

MARMARA UNIVERSITY
EUROPEAN COMMUNITY INSTITUTE

THE COMPARISON OF THE POSITIONS OF
POLAND AND ROMANIA WITHIN THE CONTEXT
OF FULL-MEMBERSHIP TO THE EU.

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Thesis Submitted in Partial Fulfilment
of the Requirements for the Degree in
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Mahmut KAPLAN

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CONTENTS

A INTRODUCTION

Poland's and Romania's Applications for Membership 7

The Context of the Opinion 8

The Contents of the Opinion 10

a Relations between the European Union and Poland 11

Historical and Geopolitical Context 11

Poland's Position Concerning the European Union 12

Contractual Relations 13

b Relations between the European Union and
Romania 15

Historical and Geopolitical Context 15

Romania's Position Concerning the European
Union 16

Contractual Relations 17

B CRITERIA FOR MEMBERSHIP

1 POLITICAL CRITERIA	20
1.1 Parliament and Legislative Powers in Poland	20
1.2 The Executive Structure in Poland	21
1.3 Parliament and Legislative Powers in Romania	22
1.4 The Executive Structure in Romania	22
Evaluation	24
1.5 Local Democracy	27
1.6 The Judiciary Structure	28
Evaluation	29
1.7 Civil and Political Rights	30
1.8 Economic Social and Cultural Rights	31
1.9 Minority Rights	32
1.10 Media	37
1.11 Churches / State Relations	38

2 ECONOMIC CRITERIA

2.1 The Economic Situation	41
2.2 Foreign Debt	42
2.3 Foreign Trade	44
Evaluation	60
2.4 Agriculture	62
Evaluation	70
2.5 Industry	79
Evaluation	82
2.6 Transport	82
Evaluation	85
2.7 National Banks	86
Evaluation	88
2.8 The Legal System	88
Evaluation	89

C GENERAL EVALUATION	90
CONCLUSION	116
BIBLIOGRAPHY	119



ÖZET

Berlin Duvarı'nın yıkılmasından sonra dünya haritasında değişiklikler oldu. Bunun sonucu olarak, Birleşmiş Milletler ve bölgesel entegrasyonların gücünü etkileyen siyasi, ekonomik ve sosyal gelişmeler ortaya çıkmaya başladı. Bu büyük entegrasyonlardan birisi olan Avrupa Birliği de, beklediği tarihi an geldiği için genişlemeye karar verdi. Başvuran ülkeler arasında Polonya ilk sıralarda yerini aldı. Romanya ise sonradan gelenler arasında bulunuyor.

Yapılan siyasi, ekonomik ve sosyal incelemeler göz önünde bulundurulduğunda :

A: Siyasi Olarak

Avrupa Birliği , aday ülkelerin ; demokrasinin garantisi olan kurum ve kuruluşların sağlıklı çalışmalarını ; işleyen piyasa ekonomisinin varlığını ve üyelik yükümlülüklerini yerine getirebilme yeteneklerini aramakta ve istemektedir.

Bu bağlamda, siyasi konularda her iki ülkenin de seçimle işbaşına gelen çok partili parlamenter demokrasiye geçtikleri, Fransa'daki yarı başkanlık sistemine benzeyen bir yönetim şeklini tercih ettikleri; Polonya'da Meclisin Senatodan daha fazla yetkili olduğu; ancak Romanya'da Meclis ve Senato'nun eşit ağırlıkta yetkili oldukları; bunun İsviçre'de de eşit ağırlıkta olduğu; Polonya'da seçim barajının % 5,

Romanya'da ise daha demokratik görünen % 3 olduğu ve bu oranın başvuran diğer ülkelerden daha düşük olduğu, bu konuda en olumlu adımın Romanya tarafından atıldığı gözlenmektedir.

Her iki ülkede, azınlıkların parlamento'da temsil hakkı elde ettikleri ve yerel yönetimlere ağırlık veren kanunların çıkarılmakta olduğu iki ülkenin hukuk sistemlerinin Birlik üyesi ülkelerin standartlarına ayarlandığı; Anayasa Mahkemesi üyelerinin dokuzunun, Polonya'da Meclis tarafından seçildiği, Romanya'da ise üçünün Meclis, üçünün Senato, diğer üçünün de Cumhurbaşkanı tarafından atandığı görülmektedir.

Polonya'daki uygulamanın, hepsinin seçimle işbaşına gelmesi bakımından daha demokratik olduğu bir gerçektir.

Öte yandan iki ülkede de insan haklarına saygı konusunda büyük yol alındığı; ancak her ülkede olduğu gibi buralarda da çeşitli ihlallerin olduğu, din ve eğitim özgürlüğünün sağlandığı, azınlık haklarına saygı gösterildiği ancak "Roma" denilen gypsieslerin iki ülkede de sorun oldukları zaman zaman bu insanlara iyi davranılmadığı; Romanya'nın ülkesinde yaşayan 1.8 milyon Macar azınlık hakları için Macaristan'la anlaşma imzaladığı ve Macar dilinde eğitim veren bir üniversitenin açılacağı müjdesi Romanya Başbakanı tarafından açıklanmıştır. Polonya'da Katolik Kilisenin büyük ağırlığının olduğu hatta siyasi yelpazede tercih gücünün bulunduğu, destek verdiği; Romanya'da ise Ortodoks Kilisenin de Polonya'dakine benzer eğilim içine girmeye başladığı ; uzun yıllar dikta rejimiyle yönetilen Romanya'nın kısa sürede , demokraside büyük yol aldığı, hatta iki meclisin

oyuyla seçilen Merkez Bankası Başbakanı'nın adaylığının teklifi Başbakan'a ait iken, bunu daha demokratik bir kanunla, teklifin komisyonlar tarafından yapılmasını sağlayan önemli bir adım attığı dikkate alınursa, ileniki yıllarda, demokraside ileri gitmiş Batılı Ülkeler arasında yer almakta gecikmeyeceği görülmektedir.

B: Ekonomik Olarak

1989'dan sonra iki ülke de ağır işleyen ekonomilerini canlandırmak için yüksek enflasyonla mücadelede başarılı olmuşlar, hatta Polonya Merkez Bankası bu konuda uyguladığı sıkı para politikası ve şok kararlarla daha da başarılı olabilmıştır.

Üretim ve tüketimlerdeki artış yüzünden ihracata daha ağırlık verilmiş, geçmiş yıllara göre ihracat üç kat, ithalat ise dört kat arttırılmıştır. Romanya ithalat ve ihracatta ağır işleyen bürokrasi, eski teknoloji ile yapılan tarım, diktatörlükten demokrasiye geçişteki uyum sorunları ve Yugoslavya'daki savaştan büyük etkilenmeye rağmen yüzde ellilik bir artış sağlanmıştır. Demokrasiye çok kısa sürede uyum sağlayan ve ileri giden bir ülkede, ekonomide de aynı performansın elde edilememesi Yugoslavya'ya uygulanan ambargonun bir sonucudur.

Polonya, Birliğe komşu ve yakın olduğu için başta Almanya ve diğer ülkeler oradaki ucuz iş gücünü de hesaba katarak Polonya'ya daha fazla

yatırım yapmaya başlamışlar ve bu yolla Doğu Avrupa'ya daha kolay kayma yolunu tercih etmişlerdir.

Polonya'nın, İsveç, Danimarka, Finlandiya ve Baltık Ülkelerine yakınlığı da bir başka avantajdır.

Avrupa kültürünün içinde doğup büyüyen, Fransız ve Macarlara yakınlık duyan Polonya, Katolik dünyadan aldığı destekle ileride Ukrayna'ya komşu olması planlanan Fransız-Alman-Polonya jeostrateji bloku içinde yer alacağını da hesaba katarak hızlı adımlarla ilker arasına olumlu ve olumsuzlukları göğüsleyerek ilerlemektedir.

Güçlü bir ekonomiyi, güçlü bir demokrasinin getireceğini, hak ve özgürlüklerin garanti altına alındığı demokratik toplumlarda, ekonominin de sağlıklı işleyeceğini iyi bilen Slav denizindeki Latin ülke Romanya, kendisine yeten tarımıyla Rhine/Main/ Danube/ Karadeniz, Kafkaslar, Hazar Denizi ve tanımı yeniden düzenlenen Orta Doğu'da yer alan Türk Cumhuriyetleri arasındaki köprü göreviyle, "Hazar Petrollerinin Köstence Limanından Batıya gitmesi halinde yakalayacağı stratejik ehemmiyetle" hem Avrupa Birliği, hem de Nato için -taşıyacağı- taşıdığı önemin farkındadır. Bu durum öncelikle Romanya'nın güvenliğini gerektirmektedir. Bu ise NATO üyeliği ile mümkün olabilecektir. Romanya'nın bu konudaki stratejisi ise bu bakış açısı üzerine kurulu görünmektedir.

A. INTRODUCTION

The Baltic Sea is just as much European one as the Mediterranean .
(Helmut Kohl, On Enlargement of the E.U Bridge, 1994)

The fall of the Berlin Wall and the Soviet Union has transformed the map of Europe. The 1995 expansion of the European Union (E.U.) and the German unification have moved the Union's center of gravity well to the east of Brussels. Austria shares boundaries with four former Soviet States - the Czech Republic, Slovakia, Hungary and Slovenia; and Germany shares boundaries with Poland and the Czech Republic. The Baltic States of Sweden and Finland are geographically closer to Warsaw than Brussels. The enlargement of the EU is an ongoing process.

The EU, unlike the United Nations and the International Monetary Fund, has a political criterion for membership, "DEMOCRACY." It is a necessity but not sufficient for the membership of the European Union. To participate in the Single European Market, a country must have a functioning market economy.

Public opinion is also not a barrier in enlargement; the preponderant view is positive or indifferent, rather than negative.

Relations between the Eastern and the Western Europe became an early victim of the cold war soon after the World War II. It was the forcible submission of the Eastern Europe to Soviet political and military control. The Soviet Union maintained strong opposition to any cooperative effort among the Western European nations, and especially to any effort at economic integration among them. Having condemned the Marshall plan, the Soviet Union opposed the creation of the Coal and Steel Association in 1951, and six years later, the Establishment of the European Community.

Soviet opposition to the European Economic Cooperation was both political and ideological. Political opposition was the "German Problem" and the ideological opposition was the "Leninist thinking about capitalism."

The Soviet Union's economic weakness was becoming clear to its leaders. Much needed Western capital and technology were to be obtained, Western Europe had to be considered as an important source and a necessary partner. Dealing with the Western Europe meant, necessarily, dealing with the EC as well.

In the early years of the EC, trade with both the Soviet Union and the Eastern Europe was of little importance to the member states. In the late 50 s, EC trade with the Eastern Europe, including the Soviet Union, represented 2.7 % of total exports and 2.9 % of total imports. In the early

1970 s, the share of EC imports from the Eastern Europe has grown to 3.3 % while exports to the Eastern Europe represented 3.4 % of the total.

The Council for Mutual Economic Assistance, also known as COMECON, predated the EC. It was set up in 1949 by the USSR, Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Albania (which withdrew in 1961). The CMEA mostly regulated the trade and payment relations among the member countries.

The Community did not wish to legitimate the CMEA by using it as a generalised vehicle for its relations with the Eastern Europe. The Community was willing to go in its direct relations with the CMEA as a whole so as to propose that a framework agreement be negotiated between the two organisations, provided that CMEA members be allowed to conclude bilateral trade and cooperation agreements with the Community. This offer was first made in one of the EC-CMEA meetings in 1976. Negotiations over the draft agreement began in 1978. The EC was being successful in breaking, piece-by-piece, the common front between the Soviet Union and its Eastern European allies.

Eventually, the Community won the point. Conditions in Eastern Europe were evolved in its favour. The financial situation of several Eastern European countries worsened drastically in the early 1980 s as external debt burdens.

The rise of power of Mikhail Gorbachev in the Soviet Union and the policies he implemented led to a drastic improvement in East-West relation. These policies brought a process of change in Eastern Europe that culminated in the unification of Germany, and subsequently democracy in much of Eastern Europe. In June 1988, the "Joint Declaration on the Establishment of Official Relations between the European Community and the CMEA" formally sanctioned the victory of the EC. The Soviet Union had to assure the Community that the establishment of official relations between the EC and the CMEA would not adversely affect the development of the EC bilateral relations with individual CMEA countries. This assurance was given implicitly in the declaration itself. The agreements on trade and economic cooperation concluded by the Community with Hungary just three months after the declaration and with Poland a year later sealed this issue.

By the time liberalisation started in Eastern Europe, the Community was well on its way towards the enlargement. East Germany was integrated into the Community as soon as reunification occurred in October 1990. The existence of the Community, its political cohesion and forward economic projection contributed decisively to the speed and relative ease of the East-West settlement in Central Europe.

The EC's immediate reply to the urgent economic needs of some of the Eastern European Countries was to supply assistance of food and finance.

Trade and aid had always gone together in EC cooperation policies. The Community almost naturally used these twin instruments in dealing with the Eastern European situation. The Community granted MFN status to some of them, and GSP treatment to most of them (first to Poland and Hungary). In the context of PHARE, the Community decided on early elimination of the significant trade restrictions. Those in force with Poland and Hungary were abolished as of the beginning of 1990. Quotas on imports from Bulgaria, Czechoslovakia and Romania were abolished from the October of the same year. The Community pushed the Council to take action in the field of trade policies as early as possible.

Yet quantitative restrictions on imports of steel, textiles and agricultural products remained in place. The view was then that the Community's relations with the Eastern Europe would be developed in an orderly and systematic fashion, beginning with the widening of the trade links.

When the pace and the direction of events in Eastern Europe became clearer, the decisions to extend these "first generation" agreements with Hungary (September 1988), Czechoslovakia (December 1988), Poland (September 1989), the Soviet Union (December 1989), Bulgaria (May 1990) and Romania (October 1990) were based. According to the Commission, the quick conclusion of these agreements would help Eastern European countries significantly in the transition period.

On December 1989, the EC Council Strasbourg expressed the consciousness of the Community of "the common responsibility which developed on them in this decisive phase in the history of Europe", their readiness "to develop with the USSR and the other countries of Central and Eastern Europe, closer and more substantial relations based upon an intensification of political dialogue and increased cooperation in all areas". The Commission went on to advocate that the Community respond positively to the interest shown by these countries and offer them association agreements "both as a sign of solidarity to democratic forces in neighbouring countries and because of the Community's own interests".

The Commission stated that early association will contribute to political stability.

Association and accession should be kept separate from one another. In the area of trade, association would mean faster progress towards free trade, rapid completion of the process started with the trade and cooperation agreements. Second, they "should strengthen the foundations of new European architecture and enable partners in Central and Eastern Europe to participate in the wider process of European integration".

The "European Agreements" in the Commission's views were to help consolidate a new political climate in Europe and for an integrated continent. The Commission suggested that exploratory conversations begin with Czechoslovakia, Hungary and Poland. These were the countries that

historically had had the strongest western orientation and that have been more fully integrated with the Western Europe before the World War II. They were the most eager to rejoin Europe. In the aftermath of the collapse of their previous Communist regimes, they were proceeding more rapidly towards democratic government. For this reason, they were the natural "first comers" and the preferred candidates for association with the Community. Romania was clearly behind them in political evolution and had, in the past, traditionally gravitated more strongly towards Russia.

Poland's and Romania's Applications for Membership

Poland presented its application for membership of the European Union on 5 April 1994, and the Council of Ministers decided on 18 April 1995 to implement the procedure laid down in Article O of the Treaty, which provides for consultation of the Commission.

Romania presented its application for membership of the European Union on 22 June 1995, and the Council of Ministers decided on 17 July 1995. That is the framework in which the Commission submits the present Opinion, responding to the request of the European Council in Madrid in December 1995 to present the Opinion as soon as possible after the conclusion of the Intergovernmental Conference, which commenced in March 1996 and concluded in June 1997.

The Context of the Opinion

The Polish and the Romanian applications for membership are being examined at the same time as applications from other associated countries. Their accessions are to be seen as part of an historic process, in which the countries of Central and Eastern Europe overcome the division of the continent which has lasted for more than 40 years, and join the area of peace, stability and prosperity created by the Union.

The European Council in Copenhagen in June 1993 concluded that:

"The associated countries in Central and Eastern Europe that so desire shall become members of the Union. Accession will take place as soon as a country is able to assume the obligations of membership by satisfying the economic and political conditions.

Membership requires:

- *that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership.

The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries .

This declaration spelled out the political and economic criteria for examining the accession request of the associated countries of Central and Eastern Europe.

The European Council in Madrid in December 1995 referred to the need, in the context of the pre-accession strategy,

- the development of the market economy,
- the adjustment of their administrative structure,
- the creation of a stable economic and monetary environment .

In its opinion, the Commission analyses :

but according to the same criteria as the other applications, on which it is delivering opinions at the same time. This way of proceeding respects the wish, expressed by the European Council in Madrid, to ensure that the applicant countries are treated on an equal basis.

In addition to the individual opinions the Commission is presenting separately to the Council, in the framework of its communication "Agenda 2000", a general assessment of the accession requests, and its recommendations the strategy for successful enlargement of the union. At the same time, it is presenting an evaluation of the impact of enlargement on the Union's policies.

