

STATEMENT OF THE HONORABLE ARTHUR A. HARTMAN
ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS
BEFORE THE SENATE FINANCE COMMITTEE
JULY 8, 1975

I am very pleased to have the opportunity to testify on behalf of the trade agreement that we have negotiated with Romania.

This agreement is a major step forward in our relations with Romania. It places our bilateral trade on a basis beneficial to the economic interests of both countries. Further, it brings our commercial relations into accord with our very satisfactory political ties.

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Improvement of U. S. -Romanian relations serves the foreign policy interests of both countries. The dominant theme of Romania's foreign policy is the desire to maintain a high degree of independence. More than any other Eastern European country, Romania has pursued friendly relations with countries of differing political and economic systems -- with the United States, the People's Republic of China, the developing world, and with Israel as well as Arab countries. Romania participates actively in a number of international organizations. It is the only COMECON country which is a member of the IMF and the World Bank. Romania has acceded to the GATT. It leads the COMECON countries in the proportion of its trade with the West.

We wish to encourage Romania's independent policy orientation through expansion and improvement of bilateral relations. We believe this approach also furthers our policy of detente, as we seek to develop a pattern of interacting interests and political restraint in our relations with the communist world.

Accordingly, in recent years there have been visits by the heads of state of the two countries, and various steps have been taken to develop cultural, scientific and economic ties.

Measures to improve economic relations include extension of credits and guarantees of the Export-Import Bank for our exports, and making guarantees of the Overseas Private Investment Corporation available to American private investment there. These facilities were withdrawn as required under Section 402 of the Trade Act of 1974, but they will be fully restored, as permitted under the President's Executive Order of April 24, when Congressional approval of the trade agreement is assured. In December, 1973, Presidents Nixon and Ceausescu issued a Joint Statement on Economic, Industrial and Technological Cooperation, which set out a framework for bilateral economic relations. It established the American-Romanian Economic Commission, which provides a cabinet-level forum for annual review of our economic relations. At the same time the U. S. -Romanian Economic Council was established by the U. S. and Romanian Chambers of Commerce to facilitate increased contact between American companies and Romanian enterprises and economic organizations. A very recent development is the negotiation of a final settlement between the Foreign Bondholders Protective Council and Romania on defaulted bonds. This agreement was signed on June 24.

Recent trade trends reflect the development of closer bilateral economic relations. Two-way commerce has grown from \$22 million in 1968 to over \$4000 million last year. Our exports to Romania have been exceeding imports by over 2:1. This favorable ration indicates the strong Romanian demand over the years for U. S. agricultural goods and capital equipment, despite the fact that Romania has not enjoyed MFN treatment. Our principal import is petroleum products, which Romania continued to supply during the OPEC embargo. If we now do not remove discriminatory treatment of Romanian goods we could not expect this favorable trade situation to continue. But with non-discriminatory tariff treatment we are confident that the target in the agreement of at least a three-fold increase in trade during the period of the agreement in comparison with the period 1972-1972 will be met, and that a favorable trade balance will continue.

In negotiating this agreement we have attempted, I think successfully, to establish a framework that will encourage continued growth of trade along lines consistent with our economic interests. We considered it essential that this framework take account of Romania's central planned economy in two general respects:

- First, we wished to obtain arrangements that would provide a measure of equivalence to the free access to our domestic market that we assure through extension of non-discriminatory tariff treatment.
- Second, we wished to obtain arrangements that would ensure Romanian cooperation in dealing with any threat of injury to our industries caused by disruptive imports, while maintaining the right to take unilaterally what steps might be called for to deal with such a situation.

Negotiation of the trade agreement was undertaken in the latter half of January in Bucharest by an interagency team under the leadership of Ambassador Harry Barnes. Ambassador Dent and Under Secretary Tabor have reviewed for you many of the provisions of the agreement from the perspective of their responsibilities. You have, in addition, a statement provided by Secretary Simon. I would like myself to make the following general points:

- Following the mandate of Section 405 of the Trade Act, concerning provision of rights and assurances for American businessmen carrying out commercial activities in the other country, we have set out basic ground rules here that will facilitate the activities of American businessmen, supported as appropriate by our Embassy.
- Also without precedent is the inclusion of commitments by both countries to maintain a balance of concessions over the lifetime of the agreement. Further, the two countries agree to reciprocate each other's concessions in the multilateral trade negotiations, taking into account their different levels of development. These are conditions set out in the Trade Act for renewal of bilateral agreements. A reference was included to the special commitment offered by Romania as a state-trading country when it joined the GATT, in order to make clear that we do not consider that mutual tariff reductions would suffice to assure a balance of benefits.

