

ROMANIA: AMERICA'S STRATEGIC NEW ALLY
CSIS U.S.-Romania Forum
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Washington, D.C.



Victor Babiuc, President of the Chamber of Commerce and Industry of Romania (CCIR) and former Romanian minister of defense, addressed a roundtable of the U.S.-Romania Forum on 26 July 2005. The event, hosted by the CSIS East Europe Project and co-chaired by Janusz Bugajski and Dragos Seuleanu, executive director of the Bucharest-based Foundation for Democracy, Culture, and Liberty, focused on the need for increased U.S.-Romanian economic and defense cooperation.

Dr. Babiuc outlined the comparative advantages for the United States in strengthening trade and investment flows with Romania and offered suggestions on how increased economic interdependence can be facilitated.

In his introductory remarks, Janusz Bugajski highlighted that Romania is beginning a critical period in its history as it continues to strengthen its ties with the United States and prepares for accession into the EU. He stated that American investment in Romania reached its highest level in the first half of 2005 and that given the country's premiere geopolitical position, it could act as a "bridge between the Euro-Atlantic community, the Middle East, and the Caspian region". In Dr. Babiuc's prepared remarks he emphasized that U.S.-Romanian relations must move beyond defense considerations and towards a more multidimensional relationship. *(Full remarks posted alongside this summary report)*

Following Babiuc's remarks, he addressed audience questions relating to Romania's upcoming EU accession and efforts at developing a more favorable business climate for Western investment. The specific topics covered included: Romanian public support for EU accession, Romanian labor laws, regional defense cooperation, government corruption and competence, and crisis management efforts following recent flooding along the Danube River.

Discussion

Support for EU Accession: Dr. Babiuc indicated that recent expert surveys on the subject of EU integration have shown that while the Romanian public supports EU integration, not all Romanian businesses are equally prepared to meet the EU's highly structured economic requirements. He cited a recent poll that indicated that 90 percent of the Romanian public viewed entry into the EU as a positive step, representing the highest percentage



among all Central and Eastern European countries. The response of the business community to adjust to EU regulations, however, has lagged behind. According to a recent survey of Romanian private enterprises, only 25 percent of businesses have sufficiently reformed to meet EU standards.

Romanian Labor Laws: A representative from the U.S. Commerce Department indicated that the Romanian labor code which provides advantages for trade unions in collective bargaining negotiations were of increasing concern to American businesses looking to invest in Romania. Dr. Babiuc was asked if there were any prospects for reforming the labor code. He said that the labor code represented a formidable stumbling block to investment. A forum on the topic had been held in Bucharest in April between government, business, and trade union officials to discuss the need to reform the labor code and make it more business-friendly. The modifications recommended at the April forum are to be enacted this fall and the changes to the code will reduce some of the labor union advantages in the collective bargaining process.

Regional Cooperation Efforts: Dr. Babiuc emphasized that Romania's geographic and social advantages must be harnessed by the United States as a link between the West and the transitioning regions of Eastern Europe, the Middle East, and North Africa. It would therefore behoove the United States to invest in joint business forums and infrastructure projects to improve economic and social connections between the two countries. He also elaborated on the idea of Romanian cooperation with Poland and Ukraine, the two largest states in Central and Eastern Europe. Although he regretted that a defense cooperation agreement between Romania, Poland, and the Ukraine was not enacted while he was Minister of Defense, Ukraine's Orange Revolution raised hopes that such negotiations will restart. Ukraine's move towards Western institutions opens the window to restarting negotiations on shared military units and defense intelligence between the three countries. Increased Western investments and security concerns in the Black Sea region is another reason for increased Western-Romanian collaboration. Since the region is the site of large-scale energy transports, as well as illegal immigration and drugs and arms smuggling, supporting a stable democratic government at Europe's edge should be a primary concern for the West.

Government Corruption and Competence: Dr. Babiuc acknowledged that although the government is still weak in enforcing business regulations and corruption remains a great concern, the climate has significantly improved since Romania's democratic transition began in 1990. Resentment toward any central government institution following the demise of communism is beginning to subside and the central institutions are gaining legitimacy among the broader public. Legislation to combat small-scale government corruption has been passed and has been effective. However, such legislation must be expanded to confront larger scale instances of corruption, many of which have undermined the country's judicial system.

Domestic Crisis Management and EU Cooperation: Romania's recent experience with devastating floods along the Danube River was highlighted by Dr. Babiuc as an example where the CCIR had managed donations from European and American sources to aid

flood victims. Though the EU plays an important role in relief efforts, US cooperation is also necessary and sought after. The CCIR's efforts raised 4 million euros to help victims of the recent disaster.