The Contents Of The Opinion

The structure of the opinion takes account of the conclusions of the European Council in Copenhagen. It:

- describes the relations up to now between Poland-Romania and the Union, particularly in the framework of the association agreements;
- analyses the situation in respect of the political conditions mentioned by the European Council (democracy, rule of law, human rights, protection of minorities);
- assesses Poland's and Romania's situation and prospects in respect of the economic conditions mentioned by the European Council (market economy, capacity to cope with competitive pressure);
- addresses the question of Poland's and Romania's capacity to adopt the obligations of membership, that is the *acquis* of the union as expressed in the treaty, the secondary legislation, and the policies of the union;
- makes finally a general evaluation of Poland's and Romania's situation and prospects in respect of the conditions for membership of the union, and a recommendation concerning accession negotiations¹.

1- THE COMMISSION OF THE EC: THE COMMISSION'S REPORT ON POLAND AND ROMANIA 15.07.1997; BRUSSELS .

Relations Between the European Union and Poland

Historical and Geopolitical Context

Poland runs from the Baltic Sea to the Carpathian Mountains, with an area of 312 680 square kilometers and a population of 38.6 million. It shares frontiers with seven countries: Slovakia, Russia, Lithuania, Belarus, Ukraine, the Czech Republic and Germany.

In the 15th century Poland became a royal republic with elected monarchs. During the following centuries it developed its political and cultural links with Western Europe; but in the 17th and 18th centuries the kingdom declined. From 1795 onwards Poland was divided between the Russian, Prussian and Austrian Empires.

After the First World War the Republic of Poland was founded as a parliamentary democracy. In 1939 Poland was again partitioned and annexed by Germany and the Soviet Union. After the Second World War Poland again recovered its independence.

Opposition to the regime grew after the Gdansk strikes of 1979. A period of political upheaval led to the declaration of martial law on 13 December 1981. This remained in force until June 1983. Pressure for economic and political change continued throughout the 1980s. In September 1989

solidarity became the dominant force in government for the first time, under Prime Minister Mazowiecki; and the following year Lech Walesa was elected President. Free parliamentary elections were held in 1991 and 1993. In 1995 President Walesa was succeeded in office by President Kwasniewski.

Poland's Position Concerning the European Union

Integration into political and security structures has been the main goal of successive Polish governments since 1989. Membership of the EU remains, as confirmed again by the government on 30 April 1996, a strategic objective of Polish foreign policy. Poland made its application for EU membership on 5 April 1994.

Poland's commitment to integration was underlined in President Kwasniewski's address at the college of Europe in Natolin on 6 November 1996: "the transformation in Poland launched after the breakthrough in 1989 consists not only in reform of the economy but also in opening up the world. Openness is the historical tradition of Poland. Participation in the natural integrative processes of our continent is part of our understanding of Polish sovereignty. For us, the prospect of European integration is a historic challenge.

We are thinking not only of the benefits we will gain from accession to the European Union. We are also aware of the obligations incumbent upon us from our role in the unification of the continent"².

Contractual Relations

Diplomatic relations between the EU and Poland were first established in September 1988. A Trade and Cooperation Agreement was signed in September 1989. This was a Non-Preferential agreement providing for reciprocal Most Favoured Nation treatment which foresaw the gradual abolition by 1994 of quantitative restrictions applied the Community on imports originating in Poland.

An Association Agreement, to be known as a Europe Agreement, between the European Communities and Poland was signed on 16 December 1991 and has entered into force on February 1994. Its trade provisions had already entered into force on 1 March 1992 under an Interim Agreement.

The Europe Agreement is now the legal basis of Poland's relations with the European Union.

THE COMMISSION OF THE EC : THE COMMISSION'S REPORT ON POLAND AND ROMANIA 15.07.1991: BRUSSELS.

ts aim was to provide a framework for political dialogue, promote the expansion of trade and economic relations between the parties, provide a basis for Community technical and financial assistance and appropriate framework to support Poland's gradual integration into the Union. The institutional framework of the Agreement provides a mechanism for implementation, management and monitoring of all areas of relations. Subcommittees examine questions at a technical level. The Association Committee, at senior official level, provided for discussion for issues and often found solutions to problems arising under the Agreement. The Association Council, at Ministerial level, examines the overall status of relations and provides the opportunity to review Poland's progress in preparing for accession.

o improve implementation of the Europe Agreement and the development of preaccession policy, the government reorganised its structures in October 1996. A Ministerial Committee of European Integration, chaired by the Prime Minister, was established, which has policy coordination and steering functions and decision-making powers on integration issues.

early 1997, Poland published a National Integration Strategy setting out plan for preparing for accession to the EU.

Relations between the European Union and Romania

Historical and Geopolitical Context

Romania is situated between the Black sea and Danube delta to the south-east and is crossed by the Carpathian Mountains to the north-west, which also forms a north-south barrier across much of the country. Its area is 237 000 square kilometers and its population 22.6 million.

Romania was founded as an independent state in 1859 with the union of Wallachia and Moldavia. In the First World War Romania sided with the Allies, and was occupied by Austro-Hungarian, Turkish and Bulgarian forces. In the post-war settlement Romania recovered Bukovina and Transylvania. In the Second World War Bessarabia and Bukovina were occupied by the Soviet Union, and Romania also had to cede Transylvania back to Hungary and Dobruja to Bulgaria. In the 1947 Treaty of Paris, Romania again recovered Transylvania and parts of Bukovina.

In 1947 the Communist party had achieved power in Romania. In 1965 Nicolae Ceausescu became First Secretary of the party, and subsequently President. As from the 1960s Romania maintained some distance from the Soviet Union in its external policies. Hence its membership both of the Council of Europe and the IMF and the World Bank. Ceausescu's internal policies, however, were highly repressive, based on fear and manipulation. By late

1989 there was revolt within the party and popular uprising, led to the removal and execution of Ceausescu in December of that year.

Free elections in May 1990 led to the adoption of a new constitution in December 1991, under which parliamentary and presidential elections took place in 1992 (which returned the former-communists to power). The 1996 elections saw the first alternation of power. During this period Romania has also worked hard to regularise relations with its neighbours, concluding agreements with Hungary and Ukraine on recognition of borders and minority rights.

Romania's Position Concerning the European Union

Romania submitted its application for membership of the European Union on 22 June 1995 along with a national pre-accession strategy and a declaration signed by the presidents of the Republic, the Senate and the Chamber of Deputies and the Prime Minister and the leaders of all the political will to pursue the consolidation and development of the rule of law, political pluralism, the separation of powers, free elections, respect for human rights and the establishment of a market economy compatible with the principles governing the European Union.

The change of government in November 1996 and the reforms launched by the new government have brought preparations for "Euro-Atlantic" integration to the centre of Romania's foreign policy. This was clear from

the statement issued by President Emil Constantinescu when Mr Santer visited Bucharest on 10 April 1997. The President saw European and Euro-Atlantic integration as a major political priority for Romania, indeed as the only avenue for development in the national interest. Romania's most important and pressing objective was to take its place among continental Europe's democracies. The President said that the country would be pressing on with the major structural reform of its economy, legislation and institutions required for integration into Europe. The crux of this effort, the true significance of taking on the Community acquis, was, however, the assimilation of democratic values and respect for human and civil rights. Respecting and consolidating these values was the ultimate goal of Romania's entry into Europe. For Romania, the Union was above all a gateway to a balanced and harmonious structure organising the continent's micro- and macrocosms under the flag of European civilisation, a common home in which all are equal in dignity, while remaining themselves³.

Contractual Relations

Romania was the first Central and Eastern European Countries (CEEC) to have contractual relations with the EC: with a Generalised System of Preferences Agreement in 1974, and an Agreement on Industrial Products in 1980. Romania's diplomatic relations with the EC began in 1990. Following Romania's return to a more liberal system, a Trade and Cooperation Agreement was signed in 1991.

³ THE COMMISSION OF THE EC: THE COMMISSION'S REPORT ON POLAND AND ROMANIA 13,07,1997; BRUSSELS.

This was superseded by the entry into force of the Europe Agreement in February 1995, the trade provisions of which had already come into force in May 1993 under an Interim Agreement. Trade in wine was covered by a parallel Agreement expiring at the end of 1997.

The Europe Agreement is now the legal basis for Romania's relations with the European Union. Its aim is to provide a framework for political dialogue, promote the expansion of trade and economic relations between the parties, provide a basis for Community technical and financial assistance, and an appropriate framework to support Romania's gradual integration into the Union. The institutional framework of the Agreement provides the necessary mechanism for implementation, management and monitoring of all areas of relations. Subcommittees examine questions at a technical level. The Association Committee, at a senior official level, provides for in-depth discussion of issues and often finds solutions to problems arising under the Agreement. The Association Council examines the overall status of and perspectives for the relationship and provides the opportunity to review Romania's progress in preparing for accession.

In order to strengthen government policy and decision-making in matters related to European integration, the Government set up the Department for European integration, which in January 1997 was upgraded into a Ministry. Ministries retain responsibility for the execution of their respective parts of the Europe Agreement and the pre-accession preparation, including, inter

alia, the approximation of legislation. The Department for European integration has been responsible for the preparation of the national strategy for the implementation of the Commission's White Paper on the internal market, in consultation with the twenty three EU Integration Working Groups.



B. CRITERIA FOR MEMBERSHIP

1. Political Criteria

1.1 Parliament and legislative Powers in Poland

Poland's Parliament consists of two chambers. The SEJM, whose 460 members are elected by proportional representation at national level or within regional constituencies (requiring a minimum 5 % of votes to obtain seats) and the SENATE, whose members are elected by the simple-majority system within " voivodships". In order to guarantee representation for minorities in the Sejm, there is a provision exempting their lists from the 5 % minimum rule by virtue of which four deputies representing the German minority have sat in Parliament since 1993. Under Article 98 of the new Constitution, the two chambers may be dissolved by a two thirds majority vote in the Sejm. The President of the Republic also has the power to dissolve Parliament if it fails to approve the formation of a new government or to adopt the budget within the prescribed time limit of four months. Members of Parliament enjoy a traditional array of immunities which can only be lifted by a two thirds majority.

Legislative power is vested in the Parliament with Sejm having the final say over the Senate on legislative and budgetary matters. Both Chambers possess the power of initiative which is likewise conferred on the President, Government and a minimum of 100.000 citizens. Regulatory power is exercised solely for the purposes of applying the law or in matters which

the law delegates to it. The President possesses a right of veto over laws voted by Parliament although the latter may override this by a majority of two thirds. Under the new Constitution of 1997, the majority was raised to three-fifths.

Referendums may be organised at the initiative of the Sejm or the President following approval by the Senate.

1.2 The Executive Structure in Poland

The President of the Republic is elected for a five-year term by direct universal suffrage on the basis of a simple-majority two-ballot system.

The President plays an important part in the functioning of the institutions and in Polish politics.

Government at regional level is organised on the basis of voivodship in which the voivod or local governor represents central government. There are two tiers of local authorities : municipalities (2468), in which the councils are elected by direct universal suffrage every four years and regional assemblies at the level of the voivodships whose members are elected by the municipal councils. The assemblies have no budget of their own. The municipalities have extensive powers but are hamstrung by virtue of financial dependency in that 85 % of their financial resources come from the state budget.

Local authority has autonomy but there are resources problems.

1.3 Parliament and Legislative Powers in Romania

The Romanian Parliament is bicameral : the Chamber of Deputies has 343 members and the Senate 143. Members are elected for four years by proportional representation (subject to parties obtaining at least 3 % of the vote). Fifteen seats are reserved for minorities in the Chamber of Deputies. Article 89 of the Constitution allows the President of the Republic to dissolve Parliament if no government is formed within sixty days, after at least two unsuccessful attempts, Parliament may not be dissolved more than once in any year. Nor may it be dissolved during the last six months of the President's term of office or under a state of siege or emergency.

Members of Parliament enjoy the usual immunities. Either chamber may set up a committee of inquiry if a third or more of its members so decide.

Romania is a multiparty democracy. The two chambers exercise legislative power on a footing of strict equality, each of them able to block the law making process. They share the right of initiative with the government.

1.4 The Executive Structure in Romania

The President of the Republic is elected by universal suffrage under a two round system. In addition to the usual powers of a head of state, the President plays a major role in the institutional and political life of the country.

The government is answerable to Parliament, which may overturn it by a simple majority of the two chambers sitting together. It comprises a prime minister and ministers appointed by the President after confirmation by Parliament.

Central government has devolved the administration of the country to the counties (judets). There are 41 counties plus Bucharest, which enjoys comparable status. Each county is headed by a prefect, who coordinates public services and supervises the acts of the local authorities, which he may refer to the courts. Counties, municipalities, towns and communes all have elected assemblies (2686 councils). The president of a county, like a mayor, is elected by universal suffrage.

The county councils coordinate the activities of local councils. Mayors exercise executive power at communal level. They are answerable to the local council and the general council. A prefect has the power to dismiss elected local officials on the grounds of negligence or corruption. This power, which has in the past been abused (1992-95 saw the dismissal of 33 mayors and 98 town councillors), is now exercised within the framework of a law adopted in 1996 and amended in 1997.

Evaluation

Minimum 5 % of votes to obtain seats in the Sejm is an obstacle in Poland for political parties, whereas this figure is lower in Romania by 3 % than Poland. Low barrage reflects the representation of votes obtained in the election.

In Estonia, a minimum score of 5 % is needed for seats. No provisions exist for any specific representation of minorities, though six members of the party representing the Russian speaking minority have held seats in Parliament since 1995. Around 35 % of the population of Estonia consists of minorities, including non-citizens, made up of 28 % Russians, 2,7 % Ukrainians and 1,5 % Belorussians.

In Czech Republic, representation requires a minimum threshold of 5 % of votes cast. There are no specific rules which guarantee the representation of minorities in Parliament. The Chamber of Deputies enjoys greater powers than the Senate. The government answerable only to the Chamber of Deputies. Minorities in the Czech Republic account for approximately 7 % of the population mainly Slovaks (4 %) and gypsies (Roma) (2 % - 3 % according to various estimates).

In Hungary, a minimum threshold of 4 % of the votes is needed to obtain a seat. The Constitution, and the law on minorities, provide for the principle of the representation of minorities in Parliament, but these provisions have not always been given practical application. A bill is being prepared which would make it possible to designate representatives for the

minorities as soon as the list in which they are included obtains over 10.000 votes.

Minorities represent 6 % of the population (4 % to 5 % gypsies (Roma) and the remainder are mainly German, Slovaks, Croats and Romanians

In Slovakia the threshold is 5 %. In Latvia, with a minimum threshold 5 %.

There are no arrangements for specific representation of minorities. In

Lithuania, a list must receive at least 5 % of the votes cast. As can be, seen

minimum threshold of percent is lower in Romania than the other Central

and Eastern European countries.

Functioning of the Parliament is more democratic in Romania than in

Poland. Because the Chambers of Deputies and Senates are elected bodies,

they should have equality. In a real democratic system, the elected

chambers must have the same power, one must not be over the other.

Poland is not a federal state for the Senate and the Sejm are elected with

different election systems.

The Swiss Parliament is bicameral; the National Council, representing the

whole of the Swiss people and -the Council of States-being more

representative of the cantons.

The majority of questions are voted separately in the two chambers. The

consent of both is necessary for their adoption. Both chambers have the

same powers and duties. This does not hold in the U.S.A where the house

of Representatives has special authority in fiscal legislation and budget

questions, while the Senate has important prerogatives in the domain of

executive appointments and foreign policy.

Romania made much progress in this field by setting up bicameral system having equality.

Poland and Romania can differ from each other. Poland had parliamentary traditions before the advent of communism. Poland is close to western countries on a geographic level and its economic and social development is very advanced. The opposition's victory at the legislative and presidential elections in 1996 was a major event in Romania, especially since Romania was one of the rare countries in Central and Eastern Europe which had not witnessed a genuine political change since 1989. The standard of living was greatly reduced in recent years. The question of the large Hungarian minority (1.7 million) was smoothed in great part with the signing of the September 1996 Hungarian-Romanian Treaty, and the appointment in December of two Ministers of Hungarian descent, one of whom is in charge of national minorities. He will have to face the problem of the strong Roma minority, whose situation is precarious. Local democracy remains dependent on State Finances. Religious confessions receive funds from the state, but are still awaiting a law which take care of the restitution of their assests.

Prior to the November 1996 elections Romania could have been alongside the countries with authoritarian regimes. Much still needs to be done in terms of economic reform, but the firm declarations of the new political leaders and their decisions encourage optimism.

Prior to the change in Romania's political leadership, the Parliament adopted a bill approving the creation of a " citizens barrister " (mediator).

The person is to be chosen by the Senate for a four year term of office and is to defend the rights and freedom of citizens vis-a-vis the state.

1.5 Local Democracy

The shape of local democracy is a pertinent indicator for the evolution of democracy in general. In Central and Eastern European countries, important changes occurred in recent years, contrasting with the previous situation when towns were only the last links in the chain of command headed by the central administration.

Poland is close to the West politically and geographically.

There is a general good-will for the development of local democracy in Romania. Important progress has been made in recent months.

Nevertheless, the responsibility of land restitution is now in the hands of town councils: a real "poisoned gift". Social welfare has been transferred to towns, which is intrinsically a positive measure.

