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Gary Klopf

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UNITED STATES-ROMANIA TRADE AGREEMENTS¹

On August 3, 1975 the United States and the Socialist Republic of Romania entered into an agreement aimed at trebling the 1972-74 level of trade between the two countries over a span of three years. The most important provision in the Agreement is the extension of "most favored nation" status to both parties.² This "most favored nation" status applies to importation and exportation of goods as well as to financial transactions between the countries. In addition, Romania is classified as a "developing country" which results in its eligibility for special treatment under the "Generalized System of Preferences" of the Trade Act of 1974.³

The Agreement does not discuss specific commodities or quantities. Instead, it issues a general invitation to each Party to do business. Article IV of the Agreement, "Business Facilitation," provides that the firms, companies and economic organizations of one Party may engage in any lawful commercial activity in the territory of the other. This Article assures access to the local courts and administrative bodies, and waives any right to immunity from suit, execution of judgment or other liability. Immunity from taxation is also waived, unless otherwise provided in other bilateral agreements. Direct contact between buyers, sellers and users is allowed for the purposes of sales or service. In addition, advertising is permitted to the extent allowed under applicable local law. Current employees and their families may enter and leave the Parties' territories. Provisions are also made for the hiring and discharging of local employees, and the transportation of personal property.

Article VI of the Agreement concerns financial transactions and requires that in United States only U.S. dollars or other freely convertible currencies be used. Rates of exchange are to be no less favorable than those afforded any third country. Firms, companies and economic organizations are allowed to establish accounts and move funds, or financial instruments representing funds, without restriction.

1. Agreement on Trade Relations Between the United States and Romania, April 2, 1975, Bucharest, 26 U.S.T. 2305, T.I.A.S. 8159.

2. Under Title IV of the Trade Act of 1974, P.L. 93-618, 88 Stat. 1978, Title IV (Jan. 3, 1975), extension of the "most favored nation" status requires a waiver by the President of subsections 402(a) and 402(b) of the Trade Act of 1974.

3. Trade Act of 1974, P.L. 93-618, 88 Stat. 1978, Title V (Jan. 3, 1975).

Miscellaneous articles of the Agreement provide for the protection of copyrights, industrial property and processes (Article V). Ships (except warships and fishing vessels) are to be afforded port facilities on a "most favored nation" basis (Article VII). Disputes arising between firms, companies and economic organizations are to be settled by arbitration governed by commercial contracts (Article VIII). The overall implementation of the Agreement is to be reviewed by The Joint American-Romanian Economic Commission, which will make recommendations for improvement in the Agreement as necessary. Additionally, broad provisions are made to protect both Parties against market disruption (Article IV and Annex I). Finally, the Agreement automatically renews for successive three-year periods, subject to the limitation that either Party may terminate the Agreement by providing at least thirty days notice prior to the time of expiration.

On November 21, 1976, the United States and Romania signed a second agreement to supplement the original compact. Entitled "Long Term Agreement On Economic, Industrial and Technical Cooperation Between The United States Of America And The Socialist Republic Of Romania,"⁴ this Agreement runs independently of the Trade Relations Agreement and focuses on facilitating long range "cooperation activities."⁵ Again, the emphasis is on forming contractual relationships between the firms, companies and economic organizations of each country. To this end, each Party agrees to furnish current information to be used in market forecasting, project evaluation and contract formation with possible partners in the other country (Article IV). Annex I of the Agreement contains a statement of principles which stipulates that firms will be allowed to carry on business as freely as possible in each Party's territory. Participants in joint enterprises are allowed to share profits proportionate to their initial capital investments and are permitted repayment of their shares upon termination of the venture. Annex II lists thirteen areas in which the Parties would particularly like to see cooperation expanded.⁶ An important item in Article I is the promise to pay

4. Long Term Agreement on Economic, Industrial and Technical Cooperation Between the United States of America and the Socialist Republic of Romania, November 21, 1976, Bucharest.

5. "Cooperation activities" are joint ventures for production, sales, construction and any other activities that participants on either side agree to undertake (Article II).

6. Included are: machine building, electronics, computers and banking.

prompt, adequate and effective compensation for expropriated assets.

The Agreement is to last for an initial period of ten years and renew automatically for one-year periods thereafter, with the proviso that either Party may terminate with six months written notice on or after the first ten years. The second Agreement has not yet entered into force. It is scheduled to become operative on the date both Parties receive written notice of approval from each other. As of January 24, 1977, the United States had informed Romania of its approval but had not yet received a reply.

Gary Klopf