH THOSE FOR UNITS 3,4,5 BEGINNING TOWARD EARLY 88. UPGRADING OF THERMAL POWER PLANTS ALSO OFFER AN OPPORTUNITY FOR CDN FIRMS. IN ADDITION TO THESE RAW MATERIALS NOTWITHSTANDING EARLIER COMMENTS & CEREALS/GRAINS OPPORTUNITIES FOR CDN ARE MORE LIKELY TO LIKE IN PRODUCTS & SERVICES RELATED TO IMPROVING TECHNOLOGY/PRODUCTIVITY JOINT MFG & COOPERATION IN THIRD COUNTRY MARKETS. IN ADDITION TO PRICE COUNTERTRADE IN ONE FORM OR OTHER WILL LIKELY BE A KEY FACTOR IN ANY CDN SUCCESSES IN THE ROMANIAN MARKET.