Poland is divided into 49 "voivodies" (regions) each of which is led by a government representative, the Voivod, who implements at the local level

tasks set by the central government.

In order to realise specific common projects, local government may form inter-communal syndicates, with a legal status. They also adopt agreements which allow one of them to take responsibility for running specific public projects. They have the option of creating NGO's in order to defend common interest.

In towns, citizens may participate in local activities in two ways :

- Directly, by taking part in local elections and referendums, and by participating in the establishing of the national and regional development plan.
- Indirectly, via NGOs which play an intermediate role between the citizen and his local government.

After strong pressure from the Council of Europe, the law on local administration and the dismissal of mayors was amended. A dismissed mayor may file an appeal with the administrative Court up to 10 days after his/her removal is announced.

1.6 The Judiciary Structure

The independence of the Judiciary vis-a-vis other institutions appears secured, and judges are appointed by the President of the Republic on motions of the councils in both countries. The department of public prosecutions is under the umbrella of the Minister of Justice. The "People's Advocate", Ombudsman examines complaints submitted to him by private citizens.

The Constitutional Court is responsible for ensuring that laws and other legislative acts conform to the Constitution.

Evaluation

In Poland, judges are managed by the National Councils, whose 24 members consist mainly of judges appointed by the jurisdictions to which they belong. In Romania, judges are managed by the Supreme Council of the Magistracy, which is chaired by the Minister of Justice and made up of judges and prosecutors (5 of the Council's 15 members) elected by the Parliament for four-year terms.

In this structure Romania is ahead of Poland because a third of its National Council is elected, this is partly democratic.

The Ombudsman's powers and the means of exercising them are not clearly defined in Romania.

The Constitutional Court's members, for a single nine year term of office are elected by the SEJM in Poland, and as for Romania, The President, the Chamber of Deputies and the Senate each appoint three members to the court.

The fact that all of the members of the Constitutional Court are elected in the SEJM in Poland is more democratic than in Romania. For 6 of the members are elected and three of 9 members are appointed by the President.

1.7 Civil and Political Rights

The right not to be arbitrarily arrested appears secure as the period of custody is limited to 48 hours in Poland, to 24 hours in Romania without a warrant issued by a prosecutor or judge.

There are exceptions to this rule, especially in the case of minorities in Romania.

All citizens of 18 years or more have the right to vote in both Countries.

The freedoms of association is guaranteed by the constitutions.

There is a very dynamic third sector almost 17000 NGOs in Poland and 12000 in Romania. Freedom of expression is secure, despite certain outstanding problems.

Journalists are still subject to Article 270 of the Penal Code which penalises slander and abuser of the state authorities with sentences of up to eight years imprisonment in Poland and the severe penalties laid down in the criminal code for false reporting and defamation can be powerful constraints on journalists freedom of expression in Romania.

The right of ownership is now guaranteed, expropriation is possible only in the public interest and after fair compensation has been awarded. Jewish property has been restored to its rightful owners in both countries. A bill has been tabled restoring property to members of minorities in Romania.

Certain difficulties persist with regard to respect for privacy and the right to inviolability of the home. Although searches should not normally be

conducted without a warrant to that effect, the police still occasionally dispense with that formality on ground of urgency in both countries.

The situation with regard to asylum seekers is satisfactory in Poland which ratified the 1951 Geneva Convention in 1992 and has introduced the national procedures necessary for its implementation.

No cases of inhuman and degrading treatment appear to have been recorded in Poland. But several organisations have reported cases of inhuman and degrading treatment by the police in Romania.

2.8 Economic Social And Cultural Rights

The phenomenon of political changeover, known to Western democracies for a long time, was reinforced in Central and Eastern Europe because of a particularly heavy electoral calendar. The 'backlash' has weighed in many

ways :

) A left-wing growth has appeared in some countries, albeit not as strong in 1994-1995, when communism was said to be coming in Central and Eastern Europe.

) On the opposite side, a right-wing oriented evolution has appeared in other countries, as in the example of Romania and Poland.

) Significant advances in solving the diplomatic litigation between neighboring countries in 1996 was particularly fruitful for the settlement of conflicts between neighboring states. The following agreements were signed :

- Between Macedonia and Greece concerning the flag and the name of the Macedonian Republic,
- Between Albania and Greece on the subjects of minorities and borders,
- Between Italy and Slovenia concerning Istria,
- Between Romania and Hungary on the subjects of minorities and borders,
- Between the Czech Republic and Germany (common declaration) concerning historical litigation,

Countries from Central and Eastern Europe do not witness the same degree of democratic development. Being an active member of an NGO requires great sacrifices most of the time, in countries where the struggle for life demands the mobilisation of all the resources of families, whether time or money.

The right to belong to a trade union is recognised, except in the public sector.

318 trade unions are registered in Poland today. About 40 % of Romania's workers are members of trade unions. The right to strike is recognised by the law of 1991 except for what are known as the " essential services ".

The rights to education and freedom of religion are guaranteed in both countries.

1.9 Minority Rights

Minorities account for a tiny fraction of Poland's population (approx. 1.3 %) and consist principally of Germans (400.000), Ukrainians (300.000)

and Belarussians (250.000). There are an estimated 40.000 Roma (gypsies).

The German minority in Silesia is represented in Parliament, which is not the case for Ukranians (300.000), Belarussians (250.000) who nonetheless benefit from great advantages in the cultural and linguistic fields, the media and education.

The protection of minorities in Romania is guaranteed by a number of international agreements, and Article 35 of the Constitution of Poland guarantees the right of minorities to preserve and develop their language, cultural identity and traditions and to have their own cultural, religious and educational institutions.

Among the largest of Romania's minority groups are Hungarians (1.7 million), Gypsies (500.000 officially, but 2 million according to those who work with them) and Germans (119.000 officially, but possibly more) The signing of the Hungarian-Romanian Treaty (September 16, 1996) was a major event, both at the national and international level. The agreement includes the recognition and the inviolability of borders and guarantees the rights of Hungarians who live in Romania, but it does not grant them a special status of autonomy. Romania signed this treaty in order to join the European Union.

GYPSIES IN ROMANIA

- How many : Their exact number is hard to determine due to the fact that they have been nomadic. The Romanian Association of the Roma claims there are 2.5 million Roma, or 10 % the country's population.
- Areas of concentration : Transylvania - 2.8 % of the total population
Crisana - 2.5 %
Banat - 2.1 %
Bucharest - 1.4 %
- Where they live : 58.7 % in villages
41.3 % in cities
- How they live : 64.7 % live in households with a total surface of less than 8 sqm.
23.1 % have running water
91 % have electricity
14.4 % have heating
18.5 % of families have an average of over 4 persons living in one room.
- Marriage : 58.9 % civil
2.3 % in church
38.8 % arranged
The average marrying age for girls is 17.

Birth Rate : The average number of children born by a Roma woman is 4.35. Her average age at first birth is 18.5 years.

Education : Illiterate : 27.3 %
(35.5 % women, 18.7 % men)
High School graduates : 3.9 %

Occupation : 22.1 % are salaried employees

(of those over 16)

0.4 % in school

0.8 % are employers

1.2 % in jail

5.1 % are pensioners

16.9 % have their own businesses

45.2 % are unemployed

Qualifications : 79.4 % unqualified

3.9 % qualified in traditional professions

(pot makers, silversmiths, musicians, pot repair, flower vendors, utensil makers)

16.1 % qualified in modern professions.

Source : Population and Inhabitant Census (7 January 1992) - National Statistics Commission .

According to a report published by the Roma European Human Rights Centre, the police has often been accused of brutality towards the Roma in the last two years.

The question of minorities remains a major political problem in Central and Eastern Europe. Under pressure from the international community in general and the European Union in particular, which had made the question of minorities a condition for its enlargement. But the situation still remains precarious in some parts of Europe.

The Hungarian-Romanian Treaty signed on September 16, 1996 protects the rights of Hungarians in Romania without granting them a special autonomus status. On December 11, 1996, two members of the Democratic Union of the Magyars had entered government. The Hungarian Government will open a University in Hungarian.

On May 18, the Cabinet passed a draft law by the Ministry of Education to amend the Education Law of 1995. The new version of the law grants ethnic minorities the right to study in their mother tongue at all levels, including advanced university studies. The Democratic Union of Hungarians in Romania (UDMR), the largest and strongest ethnic party in Romania, has pushed hard for this bill for the last seven years. Since UDMR joined the ruling coalition after the 1996 elections, party leaders have demanded separate universities for ethnic minorities, with admission exams in the mother tongue.

Even during the Communist regime, Romania had a tradition of minority-language education at primary, secondary and high-school levels—mainly for the two largest minorities, ethnic Hungarians and Germans. From 1990 to 1996, President Ion Iliescu and the ruling Party of Social Democracy (PDSR) refused proposals by UDMR to extend these rights to university education, and open state-funded universities that would teach all subjects in minority languages. As a concession, the 1995 Education Bill granted minority-language training at technical and vocational schools, and separate minority-language sections in Romanian universities ⁴.

1.10 Media

In democracies, the press is generally considered as the fourth power (after the executive, legislative and judiciary). Media pluralism and independence are inevitable conditions for the freedom of expression. Radio, television, and the print media as well play a key role, for they may either control or reflect public opinion, depending on whether they are politically and economically independent or not. According to this criteria: In Poland the media are globally free. There are national television channels and radio stations. The private sector of radio and television experienced a slow development due to regulations and political control.

⁴ IN REVIEW ROMANIA: JUNE, 1997; BUCHAREST,

In Poland, the National Radio, and Television Council (KRRT), were set up in April 1993, comprise, as in the example of the French CSA, nine members, six of which are named by the Upper and Lower House of Parliament and three by the President for a term of six years.

In Romania, until the November 1996 general and presidential elections, governmental pressures on the media were still very high. National Audiovisual Council (the CNA), the only body to attribute frequencies to public and private radio and television stations. In May 1992, Romania was the second state from Central and Eastern Europe to pass a law on broadcast media, after Czechoslovakia. With 80 local stations, Romania has the greatest number of private radio stations in Central and Eastern Europe. There are many television channels as well, including 53 local ones. Romania benefits from the largest foreign investment in its television network (20 million USD); Pro TV is the first station to broadcast via satellite to the entire Country. Additionally, foreign broadcasting channels are available on cable, and Independent newspapers are free to criticise the central government.

1.11 Churches/State Relations

In every country from Central and Eastern Europe freedom of religion is generally respected, even though each religious situation may vary depending on whether or not it is dominant in the country. Religion does not carry the same impact on political life from country to another.

In Poland which is traditionally religious, the secularisation movement is beginning to take shape

- the church does not represent the bastion against communism any longer.
- the involvement of the church in political matters creates some problems.

Religion plays an important role towards national identification . Religious authorities have a strong impact on public opinion and on political authorities. They support, generally unofficially, the power in place or, on the contrary, the opposition, according to the candidate's position regarding religion, and sometimes national question. The Polish Catholic Church has visibly supported the candidacy of Lech Waleza to the presidency of the Republic (end of 1995) and it has been since then strongly opposed to president Kwasniewski.

In Poland, the Catholic Church has been criticised for introducing religious teaching in public schools, which is often considered as a moral obligation, especially in the countryside. The Church interventions in the debate on abortion, divorce or even the new project for a constitution, have generated strong protest.

The Romanian Orthodox Church has occasionally been criticised in the same matter. But according to the latest statements by some high prelates,

the Orthodox Church is to decide whether to get involved in political life or not. The debate was triggered by a declaration of the most Reverend Bartolomeu Anania, Archbishop of Cluj, Vad and Feleac, announcing in public that he would propose to the Holy Synod that the Church get involved in politics. An intention to create a political party⁵.



5- THE NEW EUROPE: MAY 9, 1998: ATHENS.

ECONOMIC CRITERIA

2.1 The Economic Situation

The opportunities offered by the Polish and Romanian economies today stem from 1989's political changes and the launch after 1990 of wide spread economic reforms. In 1989, both economies were characterised as follows :

- hyper-inflation and shortages of basic products;
- non-convertible currency and lack of foreign monetary reserves;
- hidden unemployment, inefficient economy with subsidies amounting to 75 % of the GDP;
- state-owned sector amounting to over 75 % of GDP.

The introduction of reforms has enabled the resolution of a number of important economic problems as follows;

- hyper-inflation has gradually been brought under control, although inflation is still high in comparison with Western Europe;
- national currency regained its monetary functions and foreign currency reserves have been established;
- Prices were liberated, with the exception of a limited number of products for which prices are defined by the government;

- agreements on foreign debt were reached with foreign aid and commercial creditors; and
- privatisation programmes and foreign investments have reduced the dependence of the economy on the public sector.

The following of the above reforms resulted in serious problems in early 1990's. Industrial and services output was initially seriously diminished, mainly due to the collapse of the former Eastern markets. Lower consumer income levels, manufacturers inability to adapt themselves quickly to a competitive environment and imports of attractive foreign goods were additional factors that contributed to the recession. The following years witnessed the reversal of many of the negative trends in the economy and signs of real improvement with the growth of GDP, a significant reduction in inflation. Positive tendencies have continued.

2.2 Foreign Debt

In 1991, Poland signed an agreement with the Paris Club on the reduction of 50 % the Polish debt. The agreement on debt reduction signed in September 1994 between Poland and the group of creditor banks known as the London Club granted Poland a reduction of USD 6.5 billion on its debt with reshcheduled repayments over a thirty-year period. The reduced debt in the Paris Club will be paid back by 2014, and the London Club by 2024.

Due to the agreements with both the London and Paris Clubs on the reduction of the Polish debt, Poland returned to the international capital markets. The first ever Polish Eurobond, issued in 1995, was well received by international investors.

The credibility of Poland as an economic partner has been strengthened by the growth of foreign currency resources which reached over 20 billion USD. This was due to a high of exports, revenue from foreign exchange operations and foreign direct investments.

	Indebtedness and reserves				
	1990	1993	1994	1995	1996
	(USD mn)				
Poland					
Gross External debt, convert. curr.	48475	42246	42174	43957	40423
Gross reserves of NBP, incl. gold	4680	4281	6029	14963	18033
Assets, held by western banks	7816	6993	8900	13546	11594
Romania					
Gross External debt, convert. curr.	1140.0	4249.0	5512.0	6408.0	7954.0
Gross reserves of NBP, incl. gold	876.5	956.2	1598.0	1380.0	1592.0
Assets, held by western banks	584.0	901.0	1461.0	1266.0	1642.0

Romania's long and medium term debt reached USD 8,290 billion at the end of February 1998, Increasingly USD 35,5 million compared to the previous month, the most recent bulletin of the National Bank pointed out. Romania's main creditors are financial international institutions with USD 3,365 billion and private banks with USD 1,620 billion. From the total debt, USD 4,808 billion represent public debt, USD 2,035 billion represent guaranteed debt and USD 1,466 billion commercial private debt.

2.3 Foreign Trade

Poland is among the world's largest trading nations. With exports of 13,1 billion USD and imports of 15,9 billion USD in 1992, and it reached 24,4 billion USD of exports and 37,1 billion USD of imports in 1996.

Romania with exports of 4,3 billion USD and imports of 6,2 billion USD in 1992, and it reached 8 billion USD of exports and 11,4 billion USD of imports in 1996.-(see table 1.1-1.2 and 1.3)

	USD mn						
	Hungary	Poland	Romania	Russia	Slovak Republic	Slovenia	Ukraine
	324	-269	-1564	4179 ³⁾	.	926	-621
	21644	47044 ²⁾	2479	80200 ⁴⁾	2981	1741 ¹⁾	3513 ²⁾
	2099	1225	109	539	561	873	67
X	10678	13187	4363	42376 ³⁾	3709 ³⁾	6681	11308
	4.5	-11.5	2.3	-16.8	13.0	.	.
I	11120	15913	6260	36984 ³⁾	3833 ³⁾	6141	11930
	-2.8	.	8.0	-16.8	6.3	.	.
	79.0	1.36	308.0	268.3	28.3	81.3	0.002005
	49.2	0.69	75.4	24.2	9.9	59.0	0.000260

Notes:

Slovenia

1) Excluding the share of debt owed by former Yugoslavia.

Ukraine

1) Gross fixed investment.

2) Excluding a 16.37% share of former Soviet Union debt.



	Hungary	Poland	Romania	Russia	Slovak Republic	Slovenia	Ukraine
	-1678	-1352 ²⁾	-2612	9342	-1909	47	-1184
	27646	40423 ³⁾	6819	127400 ³⁾	7810	4010 ¹⁾	9170 ²⁾
	2717	1046	302	864	1452	2018	180
Ex	13120	24440	8085	87008	8828	8306	14062
	1.7	6.7	2.2	8.9	2.9	-0.1	11.6
Im	15177	37136	11435	45439	10934	9397	18203
	5.0	27.8	11.3	-2.7	24.7	-1.0	59.3
	152.6	2.70	3082.6	5123.7	30.7	135.4	1.829
	95.5	1.58	1049.8	3611.4	13.5	113.0	0.717

Notes: Ukraine
 1) Gross fixed investment.
 2) Excluding a 16.37% share of former Soviet Union debt.

