

**Romania:****A Difficult Market Well Worth Developing**

*The April 16-17, 1996 visit of Prime Minister Jean Chrétien to Romania was significant for reasons other than the timely and important inauguration of Unit One of the Cernavoda Nuclear Plant — the first Western-designed reactor in operation in Eastern Europe. The visit also provided the Prime Minister with an opportunity to review bilateral relations and to demonstrate his support of Canadian business in Romania.*

**Interest in Romania**

The Canadian business community is increasingly interested in doing business in Romania and taking part in the growing trade and investment opportunities that exist in that country.

Romania has begun to modernize its investment legislation; laws opening up the petroleum, banking and telecommunications industries were passed recently, or are in the final stages of the approval process.

Prime Minister Chrétien's meetings enabled him to extend high-level support for the efforts of Canadian business, arguing for flexibility on the part of the Romanian government in dealing with Canadian business initiatives.

**Commercial Developments**

And there were other developments of a commercial nature.

The Prime Minister witnessed the signing of a **Foreign Investment Promotion and Protection Agreement (FIPA)**, the signing of which sends an important, positive signal that Canadian interest in the region is strong.

The Prime Minister was also present at the ceremonial delivery of the first Bombardier aircraft to Romania's new private

*Continued on page 5 — Difficult*

**Canada, Romania Sign Investment Pact**

Canadian Ambassador Gilles Duguay and Romanian Minister of Finance Florin Georgescu signed a **Foreign Investment Promotion and Protection Agreement (FIPA)** during Prime Minister Chrétien's visit to Bucharest on April 17, 1996.

The agreement, a key part of the visit, fosters increased bilateral investment flows.

Once the **FIPA** is in force, the Canadian business community can pursue with greater confidence investment opportunities in Romania and rely on the **FIPA's** enhanced investment protection.

Next steps include bringing the **FIPA** into force and informing key Canadian companies and investors about its provisions. This agreement should reduce the non-commercial risk of Canadian companies investing in Romania.

**FIPAs** are bilateral, reciprocal agreements to promote and protect foreign investment through legally-binding rights and obligations concerning *inter alia* national treatment, most-favoured-nation treatment, expropriation, transfers of funds, trade-related investment measures, transparency, investor-to-state and state-to-state dispute settlements.

Canada is the twelfth-largest investor in Romania and Cana-

dian direct investment, now an estimated \$42.8 million, is expected to increase considerably as a result of this agreement.

Canadian investors are active in the transportation, energy and telecommunications sectors; among them are Bombardier, Pratt & Whitney and Nortel.

Canada has several long-standing **FIPAs** in force with, for example, Hungary, Poland, the Czech Republic, and Argentina. The Canada-Romania agreement is based on Canada's new model, which incorporates key provisions from NAFTA's investment chapter; in it, Romania has agreed to significantly higher commitments on investment protection.

Agreements under the new model have also been signed with Ukraine, Latvia, Trinidad and Tobago, the Philippines, South Africa and Ecuador.

Negotiations, which began in 1994 based on the new model, are under way with several key economic partners, e.g., China, India, Indonesia and Colombia, where existing and potential Canadian investment is substantial.

For further information on the Canada-Romania **FIPA** (or others), contact Diane Harper, Economic Policy Bureau, DFAIT, Ottawa, Tel.: (613) 992-0326; Fax: (613) 944-0679.