-- Safeguards against market disruption have been included which rigorously follow and in some respects exceed the requirements of the Trade Act. We doubt that disruption by imports from Romania is a serious potential problem. The preponderance of our imports from Romania consists of petroleum products, which strengthen rather than compete with American industry. Also, in one sensitive area, textiles, we have recently negotiated a new bilateral agreement that will protect our interests. Nonetheless, we believe that with a state-trading country there are special reasons for concern regarding possible injury from imports, as well as special opportunities for dealing with such situations on a basis of mutual cooperation. Accordingly, we have included safeguard arrangements calling for close consultation on the governmental level. They also require action by Romania to ensure that its exports conform to restrictions deemed by us to be necessary, and they reserve our right to take appropriate steps unilaterally. These safeguards give the fullest protection to American firms against injury from imports.

These and the other provisions designed to protect our interests, together with the responsiveness to many of our requirements that the Romanian Government demonstrated during the negotiations, give us every reason to believe that the agreement will give further impetus to our trade with Romania, and that this trade will be conducted on terms favorable to our commercial interests.

Turning to the emigration aspect of this agreement, we are very mindful of the interest of the Congress as a whole in this important matter and of the concern of individual members of Congress in specific emigration cases. Let me say that we welcome this interest and will continue to consult closely with you on how to deal with these cases and with the emigration problem in general. While the Administration has reservations about linking trade with emigration by legislation, we recognize and accept the necessity to meet the requirements of the Trade Act. From the beginning of our discussions in Bucharest we emphasized that we needed more than just agreement on a commercial document alone, and we also made plain that our concerns went beyond the few hundred Romanians wishing to move permanently to the U. S. Also, we drew upon the numerous strong expressions by members of the Congress to underscore with the Romanians the importance of this question.

These requirements obviously posed serious problems for the Romanians, especially following refusal by the USSR and other Eastern European countries to accept them as a basis for negotiations. We discussed the matter in considerable detail and on numerous occasions, and we believe we and the Romanians understood each other entirely on the practical meaning and implementation of the language appearing in the President's waiver report and in other documents required by the Act. As far as that language itself is concerned, it fully satisfies, in our judgment, both the letter and spirit of the Act and will contribute to the achievement of the objectives of Section 402. At the same time it takes account of legitimate Romanian concerns.

We fully understand the wish of some Members for more details on our discussions of this subject with the Romanians. I would only emphasize their sensitivity and the consequences to both countries' interests if they should become subject to public debate. Meanwhile, I would urge the Congress to judge Romanian emigration practices by future deeds in addition to the words of the President's Report waiving Section 402 of the Trade Act. It will be on this basis that the President himself will decide whether to seek further extension of the waiver next year.

I would be less than candid if I were to try to gloss over the relatively poor performance of the Romanians during the early months of this year. I refer to emigration to both the U. S. and to Israel. We do not know what factors lay behind this disappointing situation, but I would urge the Congress to view it in context of several important considerations. One is the relatively small scale of the emigration problem in Romania. There are only a few hundred cases of divided family members and dual nationals who have indicated a desire to come permanently to the U. S. Secondly, the Romanian government has applied a liberal policy on Jewish emigration over recent years. Under this policy well over 300,000 Jews have been permitted to move to Israel and other countries.

Since this Trade Agreement was sent to the Congress we have seen encouraging signs that the Romanians are seeking earnestly to solve the family reunification problems that concern us. They have approved the passport applications of a substantial portion of the several hundred people I referred to earlier who want to join their families in the U. S.

There has been a similar improvement in approvals of divided family members wishing to go to Israel. Although there are both personal and official arrangements to be made to translate these approvals into actual departures, we believe this will occur and that the Romanian Government will do its part to speed up the process. We therefore recommend that the Congress approve this Trade Agreement, understanding that both the Executive and the Legislative branches will reexamine carefully the question of a further extension less than twelve months from now.

Both we and the Romanians have an important political as well as economic stake in the continued improvement of our bilateral relations. For Romania to continue its policy of independence in foreign affairs is clearly something we should encourage, and we see this Trade Agreement as fostering that objective. Beyond that, if the Congress approves this Agreement, we can confidently expect a sizeable increase in U. S. exports to Romania. At the same time, we will make a significant stride toward the free movement of peoples which both the Legislative and Executive branches of this Government greatly desire. Rejection of this Agreement, on the other hand, could forfeit us all these worthwhile objectives, to the detriment of both the U. S. and Romanian peoples.

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