Table 1.3

USD mm

	Poland	Romania
1990 exports	14322	5776
1990 imports	9528	9203
1991 exports	14903	4266
1991 imports	15522	5793
1992 exports	13187	4363
1992 imports	15913	6260
1993 exports	14143	4892
1993 imports	18834	6522
1994 exports	17240	6151
1994 imports	21569	7109
1995 exports	22895	7910
1995 imports	29049	10278
1996 exports	24440	8085
1996 imports	37136	11435

It is true that the 1970 s, 1980 s and early 1990 s were difficult periods in terms of Poland's and Romania's trade performance.

The outlook is now brighter. Much of the transformation process towards a market economy has been completed in both countries.

Until 1989, both economies were not directly exposed to world competition, due to the state monopoly of foreign trade, and restrictions on exports and imports.

The reform of the economy, begun in 1990, has brought about fundamental changes in the countries, foreign trade.

Trade has been the centerpiece in the transformation of the economies:

- Almost all restrictions imposed on imports were lifted in Poland;

The import and export regulations have been permanently liberalized and improved after 1990, following the models set by regulations in the field existing in the countries of the European Union. The state monopoly in the field has been broken and private initiative has been encouraged in Romania;

- Licence requirement were abandoned in Poland;
- Government Decision No. 215/1992 on import and export licences in Romania stipulates that the export and import of commodities to and from Romania have been liberalized, no export or import licences being required;
- The foreign trade monopoly exercised by some 70 State-owned enterprises was abolished in Poland;
- Price controls have been eliminated in both countries;
- Stock exchanges have been set up in Warsaw and Bucharest;

By trade liberalisation Poland almost doubled its exports and quadrupled its imports in seven years. As for Romania, it made 50 % progress on export and import.

The structure of Poland's imports by origin has undergone fundamental change;

- The share of Western Europe moved up from 4.8 billion USD to 23.7 billion USD in seven years and as for Romania from 2 billion USD to 5.9 billion USD in seven years. (see table 1.4, 1.5, 1.6 and 1.7)



Poland: Trade with the EU in USD, by individual countries
(exports, imports and trade balances, current prices)

Database label	1990	1992	1993	1994	1995	1996*
	(USD mn)					
European Union (15)						
PXEU95N Exports ¹⁾²⁾³⁾	7547.9	8657.4	9787.0	11930.4	16027.5	16188.4
PMEU95N Imports ¹⁾³⁾⁴⁾	4870.6	9860.2	12190.2	14076.2	18780.2	23737.7
Trade balance	2677.3	-1202.7	-2403.2	-2145.8	-2752.7	-7549.3
Austria						
PXPATN Exports	525.1	421.8	338.2	378.9	488.7	482.8
PMPATN Imports	463.5	714.1	611.0	554.6	737.5	814.7
Trade balance	61.6	-292.3	-272.8	-175.6	-248.8	-332.0
Belgium-Luxembourg						
PXPBEN Exports	233.8	352.9	369.9	427.0	563.3	609.0
PMPBEN Imports	117.2	400.2	434.9	541.6	768.0	950.0
Trade balance	116.6	-47.3	-65.0	-114.7	-204.6	-341.0
Denmark						
PXPDKN Exports	239.0	331.0	419.3	549.8	687.6	742.3
PMPDKN Imports	92.8	336.0	457.0	517.1	635.5	813.7
Trade balance	146.2	-5.0	-37.8	32.7	52.0	-71.4
Finland						
PXPFIN Exports	213.8	260.5	198.9	301.5	353.3	317.2
PMPFIN Imports	103.6	375.4	380.4	519.5	540.2	612.3
Trade balance	110.1	-114.9	-181.4	-218.1	-186.9	-295.0
France						
PXPFRN Exports	439.1	480.9	590.5	685.3	818.5	1075.5
PMPFRN Imports	246.7	709.3	799.4	971.8	1422.0	2025.9
Trade balance	192.3	-228.4	-209.0	-286.5	-603.5	-950.5
Germany ⁵⁾						
PXPDEN Exports	3107.8	4145.5	5134.5	6152.3	8771.5	8409.8
PMPDEN Imports	1436.4	3804.2	5276.2	5919.4	7730.7	9163.1
Trade balance	1671.4	341.3	-141.7	232.9	1040.8	-753.3
Greece						
PXPGRN Exports	77.2	47.1	67.0	65.7	96.2	184.0
PMPGRN Imports	23.9	54.7	48.2	58.7	79.2	77.1
Trade balance	53.2	-7.6	18.8	7.0	17.0	106.9
Ireland						
PXPIEN Exports	55.0	73.2	64.0	65.2	54.5	64.9
PMPIEN Imports	18.3	46.5	67.4	87.3	152.0	189.7
Trade balance	36.7	26.7	-3.3	-22.1	-97.5	-124.8

(continued)

Poland: Trade with the EU in USD, by individual countries
(exports, imports and trade balances, current prices)

Database label	1990	1992	1993	1994	1995	1996*	
	(USD mn)						
	Italy						
PXPITN	Exports	401.1	732.4	737.2	856.0	1122.1	1301.8
PMPITN	Imports	610.1	1102.3	1465.1	1813.4	2482.2	3690.0
	Trade balance	-209.0	-369.9	-727.8	-957.4	-1360.1	-2388.2
	Netherlands						
PXPNLN	Exports	427.1	789.1	831.6	1015.7	1287.6	1167.5
PMPNLN	Imports	214.5	751.4	878.4	995.8	1316.2	1409.8
	Trade balance	212.6	37.7	-46.8	19.9	-28.5	-242.3
	Portugal						
PXPPTN	Exports	9.1	11.7	14.0	27.3	37.7	38.4
PMPPTN	Imports	1.0	5.0	5.7	9.8	26.7	47.5
	Trade balance	8.1	6.7	8.2	17.4	11.0	-9.1
	Spain						
PXPESN	Exports	95.9	117.7	103.3	178.2	249.3	250.3
PMPESN	Imports	42.5	191.0	252.8	340.4	473.5	754.4
	Trade balance	53.4	-73.4	-149.5	-162.2	-224.2	-504.2
	Sweden						
PXPSEN	Exports	357.1	328.3	309.9	444.3	580.9	582.6
PMPSEN	Imports	159.3	304.3	425.2	609.9	909.2	999.9
	Trade balance	197.8	24.0	-115.3	-165.6	-328.3	-417.4
	United Kingdom						
PXPUKN	Exports	971.3	565.4	608.8	783.2	916.4	962.3
PMPUKN	Imports	461.3	1065.8	1088.6	1136.6	1507.3	2189.5
	Trade balance	510.0	-500.5	-479.8	-353.6	-591.0	-1227.1

Notes:

- 1) PLN converted to USD at the trade exchange rate.
- 2) Exports until 1991 by countries of sale, from 1992 by countries of destination.
- 3) In 1990 state trade for individual countries.
- 4) Imports until 1991 by countries of purchase, fob, from 1992 by countries of origin, cf.
- 5) From 1991 including the former GDR.

Romania: Trade with the EU in USD, by individual countries
(exports, imports and trade balances, current prices)

	1990	1992	1993	1994	1995	1996*
	(USD mn)					
European Union (15)						
Exports ¹⁾	1956.5	1534.8	2023.3	2964.7	4283.4	4568.6
Imports ¹²⁾	2004.8	2583.9	2955.2	3427.0	5185.5	5986.1
Trade balance	-48.3	-1049.1	-931.9	-462.3	-902.1	-1417.5
Austria						
Exports	71.3	104.7	75.8	97.1	155.0	169.3
Imports	150.6	191.0	165.5	195.0	314.5	349.4
Trade balance	-79.3	-86.3	-89.7	-97.9	-159.5	-180.1
Belgium-Luxembourg						
Exports	58.2	49.1	76.3	104.2	135.2	126.4
Imports	52.5	72.9	87.0	87.3	161.1	193.2
Trade balance	5.7	-23.9	-10.7	16.9	-25.9	-66.8
Denmark						
Exports	5.9	4.5	5.7	8.6	15.1	14.1
Imports	13.7	20.8	48.3	46.0	55.0	87.2
Trade balance	-7.7	-16.2	-42.6	-37.4	-39.9	-73.1
Finland						
Exports	9.3	3.2	2.1	3.8	6.5	5.9
Imports	1.5	5.4	13.5	27.5	23.9	33.8
Trade balance	7.8	-2.3	-11.4	-23.7	-17.4	-27.9
France						
Exports	201.5	171.3	219.4	315.5	458.1	459.8
Imports	176.6	474.5	506.7	361.7	536.1	561.1
Trade balance	24.8	-303.2	-287.3	-46.2	-78.0	-101.3
Germany ³⁾						
Exports	645.8	479.3	699.7	987.7	1435.2	1486.2
Imports	1079.2	826.3	1031.2	1278.1	1802.6	2008.4
Trade balance	-433.4	-347.0	-331.5	-290.4	-367.4	-522.2
Greece						
Exports	85.7	115.5	84.3	141.2	205.0	177.3
Imports	65.3	74.8	69.5	89.4	158.3	185.7
Trade balance	20.3	40.8	14.8	51.8	46.7	-8.4
Ireland						
Exports	1.3	1.8	4.9	2.1	5.3	4.9
Imports	14.6	9.7	15.2	10.2	22.9	26.1
Trade balance	-13.3	-8.0	-10.3	-8.1	-17.6	-21.2

(continued)

Romania: Trade with the EU in USD, by individual countries
(exports, imports and trade balances, current prices)

Database label	1990	1992	1993	1994	1995	1996*
	(USD mn)					
Italy						
RXRITN Exports	519.0	265.2	406.3	794.9	1243.4	1385.0
RMRITN Imports	108.6	487.2	614.0	841.2	1362.6	1750.8
Trade balance	410.4	-222.0	-207.7	-46.3	-119.2	-365.8
Netherlands						
RXRNLN Exports	156.2	109.9	212.2	216.1	238.9	343.1
RMRNLN Imports	132.6	151.7	157.1	177.9	276.3	266.0
Trade balance	23.6	-41.8	55.1	38.2	-37.4	77.1
Portugal						
RXRPTN Exports	1.2	1.8	2.2	2.9	8.8	9.9
RMRPTN Imports	4.0	1.4	2.3	2.8	4.2	15.8
Trade balance	-2.9	0.4	-0.1	0.1	4.6	-5.9
Spain						
RXRRESN Exports	41.6	43.6	28.2	56.0	101.8	95.1
RMRESN Imports	18.8	24.2	40.9	46.5	88.4	101.6
Trade balance	22.8	19.3	-12.7	9.5	13.4	-6.5
Sweden						
RXRSEN Exports	33.0	27.5	21.4	34.2	38.8	44.0
RMRSN Imports	19.4	56.4	33.5	40.1	76.6	77.0
Trade balance	13.6	-28.9	-12.1	-5.9	-37.8	-33.0
United Kingdom						
RXRUKN Exports	126.6	157.6	184.8	200.4	236.3	247.6
RMUKN Imports	167.3	167.7	170.5	223.3	303.0	330.0
Trade balance	-40.7	-30.1	14.3	-22.9	-66.7	-82.4

- Notes:**
- 1) ROL converted to USD at the trade exchange rate.
 - 2) 1990 fob, from 1991 cif.
 - 3) Including the former GDR.

Unlike in the past, Poland obtained a growing proportion of its imports of consumer goods from developing countries. Approximately one quarter of Poland's imports from developing countries are agricultural products. The major items are bananas, coffee, tea, rice, cocoa beans, sauces and spices, oil, cakes and tobacco.

Banana consumption in Poland has been relatively high in recent years and continues to grow. The largest supplier is Ecuador which is followed by Colombia and Costa Rica.

Coffee consumption has been growing rapidly, Poland is a major importer of tea and rice.

As in all countries in transition after 1990, a strong redirection of trade flows also occurred in Romania. In 1996, OECD Countries represented 65 percent of Romanian foreign trade. The most important partners being Germany (18.4 percent of export and 17.6 percent of imports) and Italy (17.1 and 15.3 percent respectively) (see table 1/8 and 1/9)

The Russian Federation and the other countries in transition count for a minor part of the trade. In contrast, the share of the rest of the world (including developing countries), which absorb approximately one quarter of exports, has remained important.

Romania: Exports to the top twenty partners
(current prices, per cent of total)

Base		1990	1993	1994	1995	1996*
RLDN	Total exports, fob, ROL bn	133	3776	10273	16214	25330
RLDN	Total exports, fob, USD mn	5776	4892	6151	7910	8085
	Ranking in 1995					
				(% of total)		
DE	Germany	1	11.18	14.30	16.06	18.14
IT	Italy	2	8.99	8.31	12.92	15.72
FR	France	3	3.49	4.48	5.13	5.79
TR	Turkey	4	2.80	5.67	4.09	4.40
NL	Netherlands	5	2.70	4.34	3.51	3.02
UK	United Kingdom	6	2.19	3.78	3.26	2.99
GR	Greece	7	1.48	1.72	2.30	2.59
US	USA	8	5.92	1.41	3.14	2.54
EG	Egypt	9	1.38	2.06	2.57	2.52
CN	China	10	2.62	8.56	4.48	2.27
HU	Hungary	11	2.66	2.39	2.62	2.20
SY	Syria	12	0.36	2.71	2.37	2.07
RU	Russian Federation	13	.	4.51	3.37	2.00
AT	Austria	14	1.24	1.55	1.58	1.96
UA	Ukraine	15	.	2.14	1.55	1.74
BE	Belgium-Luxembourg	16	1.01	1.56	1.69	1.71
IS	Israel	17	0.41	1.14	1.60	1.59
SG	Singapore	18	0.75	1.03	1.75	1.49
ES	Spain	19	0.72	0.58	0.91	1.29
MD	Moldova	20	.	1.93	0.97	1.04

Romania: Imports from the top twenty partners
(current prices; per cent of total)

Database label		1990	1993	1994	1995	1996*	
RMWRLDN	Total imports, cif, ROL bn ¹⁾	212	5087	11919	21174	36188	
RMWRLDN	Total imports, cif, USD mn ¹⁾	9203	6522	7109	10278	11435	
	Ranking in 1995			(% of total)			
RMRDEN	Germany	1	11.73	15.81	17.98	17.54	17.56
RMRITN	Italy	2	1.18	9.41	11.83	13.26	15.31
RMRRUN	Russian Federation	3	.	11.72	13.84	11.96	12.52
RMRFRN	France	4	1.92	7.77	5.09	5.22	4.91
RMRUSN	USA	5	5.06	5.72	6.54	4.08	4.03
RMREGN	Egypt	6	3.60	1.33	1.73	3.90	2.10
RMRHUN	Hungary	7	2.42	2.57	2.35	3.06	2.53
RMRATN	Austria	8	1.64	2.54	2.74	3.06	3.06
RMRUKN	United Kingdom	9	1.82	2.61	3.14	2.95	2.89
RMRNLN	Netherlands	10	1.44	2.41	2.50	2.69	2.33
RMRIRN	Iran	11	5.81	9.26	6.23	2.49	2.75
RMRTRN	Turkey	12	0.83	2.26	2.12	2.44	1.91
RMRCHN	Switzerland	13	2.00	2.27	2.07	1.93	1.68
RMRUAN	Ukraine	14	.	2.04	2.11	1.88	1.59
RMRBEN	Belgium-Luxembourg	15	0.57	1.33	1.23	1.57	1.69
RMRGRN	Greece	16	0.71	1.07	1.26	1.54	1.62
RMRILN	Israel	17	0.13	1.21	0.90	1.20	1.00
RMRMDN	Moldova	18	.	1.33	1.34	1.02	0.70
RMRCNN	China	19	2.53	1.43	0.85	0.88	1.01
RMRESN	Spain	20	0.20	0.63	0.65	0.86	0.89

Note: 1) In 1990 fob.

Like its import trade, the direction of Poland's exports has undergone fundamental change. The reorientation towards Western Europe has been considered the major challenge by many export oriented Polish firms.

Poland's export basket changed significantly in the late 1980s and early 1990s. The share of electrotechnical products, which used to account for 40 % for all exports, fell to about one quarter, whereas that of metal products rose rapidly. Similarly, agricultural and mineral products became more important.

Developing countries are an important market for Poland.

The leading agricultural export items are milk, live sheep, and goats, cheese, biscuits and leguminous vegetables.

