



Romania: America's New Strategic Ally

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Political Developments

- The ruling coalition remains committed to the mission in Iraq.
- EU Accession Treaty was signed on April 15, 2005.
- The commander of United States forces in Europe, Gen James Jones, visited Romania in January 2005. His visit, and a series of talks in Romania, came as part of his preparations for Congressional hearings at which he will outline the Pentagon's plans for realignment.
- On 19 July 2005, Prime Minister **Calin Popescu-Tariceanu** reversed his earlier decision to step down and call early elections, as his early resignation could jeopardize Romania's EU accession timetable.
- An opinion poll released on 18 July 2005 shows 48.79 percent support for the ruling coalition between the National Liberal Party and the Democratic Party. The Prime Minister enjoys a 43 percent approval rating. Romanians also show a relatively high trust in NATO and EU institutions, 60.35 percent and 59.52 percent respectively.
- 1,500 U.S. troops commenced a training exercise with Romanian soldiers on 20 July at the Constanta military base in Romania, which has been earmarked by the Pentagon as a potential host for U.S. redeployment.
- On 11 July 2005 Foreign Affairs Minister Mihai Razvan Ungureanu announced that the U.S. Congress has voted to provide Romania with \$17 million in military aid from the Solidarity Fund, intended for nations with troops in Afghanistan and Iraq.



Economic Factors

- Average GDP growth in the period 2000-2004 in Romania was 5.2% (5.9% in Q1 of 2005)
- Romania has the largest domestic market in Eastern Europe, after Poland.
- Highly skilled labor, especially in the IT sector, however, the government does not spend enough money on R&D
- Demographic factor – better than that of some of its neighbors; working age population is not expected to fall precipitately
- EU accession bid has been propelling vital reforms
- On January 1, 2005 Romania replaced its corporate tax of 25% and individual tax of 40% with a flat tax rate of 16%.
- Inflation in 2005 is expected to be 8.2%, compared to 9.3% in 2004
- On 22 July 2005, Romania cut four zeros off its currency in efforts to achieve a more stable monetary policy. 10,000 old leu= 1 new leu.



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