Poland is an important milk producer. A large number of countries in Asia, Africa and Latin America import Polish milk and cream products. (see table I/I0, I/II, I/I2)

Poland: Exports to the top twenty partners
(current prices, per cent of total)

Database label		1990	1993	1994	1995	1996*	
PXWRLDN	Total exports, fob, PLN mn ¹⁾	12945	25757	39246	55515	65819	
PXWRLDN	Total exports, fob, USD mn ¹⁾	13627	14143	17240	22895	24440	
	Ranking in 1995						
				(% of total)			
PXPDEN	Germany ²⁾	1	22.81	36.30	35.69	38.31	34.41
PXPNLN	Netherlands	2	3.13	5.88	5.89	5.62	4.78
PXPRUN	Russian Federation	3	.	4.63	5.41	5.58	6.76
PXPITN	Italy	4	2.94	5.21	4.96	4.90	5.33
PXPUKN	United Kingdom	5	7.13	4.30	4.54	4.00	3.94
PXPFRN	France	6	3.22	4.17	3.97	3.58	4.40
PXPUAN	Ukraine	7	.	1.31	1.64	3.25	4.01
PXPCZN	Czech Republic	8	.	2.41	2.65	3.05	3.47
PXPDKN	Denmark	9	1.75	2.96	3.19	3.00	3.04
PXPUSN	USA	10	2.72	2.93	3.43	2.71	2.29
PXPSEN	Sweden	11	2.62	2.19	2.58	2.54	2.38
PXPBEN	Belgium-Luxembourg	12	1.72	2.62	2.48	2.46	2.49
PXPATN	Austria	13	3.85	2.39	2.20	2.13	1.98
PXPFIN	Finland	14	1.57	1.41	1.75	1.54	1.30
PXPSKN	Slovak Republic	15	.	1.16	1.07	1.22	1.15
PXPHUN	Hungary	16	0.98	1.23	1.07	1.17	1.27
PXPESN	Spain	17	0.70	0.73	1.03	1.09	1.02
PXPBYN	Belarus	18	.	0.72	0.80	1.05	1.11
PXPCHN	Switzerland	19	4.70	1.28	0.88	0.82	0.85
PXPNON	Norway	20	0.42	0.54	0.66	0.64	1.23

Notes: 1) In 1990 state trade only.
2) In 1990 excluding the former GDR.

Remark: See general footnotes in table VI/1.1.5.

FOREIGN TRADE

Poland: Trade with transition countries in USD, by individual countries
(exports, imports and trade balances, current prices)

Database label	1990	1992	1993	1994	1995	1996*
	(USD mn)					
Bulgaria						
PXPBGN Exports	103.8	43.2	31.8	44.9	46.1	47.8
PMPBGN Imports	47.2	25.9	21.5	20.5	27.2	32.4
Trade balance	56.6	17.3	10.4	24.4	19.0	15.3
Czech Republic						
PXPCZN Exports	.	.	341.4	457.2	698.4	848.6
PMPCCN Imports	.	.	350.4	503.6	891.3	1150.9
Trade balance	.	.	-9.0	-46.4	-192.8	-302.3
Hungary						
PXPBUN Exports	133.8	171.2	174.5	184.0	268.0	310.2
PMPBUN Imports	75.8	143.0	168.7	220.9	352.0	427.0
Trade balance	58.0	28.2	5.9	-36.9	-84.0	-116.8
Romania						
PXPRON Exports	127.2	64.3	35.3	31.7	57.9	74.2
PMPRON Imports	25.9	30.8	20.5	17.4	25.3	70.8
Trade balance	101.3	33.5	14.8	14.2	32.6	3.4
Slovak Republic						
PXPSKN Exports	.	.	164.5	183.8	279.4	280.3
PMPSKN Imports	.	.	163.1	196.9	380.4	433.6
Trade balance	.	.	1.3	-13.1	-101.0	-153.4
Central and East European Countries (5)						
PXCCECN Exports	920.8	781.6	747.4	901.5	1349.8	1561.1
PMCCECN Imports	439.6	701.8	724.2	959.3	1676.1	2115.0
Trade balance	481.2	79.8	23.3	-57.8	-326.3	-553.8

Poland: Trade with transition countries in USD, by individual countries
(exports, imports and trade balances, current prices)

	1990	1992	1993	1994	1995	1996*
	(USD mn)					
Croatia						
Exports			20.7	33.4	38.2	41.9
Imports			37.3	40.2	47.6	52.6
Trade balance			-16.6	-6.8	-9.4	-10.7
Slovenia						
Exports		0.2	13.6	18.7	32.5	43.2
Imports		5.1	82.7	91.0	103.5	151.3
Trade balance		-4.9	-69.0	-72.3	-71.0	-108.1
Russian Federation						
Exports		728.4	654.7	932.9	1276.8	1652.6
Imports		1353.0	1278.9	1458.7	1955.1	2525.8
Trade balance		-624.6	-624.2	-525.8	-678.3	-873.2
Ukraine						
Exports		187.4	185.7	282.6	743.6	981.0
Imports		162.9	200.2	205.3	290.4	418.4
Trade balance		24.5	-14.5	77.2	453.2	562.6
Former CSFR						
Exports	556.0	503.0				
Imports	290.7	502.1				
Trade balance	265.3	0.8				
Former USSR						
Exports	2080.8					
Imports	1617.8					
Trade balance	463.0					
Former Yugoslavia						
Exports	212.8	119.6				
Imports	166.9	110.8				
Trade balance	45.8	8.7				

Remarks: PLN converted to USD at the commercial exchange rate.
Exports until 1991 by countries of sale, from 1992 by countries of destination.
Imports until 1991 by countries of purchase, fob, from 1992 by countries of origin, cif.
In 1990 state trade only.

As for Romania, in 1996, from among the products ranking first in point of export, textiles, ready made clothes and footwear (27.4 %); metalurgical products (16 %); machine building products (13 %) and chemical industry (12 %).

The volume of imports reached about \$ 8.6 million. Among the main imported goods are, machine building products and tools (26 %); raw materials, fuel and energy (25 %); ready made clothes accessories (15 %). From the point view of the geographical distribution, I would like to mention. The fact that in the field of export, the main share is held by Europe (74.4 %), of which ranking first is the European Union (55.4 %), Africa and The Middle East (12.9 %), Asia and Oceania (7.7 %), America (5 %), said Mihai Berinde ⁶.

Italy is Romania's second largest important economic partner, with a total volume of bilateral trade worth \$ 2.8 billion. There are more than 5.000 Romanian - Italian joint-ventures. There are big companies also in the energy-sector, like Ansaldo, Agip, but because of the existing bureaucracy, they couldn't successfully complete their plans for Romania.

Romania ranks first, among the East European countries, as regards its commercial exchanges with Italy, while Italy ranks second. Very close to Germany, in the exchange with Romania.

⁶ THE ROMANIAN BUSINESS JOURNAL: JANUARY 24, 1998 ; BUCHAREST.

The total volume of the Romanian-German commercial exchanges in 1996 reached \$ 3.5 billion, of which the sum of \$ 1.5 billion was represented by the Romanian export.

Turkey ranks fifth among economic partners. Having gained momentum quite long ago, Romanian Turkish economic exchanges have been on a steady rise. At the end of 1996, Turkey ranked as Romania's fifth most important trading partner. The amount of trade with Turkey is about 800 USD.

Romanian exports to Turkey contain chemicals and metal products, fertilisers, vegetable and animal oils and building materials. In exchange, Turkey supplies various raw materials, electrical machinery and foodstuffs.

Evaluation

In 1994, the world trade was growing dynamically, while in the case of Poland this growth was rapid. According to WTO estimates, the world exports at current prices increased by 12 percent with the volume of exports growing by 9 percent, twice more than in 1993.

This good performance of Polish foreign trade in 1994 invited a question.

Are there any grounds for this performance to be repeated over a longer period of time, e.g. ten years ?

The answer to the question is rather positive. Polish manufacturers and exporters for the second time prove their remarkable entrepreneurship and effectiveness. In 1990-1992 they provided for a radical re-orientation of trade from the East to the West.

In the case of agricultural products customs duties applied in 1994 were increased due to non-tariff barriers. They will be reduced by 36 percent on the average in six annual installments. This means the so-called tariffication of non-tariff and quasi-tariff barriers including quantitative restrictions variable levies, minimum import prices, discretionary import licences, and voluntary export restraints. This practically means a prohibition of applying such instruments to agricultural trade between WTO members. In Poland, the reduction of customs duties applicable to agricultural products entered into force on July 1, 1995, i.e. in the day of joining the WTO by Poland as a full member. The implementation of the Europe Agreement and the agreements with EFTA and CEFTA entered a new stage.

Customs duties applicable to manufactured goods imported from the European Countries are to be lifted, in fact, by the end of 1998, as since January 1995 they are to be reduced annually by 20 percent. In the case of motor vehicles the customs duties are to be abolished by the end of 2001.

The access of western manufacturers and providers of services to the Polish market will be progressively improved and will become fully liberalized by the end of 2004.

Since January 1999 the imports of manufactured goods from the EU and EFTA countries will be duty free. This will refer to 75 percent of Polish

imports. Only in the case of motor vehicles the customs duties, despite being progressively reduced, will be fully removed in 2002.

Both countries' economic policies aim to build close institutional links with Western European Countries. These relations are largely defined by the framework of association with the European Communities and two free trade agreements with EFTA countries of the Visegrad Group of which Poland and Romania are members. Close economic relations with the European Union play the most important role.

One of the key development priorities for Poland is legislative adaptation for the planned membership of the European Union.

2.4 Agriculture

In Poland, the economic importance of agriculture is still relatively high. In 1995 agriculture contributed 6.6 % to the GDP, down from 12.9 % in 1989. There were approximately 4.7 million people working in the agricultural sector in 1995. Out of these, 4.3 million worked full time in agriculture corresponding to 27 % of total employment. Although it fluctuates, the number of people employed in agriculture is decreasing slowly.

Out of total land area of 31 million ha, about 28 % is covered by forest. The agricultural area 18.5-19 ha million, represents 60 % of the total area, more than three quarters of the agricultural area is arable land. The most

important arable crops are cereals (60 % of arable land) and potatoes (11 %).

Agricultural production, with the exception of pork and poultry, has declined substantially since transition as a result of the drastic shift in input/output price relations, which in particular hurt the livestock industry. The relative importance of crop and livestock production has shifted towards crop production which represented about 58 % of agricultural production.

Despite the general downward trend in agricultural production, Poland is self-sufficient for the main products. Poland is a major potato producer with an average production of 28 million tonnes (about 4.6 % of EU production).

The agricultural trade balance has sharply deteriorated during the period of transition. In 1995, Poland's agricultural trade represented 10.3 % of total exports and 9.5 % of total imports. Although exports have increased each year since 1993, imports have continued to increase and have exceeded exports over this period. Agricultural trade with the EU represents about 47 % of Polish exports and 46 % of its imports.

States of the former Soviet Union account for 30 % of Polish agricultural exports and 4 % of imports. Trade with these countries is increasing rapidly. In Romania the value of agricultural production in 1995 was

approximately 4.93 % of that of the Union. In 1995 agriculture accounted for about 20 % of Romania's GDP and employed 34.4 % of the working population.

At the outset of the transition period, agriculture held up better than other sector of the economy and, by 1994, had returned to 1989 levels. Output nevertheless remains vulnerable, in particular owing to a fall in the use of fertilisers and irrigation, and fluctuates considerably from one year to the next; in 1996 arable output-principally grain-collapsed, mainly as a result of bad weather. The livestock sector appears to be stabilising. Out of total land area of 23.5 million ha, about 28 %, is covered by forest; timber production, which stood at 14 million m³ in 1994, has fallen by a third since the transition period began, but remains nonetheless one of the country's main export sectors.

Irrigation is vital to a major part of Romania's farmland. With 3.1 million hectares of irrigable land, Romania has Europe's second largest irrigable area, though only 800,000 ha are currently under irrigation (inefficient canals, fragmentation of holdings, and shortage of funding).

During the period 1989-1993, the reduction in the size of farms and a shortage of funds led farmers to plant more cereals and cut down on other crops such as beet. Grain maize production has been stepped up at the expense of wheat. Overall grain production in 1996 amounted to only 14.25 million tonnes, markedly down on the previous year's 19.9 million tonnes.

Compared with 1995, 1996 was a good production year for fruits (+70 %) potatoes (+ 20 %) and sunflower (+ 17 %). The surface planted with vines has also risen steadily (+ 10 %) throughout the 1990s, with production now exceeding the levels of the mid-1980s.

After progressive declines in livestock numbers between 1989 and 1995, Romanian pig and cattle number increased by 2 % and 5 % respectively in 1995. Sheep and goat numbers continued to fall. Production of milk (5 million tonnes) and beef 412 000 tonnes was greater in 1995 than in 1989, whereas meat production (1.8 million tonnes) remained substantially down.

The agricultural trade balance has worsened considerably since 1989: In 1995 the country's farm imports (8.4 % of total imports), while farm exports totalled (6.5 % of total exports). (see table 2/1, 2/2, 2/3 and 2/4) ,

Poland: Selected indicators of agriculture
(indices, per cent of total, physical units)

Database label	1990	1993	1994	1995	1996*	
Gross agricultural output (GAO)						
PA181S	Total, 1990=100	100.0	91.7	83.2	92.1	93.1
PA185S	Crops, 1990=100	100.0	94.4	80.3	90.1	92.8
PA186S	Livestock, 1990=100	100.0	84.9	84.3	91.6	89.8
PA185N	Share of crops in total GAO, %	50.6	58.3	52.2	58.6	59.0
PA186N	Share of livestock in total GAO, %	49.4	41.7	47.8	41.4	41.0
Price indices, 1990=100						
PP141S	Agricultural input prices ¹⁾	100.0	327.0	412.7	517.1	621.0
PP1P4S	Agricultural output prices ¹⁾	100.0	274.1	375.8	478.4	553.0
PP111S	Consumer food prices	100.0	267.2	355.4	451.4	535.4
PZ2111P	Share of food in household expenditures, %	48.0	39.1	39.9	39.7	
Agricultural land, th. ha						
PK32ZZ	Agricultural land, total	18720	18642	18648	18622	18474
PK321Z	Cultivated agricultural land	14660	14595	14593	14576	14349
PK31ZZ	Arable land, total	14388	14305	14300	14286	14087
Sown area						
PK311Z	Grain total	8531	8506	8481	8571	8720
PK312Z	Wheat	2281	2477	2407	2407	2480
PK314Z	Maize	59	55	50	48	
PK321Z	Oilseeds	525	363	398	634	301
PK331Z	Sugarbeet	440	399	400	384	453
PK341Z	Potatoes	1835	1761	1697	1522	1342
Crops production, th. tonnes						
PA311M	Grain total	28014	23417	21763	25905	25298
PA312M	Wheat	9026	8243	7658	8668	8576
PA314M	Maize	290	290	189	239	
PA321M	Oilseeds	1233	606	777	1401	468
PA331M	Sugarbeet	16721	15621	11676	13309	17846
PA341M	Potatoes	36313	36270	23058	24891	27217
Yield per hectare, kg						
Grain total						
	Grain total	3284	2753	2566	3022	2901
	Wheat	3957	3328	3182	3601	3458
	Maize	4915	5273	3780	4979	
	Oilseeds	2349	1669	1952	2210	1555
	Sugarbeet	38002	39150	29190	34659	39395
	Potatoes	19789	20596	13588	16354	20281

(continued)

Database label	1990	1993	1994	1995	1996*
Fertilizers in use, 100% nutrients, kg per ha ²					
C121M Nitrogen - N	50.1	51.9	57.3	58.5	
C131M Phosphate - P2O5	28.0	16.6	19.1	20.7	
C141M Potassium - K2O	41.4	19.3	21.6	24.5	
Livestock inventories, th. heads, end of year					
K412M Cattle	10049	7643	7696	7306	7136
K4121M Cows	4919	3983	3863	3579	3461
K413M Pigs	19464	18860	19466	20418	17964
K414M Sheep	4159	1268	870	713	552
Animal production					
A11M Meat prod. total, live weight, th. tonnes	4493	3940	3593	3912	4137
A12M Beef	1533	868	799	792	
A13M Pork	2341	2532	2225	2575	2657
A14M Lamb	96	52	25	18	
A15M Poultry	474	412	475	478	587
I32M Cow's milk production, mn litres	15371	12271	11866	11303	11368
I52M Hen's eggs, mn pcs	7597	5581	5793	6308	6839
I61M Wool, tonnes	14783	4172	3101	2323	1900
Animal productivity					
P32M Milk yield, litres per cow	3151	3075	3121	3136	3253
P52M Egg yield, pieces per hen	157	154	158	163	164

1) In private sector.

2) Hectare of cultivated agricultural land.

Romania: Selected indicators of agriculture
(indices, per cent of total, physical units)

Database label	1990	1993	1994	1995	1996*
Gross agricultural output (GAO)					
RA181S Total, 1990=100	100.0	96.3	96.5	100.8	102.6
RA185S Crops, 1990=100	100.0	101.8	102.2	107.7	109.7
RA186S Livestock, 1990=100	100.0	89.7	89.6	92.3	93.9
RA185N Share of crops in total GAO, %	53.0	62.9	60.8	59.6	.
RA186N Share of livestock in total GAO, %	47.0	37.1	39.2	40.4	.
Price indices, 1990=100					
Agricultural input prices					
RP1P4S Agricultural output prices ¹⁾	100.0	1577.5	4002.5	5519.1	.
RP111S Consumer food prices	100.0	3361.2	7940.3	10469.3	14280.1
RZ2121P Share of food in household expenditures, % ²⁾	49.4	58.0	60.0	59.8	.
Agricultural land, th. ha					
RK3ZZZ Agricultural land, total	14769	14793	14798	14797	.
RK3Z1Z Cultivated agricultural land	10041	9941	9925	9907	.
RK31ZZ Arable land, total	9450	9342	9338	9337	9334
Sown area					
RK311Z Grain total	5704	6395	6558	6445	5845
RK312Z Wheat ³⁾	2298	2307	2441	2501	1798
RK314Z Maize	2467	3066	2983	3109	3284
RK321Z Oilseeds	655	703	664	807	1018
RK331Z Sugarbeet	163	97	130	133	136
RK341Z Potatoes	290	249	249	244	252
Crops production, th. tonnes					
RA311M Grain total	17174	15493	18184	19883	14200
RA312M Wheat ³⁾	7379	5355	6187	7709	3164
RA314M Maize	6810	7988	9343	9923	9608
RA321M Oilseeds	739	821	874	1055	1215
RA331M Sugarbeet	3278	1776	2764	2655	2848
RA341M Potatoes	3186	3709	2947	3020	3648
Yield per hectare, kg					
Grain total					
Wheat	3011	2423	2773	3085	2429
Maize	3211	2321	2535	3082	1760
Oilseeds	2761	2605	3132	3192	2926
Sugarbeet	1129	1167	1317	1308	1194
Potatoes	20146	18275	21260	19929	20958
Potatoes	11000	14895	11853	12361	14463

Romania: Selected indicators of agriculture
(indices, per cent of total, physical units)

Database label	1990	1993	1994	1995	1996*
Fertilizers in use, 100% nutrients, kg per ha⁴⁾					
RC121M Nitrogen - N	65.3	34.8	31.5	30.9	.
RC131M Phosphate - P2O5	31.2	16.6	15.0	15.0	.
RC141M Potassium - K2O	13.3	2.7	1.7	1.5	.
Livestock inventories, th. heads, end of year					
RK412M Cattle	5381	3597	3481	3496	3685
RK4121M Cows	2123	1979	1963	1983	1963
RK413M Pigs	12003	9262	7758	7960	8127
RK414M Sheep	14062	11499	10897	10381	9783
Animal production					
RA411M Meat prod. total, live weight, th. tonnes	2232	1935	1852	1846	1850
RA412M Beef	425	421	466	412	416
RA413M Pork	1054	962	893	897	914
RA414M Lamb ⁵⁾	172	167	160	162	141
RA415M Poultry	561	376	325	367	379
RA432M Cow's milk production, mn litres ⁶⁾	4031	4351	4963	5283	.
RA452M Hen's eggs, mn pcs	7701	5316	5091	5263	5428
RA461M Wool, tonnes	38167	26011	25141	24323	.
Animal productivity					
RY432M Milk yield, litres per cow	2063	2440	2790	2955	.
RY452M Egg yield, pices per hen	163	148	148	153	.

Notes:

- 1) In private sector.
- 2) Food and beverages.
- 3) Including rye.
- 4) Hectare of cultivated agricultural land.
- 5) Including goats.
- 6) Including feeding milk.

Evaluation

In both countries agriculture is very important. As can be seen in the table 2/5, the percentage of farmland and forest are approximately the same.

Table 2/5 farmland

	Total land	In 1995 Agricultural land	Arable land
Poland	312.683 km ²	18.622.000	14.286.000 ha
Romania	238.391 km ²	14.797.000	9.377.000 ha

Agriculture is the second most important branch of the Romanian economy, it employs more workers than Poland.

Employment in Agriculture and forestry in 1995

table 2/6

		% of total
Poland	3.835.800	28.1
Romania	3.265.000	34.4

In 1989, Poland went through a major transition in agriculture and food policies. The former policies of input subsidies and consumer subsidies were discontinued leading to substantial price increases for agricultural products with a consequent acceleration of inflation during the transitional period. In 1990, the state monopoly of foreign trade was abolished and state-owned enterprises were no longer privileged by specific trade advantages. Poland removed most of its non-tariff protection measures in 1990, while maintaining relatively low customs tariffs. As a result, Poland had one of the most liberal custom systems in Europe in early 1990 s. As a response to difficulties in food and agricultural trade, and that of deteriorating farm incomes, the Polish government gradually increased border protection and introduced a new tariff schedule for agricultural commodities, including variable import levies on agricultural commodities, along mechanisms similar to the former EU import regime.

Polish Agriculture Ministry prepared a plan to give tax breaks to farmers from poorer regions of the country to encourage their inevitable transition into the service or industry sectors from farming. The Polish governments have tried to put the small farmers into the other sector since transition period started.

In Poland farmers have some concerns of the EU. "Poles accept our country's entry to the EU but they are increasingly sceptical; a belief in the inequality of relations between Poland and the EU is growing," said the

independent Institute of Public Affairs in a report issued before entry negotiations⁷ .

But among farmers, who are constantly told their sector faces major changes, only 25 % support Polish EU entry. The poll suggested that 21 percent of the farming community were against, 23 percent would not take part in a referendum and 31 replied that it was hard to say, the Institute's head Lena Kolarska-Bobinka told a news conference. She said fears were increased by apparent lack of clarity over the direction of both EU and Polish farm policies. "Many farmers think there will be like before World War Two, and among them we find opinions that there is a lack of a clear concept for agriculture"⁸ .

A quarter of Poland's workforce is in this sector, which has 2.1 million farms contributing only six percent of gross domestic product. The average farm is about seven hectares, so many people will have to leave uneconomically farms for other work, analysts have said Poland which employs about 28 percent of the population in agriculture but contributes less than six percent of GDP, needs drastic reforms before joining.

"The State of Poland's farm industry should not present a barrier to European Union entry because it compares favourably with other countries at the time they joined. Ireland, Spain, Portugal, Greece and Italy were all in worse agricultural shape than Poland at the time they joined the EU.

⁷- THE NEW EUROPE: MARCH 28, 1998; ATHENS,

⁸- THE NEW EUROPE: MARCH 28, 1998 ; ATHENS ,

These countries entered the EU with a worse (agricultural) infrastructure than Poland has today. In the negotiations, we will have to strive to ensure that Polish farmers are treated the same as farmers in other European Union countries” Polish Agriculture Minister Jacek Janiszewski said ⁹.

Poland Faces big issues ahead of EU entry Talks :

Economic reforms must be speeded up before talks begin with the EU. “We expect a full member of the EU in 2002, and I think 2003 is the latest date,” said Prime Minister Jerzy Buzek¹⁰. No one pretends that the process will be easy. While the EU can swallow states like Slovenia or Estonia. Poland is the colossus of the five East and Central European countries in the coming enlargement wave.

Poland’s very size puts a strong case for its membership but poses significant challenges. On both sides of the talks there is fear of lost jobs and competition for market and resources.

Farming a Problem

The big problem is Poland’s vast outdated agricultural sector. EU farmers want to ensure Poland does not gobble up much of the benefits. They have some cause to worry.

⁹ THE NEW EUROPE: APRIL 18, 1998 ; ATHENS .

¹⁰ THE NEW EUROPE: MARCH 29, 1998 ; ATHENS .

While the EU has 7.5 million farms, Poland has 2.1 million, mostly small. "About 25 percent of Poland's population works in agriculture but only contributes six percent of gross domestic product. Clearly this will call for some drastic changes in the near future," said World Bank economist Michel Debatisse¹¹.

Poland accepts that hosts of small farmers, many already part time, will have to be encouraged to sell up or switch work, while only about 30 percent of farm may ultimately be viable. The government is drafting bold plans to speed this social revolution. These include tax incentives to create alternative jobs and schemes encouraging small holders to sell up. Marketing, quality, inspection, education and infrastructure reforms are planned from 1999 to help remaining farms compete in the EU Market¹².

But Poland insists farmers must get a fair competition share of whatever the Common Agricultural Policy (CAP) has to offer by the time it joins the EU. It rejects EU proposals to deny Polish farmers the direct compensation payments offered to current members who will get lower price support under a changing CAP.

"Even if politicians... were to concede that Poland joins the EU with its farming treated differently, this would not pas a referendum." Farm Minister Jacek Janiszewski told Reuters.

11. THE NEW EUROPE: MARCH 29, 1998; ATHENS.

12. THE NEW EUROPE: MARCH 29, 1998; ATHENS.

"I don't think integration with Europe will be a miraculous cure for all our ills," Polish chief negotiator Jan Kulakowski told parliament. "Success in negotiations will depend above all on our determination in completing structural reforms."

The new government is overhauling local administration, creating regions that resemble structures in EU states. Poland knows it must also do its best to tackle a costly clean up of its heavily polluted Silesia industrial region. At the same time, it has to maintain fast growth and slash inflation to narrow the gap with EU states. Despite the industrial potential accumulated in the last few decades,

Romania's prosperity of agriculture

Romanian agriculture has the capacity to dynamise and revitalise entire industrial branches as well as services that can absorb together almost half of the active population of the country.

The potential of Romanian agriculture is given, first of the fields in the plain areas, by the crop structure which ensures a long-standing food security, along with the farming response of the 3.265.000 farmers.

These are, basically the major reasons on which rests the idea of the reformers who insistently demand the building of a general economic model. Agriculture is the branch around which priority development of industrial sectors and services should be centred, capable of giving to

Romanian agriculture the productive strength which would place it among the first agricultural powers of Europe, as it is used to be ¹³.

For Romanians, at least for the coming stage, the chances to become internationally competitive are slight.

The good result achieved in 1997-1998, when despite the financial austerity carried on by the government, the biggest yield in its history, a grain output of 20-21 million tons, by far bigger than the needs of home consumption. Despite the reduction of livestock in the large zootechnical complexes, the export availabilities for fodder cereals can reach the figure of 4.5 million tons, while with wheat the surplus exceeds 2.5 million tons.

This good crop is entirely due to exceptional weather conditions and not to intensive development factors which are now representative for any modern farming. The situation is that many of the errors committed in the restructuring of agriculture, starting with the way in which the process of land sharing and liquidation of the former farming cooperatives and ending with the non-sense of those who demand the dismantling of state owned farms.

Whenever one talks about Romania's exceptional agricultural potential, analysts take into account first of all, the special natural fertility of plain fields, which take up 40 percent of the arable land of the country agriculture is still expecting genuine reform.

13. THE NEW EUROPE: NOVEMBER 8, 1997; ATHENS .

Following the 1989 revolution in Romania, agricultural land was rapidly restored to private ownership ; the 1991 land reform legislation led to 72 percent of arable land being held by private farms. This progress was not accompanied by the introduction of complementary institutional reforms needed to develop a competitive, efficient farming sector. Under the framework of the Uruguay Round Agreement, Romania negotiated a high level of protection. When the agreement came into effect on 1 July, 1995, average tariffs on agricultural products rose from 25 percent to 80 percent ¹⁴.

In the early years of the transition the Romanian government sought to preserve a system obliging producers to sell cheaply through the state distribution network as part of a strategy to maintain a social consensus and fight inflation.

As a result of the financial instability in the field, the government has decided to pass a new bill. Designed with the assistance of the International Monetary Fund early in 1997, the bill follows several failed economic state. Small and medium-sized agricultural producers would now be able to pay for specialised services, fertilizers, high-breed animals, agricultural machines and tools, as well as land based on budget loans with zero interest ¹⁵.

14-OECD ECONOMIC SURVEY:1995:F,161:PARIS.

15-THE NEW EUROPE: JU NE 22,1998: ATHENS.

Romania's upper house of parliament, the Senate, rejected an opposition motion on Thursday (November 6) accusing the centrist government of mishandling farm policies. The motion, initiated by the former ruling party, the leftist Party of Social Democracy (PDSR), was rejected by 75 votes to 46, parliamentary officials said. The motion accused Prime Minister Victor Ciorbea's government of plunging the farming sector into a profound crisis. "The farming sector is being professionally steered towards disaster by forces alien to our national interests," the motion said. The motion attacked the government over its decisions this year to slash subsidies to the farming sector, cut taxes on imported foods, close down inefficient pig and poultry farms and attempts to amend a 1991 land reform. "The government's lack of interest to purchase and store this year's grain crop has deprived farmers of funds they need to perform seasonal work", the motion also said. Romania harvested a bumper wheat crop of 7.1 million tonnes of maize. But farmers are reluctant to part with their crops as prices are low. Agriculture Minister Dinu Gavrilescu rejected the motion as groundless. He said the government would continue its "tough, but necessary" reforms in the farming sector. Romania's parliament is dominated by centrists who ended the ex-communists' seven-year grip on power in elections last November ¹⁶.

16- THE NEW EUROPE: NOVEMBER 22, 1997; ATHENS .

2.5 Industry

In Poland, trends in industrial production matched those of the GDP. In the period of economic reform the balance between various branches of industry has changed considerably.

The number of people employed in the extractive industry is about 450.000

The average gross monthly wage in this industry is amongst the highest in Poland. Over 90 % of Poland's output of electricity is derived from coal-fired power station, the remainder from hydro-electric power stations.

There is a quantitative and qualitative increase in car production. There is a great demand in Poland for trucks and various specialised delivery vans.

The Jelcz vehicle factory assembles Swedish Volvo lorries under the name Volvo Truck Poland. The Volvo marque is held in high regard in Europe and Poland.

Production of selected means of transport

Passenger Wagons	48
Cars	350.000
Buses	1.200
Ships (Unit)	30
Agricultural Tractors	11.500

Poland is a major exporter of building services.

After 1989 the food industry suffered a dramatic decline, mainly due to the reduction of the resources of raw materials (sugar beet, vegetables, fruit, meat and fish) , and also on account of the drawbacks in the system of distribution of production, and as a consequence of the growing offer of unprocessed agricultural products offered by the peasant market.

Romania has an annual production capacity of 17.5 million tonnes of cement, which placed it sixth in the world in 1996. This production potential is seriously threatened by a decline in investments, particularly those industrial and agricultural manufacturing. As a result the basis has been set for a strong influx of capital from major foreign companies. Cement industry is now completely privatised.

The complete privatisation of the cement industry has brought Romania USD 540 million. The next sector to be completely privatised will be the fertilisers industry.

The extractive industry registered production rises in 1996 for the following branches; coal extraction and processing (+ 12.2 %), extraction of crude oil and natural gas (+2.9 %) extraction and processing of non-metalliferous ores (+ 9 %).

In the processing industry there is a move towards reducing the activity of the branches with a high energy consumption. The light industry registered increased (15-17 %) because of the rises in the production of textiles and

garments. The number of employees in industry by the end of January 1997 was 2.183.000 Romania is annually exporting about 14 million m cu. of wood.

Daewoo Automobile Romania is one of the five big Daewoo overseas car manufacturing companies in the world. The other four are located in Poland, India, Uzbekistan and China. These five major facilities will expand their capacity to 200.000-500.000 units/year level by year 2000. The Romanian plant will become one of the three major producers of engines and transmission axles, together with the China and India plants by 1998. Estimated turnover of Daewoo activity in Romania will be about \$ 900.000.000 in 1997. The total labor force of the company is of 5.000 employees.

On paper, Romania is an oil enriched economy. It can produce half of its own needs, has more than 30 years of proven oil reserves, more than a third of central Europe's refining capacity, an oil tanker terminal on the Black Sea coast, and a big domestic market. It needs massive investment to modernise and improve efficiency. And that means that the oil business must attract foreign capital.

Evaluation

Both countries are rich in natural resources.

The major industrial branches are machine building, food industry, metallurgy, chemistry, light industry, and wood processing.

For many years, Poland was a world leader in coal production. In 1992, its coal output was 131 million tons.

Romania was the second biggest oil producer in Europe in 1938.

2.6 Transport

Poland is a transit country between Western Europe and the East, between Northern and Southern Europe and is crossed by four Trans-European Corridors. A substantial increase in traffic has taken place since 1990. This geographical situation, together with the general improvement of the Polish economy, led to a change in the modal split in the transport sector, with road transport of goods increasing its share, while inland water ways lost more than a third of traffic, and railways more than a half between 1990 and 1995. There has been a slight increase in air traffic in the last five years.

Romania has no border with the Union and is crossed by three Trans-European Corridors. After political changes in 1990 and the opening-up of the country, Romania has gone through difficult period, with a major economic recession causing a sharp fall in traffic.

Transport demand has not yet recovered to its previous level, except for inland navigation and air transport. The most substantial change in the model split occurred in freight transport with significant increase in the share of road transport compared to other models; railways, which had an artificially enhanced role in the past, have particularly lost market share. Road transport increased its share because the war in former Yugoslavia led to a substantial rise in transit traffic¹⁷.

Romania's geostrategic position and transport systems are the factors of its being a key location on the way from Europe to Asia, a natural East-West and North-South bridge.

Despite its strategic position linking the West to the East and North to the South of Europe, Romania's effort to set itself up as crossroads between the developed countries of Europe and those of the former USSR have not yet been successful.

On the other hand, the Danube-Black Sea Canal was included in corridor 7, to setting up a waterway link between Central Europe and the Black Sea. The strategic importance of the Danube-Black Sea Canal increases the chances of reviving strategic routes such as the famous "silk road" leading from the Far East through the Caucasus and Constanta to Europe, by using the Danube-Rhine-Main Canal.

17- THE COMMISSION OF THE EC: THE COMMISSION'S REPORT ON ROMANIA, 15,07,1997; BRUSSELS.

A Harbour For Two Continents

Founded 27 centuries ago by the Greeks, under the name of Tomis, and holding as early as ancient times a strategic position, Constanta is the largest harbour at the Black Sea, linking from the point of view of the waterways, Europe to Western Asia. Placed at the mouths of the Rhine-Main-Danube Canal, connecting the North Sea and the Black Sea, Constanta relates to two trans-European tracks through Belgrade-Budapest-Bratislava-Vienna-FRANKFURT - Rotterdam with a branch to France and to Switzerland, and IV C track, to Dresden, through Bucharest-Bratislava-Prague. Therefore Constanta is Europe's eastern sea gate.

There is a project, worth 70 million ECU's, focused on the reconstruction of two big breakwaters-to the north and to the south.

According to the new investments programme passed by the EBRD for the backing and development of the grains trade in the Danube-Black Sea area, Romania will benefit by \$ 250 million for the upgrading of the infrastructure of the communication means and the operation equipments in the ports.

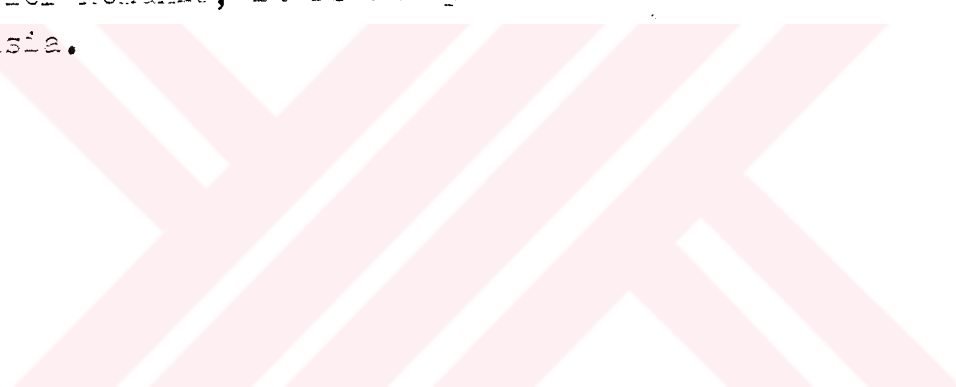
Planned for transport chain service the harbour of Constanta is equipped with a container terminal, and a feriboat terminal. The European IV C corridor extent from Constanta farther to Samsun (Turkey) via a ferry line which is serviced by two Romanian feriboats. The line secures a stable and efficient link between Europe the middle and the near East.

It seems that it may be necessary to develop an other transport chain line which will link Constanta to the Georgian port of Poti. This link is going to be part of the Pasific-Atlantic corridor. This 13.500 km long route is going to be used for both overland and sea transport .

Evaluation

Both countries' geographical positions are very important.

Poland is an open door to the East-North-South and the Western Countries and as for Romania, it is an open door to the Black Sea and Central Asia.



2.7 National Banks

Polish legislators voted to approve Hanna Gronkiewicz-Waltz as the Central Bank governor for a second six-year term. Gronkiewicz-Waltz, 45, known for her strict monetary policy and determination to defend the National Bank of Poland's (NBP) independence, said curbing inflation to 13.2 percent was her top priority.

The lower house of parliament voted 278 to 29 with 98 abstentions to approve her candidacy, proposed by President Alexander Kwasniewski. "Cutting inflation as close as possible to developed countries levels is the most important. The government programme assumes that inflation will be five percent in 2000. I would like very much for this to happen," said Gronkiewicz-Waltz after the vote.¹⁸ "The government coalition wants European Union membership, which requires meeting some demands. First of all, low inflation and secondly the banking system's security," she told reporters in parliament. The President who nominates the candidate for the top banking job, asked for Gronkiewicz-Waltz reelection because of her record in fighting inflation, cautious monetary policies and ability to act with determination in times of crisis.

In her second term, beginning on March 5, 1998 Waltz will have less power than in the one now ending. The new Central Bank Charter, which became effective on January 1, ceded much of the central bank president's powers to a new body called the Monetary Policy Council (RPP) The 10-member Council-and with three members each appointed by the president and two houses of parliament-will decide on official interest rates and open market operations. Waltz will hold the casting vote on the council ¹⁹.

The Senate, upper house of Romania's parliament on February 17, 1998 passed a bill on rules for the central bank aimed at aligning legislation with European Union standards. The bill, designed in line with stipulations of the EU's 1992 Maastricht agreement, sets the bank's main goals as the stability of prices and of the currency.

It also reinforces the bank's independence from state institutions other than parliament and reduces the governor's term to six from eight. The governor will be proposed by parliamentary commissions, subject to a vote in both chambers. Currently, the governor is nominated by the prime minister and confirmed by parliament. In 1996, the central bank came under pressure from the former leftist administration to ease monetary policy and extend large credits to farmers ahead of elections.

¹⁹ THE NEW EUROPE: MARCH 7, 1998, ATHENS.

The membership of the Board of Directors includes; the governor of the National Bank of Romania as President, three vice-governors and five members from outside the bank²⁰.

Evaluation

Central Bank's governors appointment by Parliament in both countries reflects a democratic trend. The fact that Central Bank's governer proposed by Commissions in Romania, and subject to a vote in both chambers reflects a more democratic tendency.

2.8 The Legal System

Both countries are signatory to international conventions concerning intellectual property rights. Therefore, a series of international regulations have been adopted in order to protect these rights. The Association Agreements with the European Union contain special provisions on these aspects, which reaffirm both countries' commitments to internationally agreed rules in the field of intellectual and Industrial Property rights. In the domain of legislation refering to human rights the situation has been radically improved in both countries.

²⁰ INVESTMENT GUIDE IN ROMANIA: 1997, BUCHAREST.

Evaluation

The fact that there are the Court of Appeals in both countries reflects the French legal system where the Court of Appeal has been example for many countries.



General Evaluation

Poland:

Prof. Dr. Bernhard Freidmann President of the European Court of auditors:

“Germany is extremely interested in the enlargement of the EU. As it has many neighbors, throughout its history Germany had problems with them. Secondly, along with France, Germany was one of the promoters of the setting up of the European Community and of its transformation into EU. The Maastricht Treaty was actually the common response of the two countries to the new problems raised by world economy and politics. Thirdly, Germany is an export-oriented nation. We, besides, coal, don't have other materials requiring subsidizing. Fourthly, we believe that the more developed our neighbors economies are, the higher their security is²¹.

- * Everyone knows that Poland is the largest of the EU candidates in Central and Eastern Europe.
- In the agricultural field, it similarly accounts for about a third of the total area and workforce of the applicants-but its agricultural workforce is also equal to practically half of the total workforce of the EU 15.
- On size and population, it would , as an EU member, rank alongside Spain.

- Poland is not just large, however. It is also strong. As the OECD says. "In many ways, Poland stands out as one of the most successful transition countries", with fast growth.
- Poland took another concrete step towards membership within the European Union in November 1996 with the announcement of a solid, long-term action plan, dubbed Euro 2006, to adjust Polish economy for the community's economic and monetary unit (EMU). Poland hopes to begin EU accession negotiations by early 1998 and join the community shortly after the year 2000. Finance Minister Kolodko said his anti-inflationary Euro 2006 presented in early 1997, was meant to adjust economy, by 2004, to meet the EU, Maastricht criteria, which concern the public debt, budget deficit, inflation, and foreign exchange rates. The program will provide for lowering annual inflation to five percent in 2003 from the current 19,5 percent. Kollodko previously said he would like Poland to join the EMU between 2006 and 2008²².

Poland officially became the 28th member of the Organization for Economic Cooperation and Development (OECD), the Paris-based club of industrialised nations in 1996. It had signed up for membership in July 1996 and is the third former Soviet bloc state after the Czech Republic and Hungary to join the organization.

Poland applied on February 1, 1994 to join the group, which is seen as a stepping stone in the EU membership drive, but membership was delayed by a need to pass laws meeting OECD requirements for market liberalisation.

- The imminent start of the European Union's process of expansion to the east has prompted a dramatic reassessment of Germany's interests.
- German businessmen view EU enlargement as an opening to a new market where lower wages and less-complicated structures make it considerably easier to operate than in Germany.
- German businessmen appear to be overwhelmingly positive toward the Union's first opening to the East-due to include the Czech Republic, Estonia, Hungary, Poland and Slovenia.
- Recent opinion polls in Germany show that more than 70 percent of Germans agree with the inclusion of the current candidates into the EU. But the polls do show reservations about including some other candidates in Eastern Europe²³.
- There are many reasons for the widespread German support in this first round of EU expansion. Horbert Walker, the chief economist for the Deutsche Bank, was quoted recently as saying.

23- THE BALTIC TIMES: FEBRUARY, 1998; RIGA .

“Germans have a natural affinity for the East. Many have their ancestral roots there, and with the rise of free market democracies, it is now seen as key to our nation’s economic and political destiny”²⁴.

- The EU businessmen are already heavily engaged in business in Central Europe, where wages are often as little as one-tenth the level in Germany for the same work, they believe that expansion will provide more opportunities. The companies going East include some of the biggest names in German industry-Siemens, Volkswagen, Mannesman and the Hoechst chemical.
- A report issued by the country’s central bank in 1997 says that Germany alone now accounts for one third of Central and Eastern Europe’s trade with the West. Germany has become by far the largest trade and investment partner for the Czech Republic, Poland and Hungary.
- A recent survey showed that 28 percent of Germany’s 6.000 leading companies plan to move production abroad in the next few years. The Industry and Trade Federation has estimated that German industry will create at least 300.000 jobs abroad during those years, most of them in Eastern Europe.

24- THE BALTIC TIMES : APRIL 1998; RIGA .

- Polish is a purely slavic language, but Poland has looked to the Roman church for thousand years, it uses the Latin alphabet.

“Personal contacts among young people from Germany and Poland are of key importance “ German Chancellor Helmut Kohl said. “ Getting to know one another, gaining an insight into one another’s lives and culture consolidate the foundations of mutual understanding.” Kohl also reiterated his country’s strong support for the swiftest possible admission of Poland to NATO and the European Union²⁵ .

Poland a potentially rich region.

- Poland tried to establish good relations with eastern neighbours. Pope John Paul II also played a role in making a specific appeal for reconciliation between Ukrainians and Poles on his visit to Poland in June 1991. The influence of Catholic religion seems to have dominant factor.
- In the north east, relations with Lithuania carry a related historical burden, the origins of the Polish Commonwealth lying in an initial union of the Polish and Lithuanian crowns during the fourteenth century. They have an affinity although there are some concerns because around Vilnius is also a Polish cultural centre. Cultural integration in the future may bring the other integrations, so it would be easy for community to cross borders between Poland and Lithuania.

25- THE NEW EUROPE: JUNE 27, 1998; ATHENS .

- German Chancellor Helmut Kohl and French President Jacques Chirac pledged to champion Warsaw's bid to join NATO and the EU, meeting Polish President Aleksandre Kwasniewski in the western city of Poznan, Kohl and Chirac said a first ever French-German-Polish summit that they wanted to see Poland in NATO and the EU as soon as possible. "We want Poland in the EU as quickly as possible" Kohl said ²⁶. Modelled after the Franco-German summits that have long been at the heart of EU integration, the gathering in Poznan was designed to give symbolic support for Poland's EU and NATO bids.
- France , Germany and Poland have held informal, annual meetings of foreign ministers since 1991, something that has come to be called Weimar triangle.
- Duke Mieszko had converted the religion of the Poles to Roman Catholic to stop the pressure of the German feudalists. From that time, Latin culture has close ties with them. They do still strong ties with the Soviet and Slavic nations.
- Poland's inflation , at 13.7 percent year in April, should fall sharply over the coming months as a result of a stronger zloty policy begun in February. This year's budget envisaged 9.5 percent inflation target.

“ Inflation, although higher than planned in the first quarter of the year, should in the nearest months fall radically, as a result of a change in the exchange rate policy in mid-February,” Jerzy Stopyra was quoted by Reuters as saying ²⁷.

- While EU can easily take in small countries like Lithuania, it will have some problems in supporting financially such a big country like Poland.
- The other two areas of concern in Poland are the problems in the farming and steel works industries. Probably the biggest headache for Poland is vast out-dated agricultural sector.

Poland also knows that it has to clean up a lot of the pollution it has caused for some regions. The heavily polluted Silesia industrial area is the first on the list. Additionally, it has to maintain growth and reduce inflation to narrow the gap.

The foreign debt service costs are growing. The debt restructuring and reduction mean the necessity of making due payments in accordance with the adopted timetables. The debt repayments is to be completed by 2014 (the Paris Club creditors) or by 2024 (the London Club creditors)

Thus, between 1995 and 2010 Poland is to repay \$ 30 billion worth of interest and \$ 43.9 billion of principal.

Summing up the above remarks, the presented external challenges imply, first of all, the need for a rapid development of exports. However, their growth can not be stimulated by means of export subsidies as the provisions of the European Agreement prohibit their application to manufactured goods exported to the European Union countries.

27- THE NEW EUROPE: JUNE 13, 1998; ATHENS •

With exports to other countries this would be possible on a temporary basis provided that some requirements set by the WTO are met. Hence the development of exports should be spurred by economic growth and by improvement of competitiveness of the economy.

As a result of Poland's entering the stage of intensive liberalization of its economy, Polish manufacturers of industrial products will find it more and more difficult to survive on the domestic market, becoming more and more open. Moreover, Poland is already surrounded by countries which more or less adjust their economies to the EU economic system. These countries compete with Poland in the field of labor costs and in the field of attractiveness for foreign investors.

Nevertheless, this does not justify the fact the response of the Polish economic policy to the present challenges has so far been very weak and to a considerable extent delayed. The elements of this response include, in particular, privatization of the economy; introduction of deductions from taxable profits for investment purposes, development of the capital market, recapitalization of commercial banks, and introduction of a bargaining system of setting wages in enterprises.

When Poland liberated itself from its status of Soviet satellite, there was much talk of the country returning to its rightful place in the European house of nations. Membership of the EU was surely just a matter of time, Poles thought, and their country would be welcomed into the club as an equal partner.

Some eight years later, much has changed. Support for EU membership among Poles is falling and recent poll showed 55 % of the population convinced that their country would feature in the EU only as a second-class member²⁸.

In March, angry factory workers from Warsaw's Ursus tractor factory demonstrated their anger at the company's slide towards insolvency by burning the EU's blue-and-gold flag on the streets of the capital. A few weeks earlier, 2.000 farmers marched through Warsaw carrying banners declaring Poland's accession to the EU would take place "over their dead bodies". Poles are more aware than ever that EU membership is not all sweetness and light. The government knows this, says Jan Kulakowski, Poland's chief negotiator with the EU. No going to Brussels begging on our knees repeats Ryszard Czarnecki, chairman of the European Integration Committee²⁹.

Not surprisingly, Mr Czarnecki's demands have been met with more than just a little discomfort at the European Commission. "It doesn't create a favourable atmosphere for negotiations by setting out absolute position in advance" said Rolf Timans, the EU's Warsaw ambassador³⁰.

28- THE BUSINESS CENTRAL EUROPE : APRIL 1998 ; PRAG .

29- THE BUSINESS CENTRAL EUROPE : APRIL 1998; PRAG .

30- THE BUSINESS CENTRAL EUROPE : APRIL 1998 ; PRAG .

For a start, demanding instant working right for Poles across the EU raises the temperature of the negotiations, especially given the 4.8 million unemployed in Germany.

The EU needs to feel safe before ratification of enlargement, " says the EU spokeswoman Lousewien Van der Laan³¹.

That means the five Central European applicants who began accession talks can expect not to enjoy free movement of labour from day one.

There are two basic worries. First, that low paid Central Europeans will stream westwards for employment. And second, that East Europeans will leak through Central Europe's weak border into the EU, bringing with them all the problems.

When Poland joins, it will be responsible for the EU's border with Russia, Belarus and Ukraine. Hungary would be responsible for 1.770 km of the EU's external frontier. That is why free movement of people is tied in with the EU's demand that Central Europe strengthens its border controls and legal systems.

Nevertheless. The EU will still demand lengthy transition periods before allowing Central Europeans free labour mobility. With that in mind, the issue has become something of bargaining chip for the applicants. Poland demands immediate access but mutters about the dangers of brain-drain.

³¹ THE BUSINESS CENTRAL EUROPE: APRIL 1998; PRAG .

Romania:

Romanian manufacturers forced to face up to competition they are not prepared for. Romanian native merchandise is not quite ready to enter into direct competition with goods from Central and Western Europe.

Romania and Bulgaria have been severely affected by the embargo imposed by the UN Security Council against Serbia and Montenegro after the eruption of the conflict in former Yugoslavia.

The Visegrad group (Hungary, Poland, the Czech Republic and Slovakia) made up an economic mechanism, a free trade area called CEFTA which Romania joined only in 1997.

The classification of European Union countries according to the social capital in hard currency invested during December 1990 - December 31, 1996 in Romania places Germany on the first place with almost 213.9 million dollars, followed by Italy and Luxembourg with 162 and 124 million dollars. Places 4 and 5 are taken by France with 123.2 million dollars and Great Britain with 118.9 million dollars while the other countries of European Union stand for values below 100 million dollars.

Romania which is the only Latin state in south-eastern Europe, surrounded by Germans and Slavs but while many of its Slav neighbors are Catholics, Romanians receive their religion from the East and remain Orthodox but use Roman Letters. Their cultural life is greatly influenced by France, Bucharest called ' Paris of the East ', an affinity for Germany due to their

King Carol. He was a German. These all prove that Romania is indeed different.

The American President's visit to Bucharest became a very important event. The President offered an optimistic message "As long as you continue along the path of democracy, America will be by your side"³².

"The real lobby will be presented by the creation of a democratic and prosperous Romania. We are, quite enthusiastically, supported by a series of European Union member countries, which fully realize that Romania belongs to Europe not only geographically but also from the historical and cultural points of view. An important contribution in this sense could be made by the Romanian diaspora. The Romanian diaspora is very patriotic. My selection as a minister of integration coming from the diaspora has probably been a signal launched by the government, in the sense that it considers that the diaspora is an integral part of the Romanian people.

Romania has got the chance to have more than a million Romanians in the West, who have already acquired a democratic mentality and who are fully aware of "the advantages of the market economy." Romania and the Romanians must understand that there is no alternative to democracy, the rule of law and the market economy.

32. INVEST ROMANIA: 1997; BUCHAREST.

If this is the system we want to reach, the latter will directly lead us to the European Union and will help us benefit from the advantages created by a close relationship with the countries which promote and rely on the same values” said Alexandre Herlea ³³. “ Romania is a middle country, and climatic conditions of a temperate zone. It has one third mountains, one third hills, and one third planes. This is a great advantage for production variety and balance, but it also makes Romania register big production variations. In 1995 we got about 7 million tons of wheat while in 1996 only 3.5 million tons, that is the oscillation could go up to double. This is also because we are not technically equipped to fight the negative influence of the natural factors.

That is why the problem of reserves is a capital one. Reserves storage is expensive. We are in a temperate zone, we are harvesting wheat in July and eat it until next July ” said Dumitru Dumitru in an interview ³⁴.

Romanians look with confidence to NATO integrations “ Romania’s adherence to NATO could reduce the pressures Russia is making on Ukraine, shows an article published in the last number of the British weekly “Foreign report ” Ukraine would have then as neighbours NATO members along the Western border if Poland, Hungary, Slovak Republic and Romania become members of the Alliance.

33- ROMANIAN BUSINESS JOURNAL : JAUNARY 31,1997; BUCHAREST .

34- THE ROMANIAN BUSINESS JOURNAL : APRIL 18,1997; BUCHAREST ,

Romania could offer the governments of Central and Eastern Europe an alternative oil source, many states of the region being dependent at present on oil deliveries from Russia, said Foreign Report. The transport could be done from Adzerbaidjian to Georgia and over the Black Sea.

Romanians look with confidence to NATO integration. Foreign Report also thinks adhering negotiations will last for one or two years and ratification could take another year. Only after ratification NATO statute will come into force, according to which member states are bound to respond to an attack made on one of the members, while France is optimistic regarding Romania's NATO adherence, Spain, Italy and Greece are supporting Bucharest candidature, and the U.S. America, Germany and the great Britain are offering a helping hand as the British weekly said.

The Number one priority of this country is a concerted effort for integration into NATO.

All the measures undertaken to this aim demonstrate our willpower because our future depends on the next steps we will take"³⁵.

Romania ranks among the first countries in Europe, in point of its agricultural potential. It is an important sector of the Romanian economy.

³⁵ THE ROMANIAN BUSINESS JOURNAL : APRIL 4,1997 ; BUCHAREST .

After 1970 the accumulations of Romanian economy were extremely high and were swallowed to a great extent by industry, especially by the sectors which were great energy eaters in the conditions when raw material had to be imported 90 % for iron and steel industry, of 50-75 % for petrochemistry and 40 % for energy.

Americans in the past two years have invested less and less in Romania.

At the moment, American direct investment in Romania reach only a little over USD 300 million, while "an often asked question about the USA/Hungarian Commercial relations is-how did American Companies achieve such a strong expenses in Hungary? With the USA investment now approaching \$7 billion"³⁶.

it could be explained by the heavily bureaucratic system in this country.

Romania is battling for Caspian Sea oil routes. The Caspian sea basin is becoming a New Middle East in terms of energy resources, especially if we take into consideration natural gas potential. In this light, Romania could serve as an important link in the oil transport and distribution chain from source to users in Western Europe" Prime Minister Radu Vasile said in Turkey at an International Conference ³⁷. Constanta, the largest port in the Black Sea basin, could become essential to the proper functioning of the transport.

36- THE BUDAPEST SUN: MAY 28, 1998 ; BUDAPEST .

37- THE NEW EUROPE : JUNE 13, 1998: ATHENS .

A visit by Romania's President Emil Constantinescu to the United States will be taking place in July 1998. The visit follows up on the positive course of bilateral relations. Between Romania and the US there is a relationship of strategic partnership with several components-political, military and economic, among others. In the political sphere there is, according to several analysts, a good relationship, especially in the field of military and regional cooperation ³⁸.

Romania has also committed itself to giving up all restrictions connected to the convertibility of the national currency, in order to abide by international rules that regulate the freedom of the hard currency market ³⁹.

Despite a large endowment of domestic hydrocarbon resources, energy shortages have always been a major concern in Romania. There are big production capacities, but there are difficulties to obtain the primary energy inputs. After the exchange rate crisis of end-1995, the energy import restrictions induced shortterm shutdowns of many companies and created problems with home heating. Particularly low energy efficiency in heavy industries explains the relatively high energy dependence.

38- THE NEW EUROPE : MAY 3, 1998 ; ATHENS .

39- THE NEW EUROPE : MAY 10, 1998 ; ATHENS .

Imports of fuels and then mineral products account for roughly 26 Per cent of total imports⁴⁰.

- Without agricultural sector, the structure of the Romanian economy would appear much closer to the other countries in transition.

The legacy of the previous economic structure appears to be particularly heavy in Romania, at least when compared with other transition countries in Central and Eastern Europe. This may explain why there was so much resistance to structural change and to the level of adjustment that is implied in the current reform programme⁴¹.

Increasingly, specialists consider that relaunching the Romanian economy can not take place without the contribution of small and medium-sized companies. Their emergence in the early years after the revolution was encouraged both through legislative measures and financial banking facilities. Lately, however, particularly after the 1996 elections, support for these companies has been completely disregarded, though they contribute 52 per cent of the Gross Domestic Product and two-thirds of the revenues of the state budget.

40- THE NEW EUROPE : MAY 17, 1998 ; ATHENS .

41- OECD ECONOMIC SURVEY : 1998, PARIS .

Nevertheless, according to a statement by the President of small and Medium-Sized companies National Council in Romania, Ovidiu Niculescu, these companies are under-capitalized and no longer in a position to contract banking loans as a result of high interest rates.

This situation requires urgent measures both from the government and from the financial-banking system. President Emil Constantinescu himself admitted that middle and small companies find themselves in a difficult position and that, "one of the greatest difficulties they are faced with the excessive administrative centralization acting as a brake". During a recent awards ceremony for the best performing private companies, demands were made that the government should abolish or drastically cut taxes on reinvestment, set up a special bank for middle and small enterprises, develop the Romanian Fund for Guaranteeing Credits for Medium and Small Companies, allow access to the many unused workshops and machinery in the state sector and set up a Consultative Council with access to the Prime.

Romania has always considered itself a Latin island in a Slavic sea, its upper class, educated in the west, was anti-Russian by definition. The vast majority of Romanians tend to perceive Russia as a potential threat.

Ceausescu was ousted by force; it took a popular uprising to achieve that. Iliescu was ousted at the balloting station, and his departure was peaceful.

In December 1989, Romania was last among the anti-perestroika resistance.

Romania's exit from state socialism exhibited certain peculiarities. No other Eastern European regime was overthrown by a violent popular uprising from below. And in no other country of the region did the communist government resort to ruthless forms of repression against peaceful demonstrators.

A main lesson of the recent elections is that a new generation has grown up in Romanian politics that can not accept to return to the old ways.

Invisible to many, deep changes have taken place in the country⁴².

There is an increased role of the constitutional Court, which on several sensitive issues turned down laws and decrees proposed by the parliament.

There is a growing and vocal civil society including human rights organizations and many active organizations in the areas of social services, public policy, and children's issues.

⁴²-THE TRANSITION: DECEMBER 27, 1996: BRUSSELS ,

At the end of 1996, Romania has a presidential regime with a weak parliament and a divided opposition. But the political struggle goes on, and the role of the new parties and civic movements should not be underestimated.

But the truth is that even under the utterly unfavorable circumstances of the Ceausescu regime, the germs of the civil society managed to survive.

The real thrust of the political struggle takes place in the field of political parties, rather than civic movements, are the institutions that can articulate and aggregate social interests and expectations.

There is hope that the new governments and the new President will bring about not only economic recovery but also a regrouping of the pro-Western political forces.

Learning the democratic process is difficult in a country with few and long-repressed democratic traditions. Yet Romania has taken undeniable steps toward democracy. There are competing political parties that articulate their views and address relatively predictable political constituencies. Although before 1993 the government monopoly on national television was a major hindrance in the development of a true dialogue, Romania now has a number of nongovernmental television stations, including many local ones.

The good news from Romania is that the age of monolithic authoritarian rule is over.

Despite scepticism about reform and continuing economic problems, investment is on the rise in Romania. Compared to the last few years, the Romania economy today represents a widely debated topic. That represents an image that shows that the world has started regarding Romania as quite a "normal" country in search of the most efficient solutions of economic recovery. The best evidence to that is the latest survey by the KPMG accounting consultancy, which was conducted among foreign companies present in Romania. The survey found that more than 80 percent of them have seen a rise in their business turnover while 77 percent announced new investments ⁴³.

If such companies do make profits and manifest their optimism concerning their market sales, that means the Romanian business environment is nevertheless attractive. This reality is visible. McDonald's is opening new units. Shell is building new petrol stations. Metro shopping centres have risen in the Province.

In regard with the distribution of Caspian oil to Western Europe, three projects involve Turkey, Bulgaria and Ukraine, while Romania has initiated the fourth.

Of the first three, only Turkey does not compete with Romania's because the former refers to the transportation of the southern Caspian Sea oil toward Ceyhan in Turkey.

The largest oil-processing plants in Europe, all located along the route from Constanta to Trieste.

Of the 33 million tonnes of oil that might be produced each year by the first Caspian consortium, Hungary, Slovenia, Yugoslavia and Croatia might consume approximately 17 million tonnes. Another advantage of the Romania alternative is low transportation cost-USD 12 Per tonne-from Novorossiisk to Trieste.

One more asset that qualifies Romania for the Caspian Oil distribution business is the Constanta port, the largest in the Black Sea basin. Constanta offers access to the Danube-Black Sea Canal, which offers an easy link between Central Europe and the North Sea via the Rhine-Main-Danube Canal.

Financing the project is the only problem in this Romanian proposal. It would cost USD 700 million just to build an oil terminal in Constanta, and installing pipelines between this port and Trieste would require more

expenses. But the project would be worthwhile for Romania, which could earn approximately USD 30-40 million Per year from the new oil route.

The "Private Funding for infrastructure Investment " seminar held in Bucharest in early june attracted British businessmen, led by Chancellor Sir Richard Nichols. "I see in this seminar the beginning of a collaboration in terms of problematic domains for us," said Romanian Prime Minister. Radu Vasile-He also stressed the fact that possible mistakes in the implementation of economic reform in Romania could be corrected with British assistance.

In this light, the seminar focused on London's willigness to support Romanian reform, as British Ambassador Christopher Cabbie has confirmed. The city's involvement is highly appreciated by Romania, because of what it stands for: it is the world's largest financial, business and insurance center. Moreover, the London stock Exchange is one of the safest in the world.

The Romanian authorities determination to kick off reform in all economic sectors at all levels was clear at the seminar. According to Romanian officials and economists, this is the only way of improving the country's image to foreign investors **.

Once the various groups of countries are placed in a hierarchical order, this means also a hierarchy in matters of economic assistance and many other things. Romania's chances to join NATO is fifty-fifty, at best. This is only my opinion, there are others who also said so ". Said prof. Vladimir Tismaneanu ⁴⁵.

Romanian's overwhelmingly support NATO membership. In addition to its NATO aspirations, Romania wants a "strategic partnership" with Washington. Clinton said Washington fully backed the concept "Because Romania is important to America ⁴⁶.

The starting point for the transition process in Romania was, in many respects, more difficult than in other countries in central and eastern Europe. Pre-transition policies emphasised self-dependence, putting excessive focus on heavy industry and large infrastructure projects. This strategy led to depletion of domestic energy sources, and induced costly dependence on imports of energy and raw materials.

Towards the end of the 1980s the Romanian economy was on the verge of collapse.

Towards the end of 1995, the need for energy imports was aggravated by one of the coldest winters of the century.

45- THE ROMANIAN BUSINESS JOURNAL: FEBRUARY 29, 1998:BUCHAREST.

46- THE NEW EUROPE : FEBRUARY 26, 1997: ATHENS.

The significant deterioration of the current account deficit resulted in a fall in confidence in the currency, and the authorities were forced to accept a sharp depreciation in the official exchange rate. The closing down of companies, lay-offs and disruption of the previous economic networks are provoking social strain. As a result, under the impact of tighter financial policies, industrial production had fallen by 18,7 percent in September 1997.

Despite two rounds of mass privatisation during the first seven years of transition in Romania, only limited progress had been made by early 1997 in transferring some major area of economic activity to the private sector. While many small enterprises had been privatised, almost all large industrial enterprises remained under state ownership.

In the agricultural sector most farmland was restored to private ownership in the early 1990s. However, at end-1996- some huge farms, notably pig and poultry, remained under state control.

While Romania is often portrayed as a poor country, this image does not do justice to its large development potential. With over 22 million inhabitants, Romania has the second largest population (after Poland) in central and Eastern Europe and a large stock of skilled Labours. It also has a generous endowment of natural resources, notably including energy and

agricultural land. Economic conditions in some areas are comparable with those of more advanced countries in the region.

Romania remained excluded from the economic reform debate which characterised the 1980, in other socialist countries.

In February 1997, the government put in place a "Shock therapy" programme of reforms that was ambitious both in scope and speed.

- During the period 1990-94, privatisation occurred slowly. The process was hampered by lack of political will, institutional problems, slow establishment of the required legal framework, lack of consensus among political forces on the model to follow, as well as the lack of a pragmatic approach to other problems. In 1995, the government took steps towards a more active policy by launching the second Mass Privatisation Programme. From this point, the government elected at the end of 1996 accelerated the pace of privatisation. Most importantly, the privatisation policy now seems to be embedded into a wider programme of structural reforms.

CONCLUSION

Europe needs a unified Europe. Large integrated European economic space is significant for them as the market for their products and to remain competitive on international markets. They do not wish the eastern border limited by Germany.

While the presence of the USA in the Balkans is primarily based on the military power of NATO, the presence of Germany is based on the powerful economic presence of Germany in the everyday of economic life. The Rhine / Main/ Danube/ Black sea axis is a European one.

Germany is a main supporter of a unified Europe. The role of the Danube is known by the EU. Italy is the second state investing in Romania. As a Latin country, Romania will have the support of Latin countries in the near future. They will never allow Romania to stay separated from the Union. Romania has another links with Germany, due to King Michael was a German origine. Another support will come from Greece on the ground of Orthodox religion. Once economic performance completed, no doubt, Romania will be in the Union. Awaring of these realities, Romania is sure te be in the Union in the near future, so its first wish is to be in NATO. The President Bill Clinton's visit to Bucharest and the visit of the Romanian President to America in Summer 1998, and many efforts made by Romanians to be in NATO confirms this reality.

Another advantage of Romania is that it acted quickly and efficiently democratic life; having two chambers in Parliament acting equally, which has not been seen in many democratic countries; voting the National Bank's governor in both chambers in Parliament; and with the lowest threshold (3 %). These are Romanian's positive sides required by democracy which is followed by economic welfare in coming years. One day, Western countries will notice the properly working democracy in Romania which will be shown to some underdemocratic countries as a model in the near future .

Before transition period, ex-Soviet Countries had democratic institutions. It has been easy for them to set up democratic institutions after 1989. Although Romania had a dictatorship rule for many years, it did not have difficulty to catch democracy with today's slow economic performance. In the near future, with its magnificent democratic mentality, Romania will be one of the fortress of democracy in Europe, and this democracy will bring economic welfare as we see in Western countries which first brought democracy, then economic progress. Needless to say, an economic performance without democracy is a tunnel at the end of which there is no light. In history , first, nation atates emerged then industrial revolution came. Romania has this key in its hand. That is why it is aware of what it is performing. It will obtain everything it wishes to obtain. "Force of belief is a form of power" said Jean Bethke Elshtain (International Relations Theory Today, the UK ; Polity Press, 1996). As far as Romanians have democratic belief, they are in true path, as for the power of the Catholic Church. It

means much things for Poland. The overall influence of the Church in reshaping the entire balance of power in the region can not be disregarded. Being a new, close and big market for Germany and the other Union countries, with low labour wages,-a rich region with people wishing to find jobs-,a bridge between Slaw-German and Latin Nations, with foreign investment, and the success of Central Bank's to bring down inflation, Poland will have some difficulties, especially in agriculture, among first comers, as the French-German -Polish summit shows in Poznan. On the other side of the coin lies, the Franco-German -Polish collaboration which is the interest of the EU and NATO, for Poland's geostrategy is indispensable for them in the future. Good luck to all wishing to join the EU.

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