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186923	REPORT	RE. ROMANIA: REPERCUSSIONS OF THE POLISH CRISIS [PARTIAL; PGS. 10-12] PAR 1/9/2017 F1640/3 #186923	3	4/11/1981	B1 B3
186924	REPORT	RE. ROMANIA	2	6/21/1982	B1
186925	REPORT	RE. ROMANIA [PARTIAL; PGS. 7-8 ONLY] PAR 1/9/2017 F1640/3 #186925	2	6/22/1982	B1 B3
186926	REPORT	RE. SOVIET-ROMANIAN RELATIONS [PG. 2 ONLY]	1	10/4/1982	B1 B3
186927	MEMO	FRANK CARLUCCI TO WILLIAM CLARK RE. TRIP REPORT	5	10/17/1982	B1
186928	REPORT	RE. ROMANIA	1	12/15/1982	B1 B3
186929	PAPER	RE. ROMANIA	5	4/12/1982	B1 B3

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SPECIAL ANALYSIS

ROMANIA: Repercussions of the Polish Crisis

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The workers' challenge in Poland presents Romania's leaders with the most serious problems they have faced in recent years. President Ceausescu regards it as a threat to his control because it could stimulate more unrest among Romania's disgruntled workers. If the Polish crisis is not resolved soon, he may be forced to re-vamp his economic policies drastically. On the other hand, if Bucharest supports a Warsaw Pact move into Poland, it would damage Romania's independent foreign policy posture and weaken Ceausescu's domestic position.

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The situation in Poland coincides with growing restiveness in Romania over a deterioration in the country's already low living standard. Discontent has mounted steadily since last summer over food shortages, pay cuts, and bad working conditions, intermittently causing local disturbances.

25X1

Ceausescu has worked hard to reduce tensions by granting selective but largely cosmetic economic concessions, by improving the standing of the official trade union, and by stimulating agricultural production. He also has warned against the establishment of "competing organizations" and has tightened internal controls--already among the most repressive in Eastern Europe.

25X1

The President hopes that these moves will enable the regime to minimize the repercussions from Poland without diverting Romania's limited assets away from the drive for rapid industrialization. They may have in fact had an impact, as labor disturbances have remained small, uncoordinated, and focused on local grievances. At the same time, however, none of these measures seem likely to result in a significant improvement in living and working conditions.

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11 April 1981

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2

Although officials privately voice confidence that Romanians will accept deprivation with little protest, there has been an erosion in the standing of the regime and of Ceausescu personally. [redacted]

25X |

If the turmoil in Poland persists, more significant unrest might develop and force Ceausescu to abandon rapid industrialization in favor of increased emphasis on consumer welfare. This could be seen, however, as an indictment of the economic policies he has pursued since assuming power. [redacted]

25X |

The Intervention Issue

Ceausescu wants the Polish Government to move decisively against Solidarity and other dissident forces. Bucharest's views regarding Poland have fluctuated, as much because of changes in Ceausescu's confidence in the security of his own position as because of developments in Poland. [redacted]

25X |

Last fall, following a summer of unrest in Romania, Ceausescu evidently became unnerved by Warsaw's capitulation to the Polish strikers and pressed for strong action, possibly including intervention. As civil unrest eased at home, however, he even more forcefully reiterated that the Poles should be allowed to resolve their problems themselves. Ceausescu still maintains this position. [redacted]

25X |

Ceausescu is aware that a Soviet-imposed solution would have far-reaching negative implications for his government, especially if he supported it. The impact on East-West relations probably would induce a siege mentality in Moscow, making it more difficult for Ceausescu to pursue his independent policies. Romanian support for a Warsaw Pact intervention would weaken Bucharest's defenses against Soviet meddling in Romanian internal affairs, endanger the ties Bucharest has developed with countries outside the Warsaw Pact as a buffer against such Soviet interference, and undermine Ceausescu's credibility and political standing. [redacted]

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On the other hand, a successful intervention--that did not involve Romania--could help Ceausescu domestically by demonstrating to his own people the futility of challenging party authority. It would also revive the fear of the Soviet threat. By publicly opposing a move against Poland, the President could win support at home for standing up to the Soviets. []

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Outlook

Ceausescu will try to minimize the repercussions of the Polish crisis by temporarily placating workers and consumers and by intimidating dissenters. At the same time, he will privately urge Warsaw to crack down, while maintaining his public stance in support of allowing the Poles to solve their own problems. []

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If limited measures are inadequate, Ceausescu may make the fundamental changes in economic policy that he has resisted. He already has admitted that overemphasis on industrial development to the detriment of agriculture has been a mistake. The failure to publish the 1981-85 Plan also suggests that a reassessment of economic policy may be under way. []

25X1

If party control appeared in danger of collapse in Poland, Ceausescu probably would privately favor intervention, if requested by Polish leaders. He would not want to go on record supporting such a move, however, and would resist any Romanian participation. []

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Romanian and Polish Debt

4/16/82 ROMANIA
4

Talking Points

-- It is not possible for the U.S. even to consider debt rescheduling for Romania and Poland at this time.

-- We hope that agreement with our allies on an effective restraint program for officially supported credits to the Soviets will provide a framework for our overall East-West financial policy.

-- Once that policy is in place, we would be willing to reconsider debt rescheduling for these countries.

-- For Poland, we will also be bound by the three conditions agreed to by Poland's official creditors in January -- (1) relaxation of martial law, (2) release of the political prisoners, and (3) initiation of real discussions between the Polish Government, the Church, and Solidarity. We do not believe that the outlook for satisfaction of these conditions by the Poles is good.

FYI - We would also want to collect the full 10% of principal and interest of 1981 debt not rescheduled last year. Poland still owes us \$26 million out of \$43 million; they also owe the French about \$25 million and the Italians \$60 million. Other official creditors have been paid their full 10 percent.

Background

Romania. Because of its financial mismanagement, Romania is more than \$1 billion in arrears on its commercial credits. The GOR has held discussions with nine of its major commercial bank creditors on a rescheduling of these arrearages and its 1982 maturities. Following these discussions, the Romanians announced a moratorium on repayments on their private debt pending a re-scheduling of about \$2.4 billion on the terms they had worked out with the nine banks. They have told our Embassy that they are aiming for a signing in early June.

The Romanians' prospects for a rescheduling of their private debt are unclear. We understand that some banks are upset because under the terms the Romanians have proposed they would have to reschedule their short-term credits over six and a half years. We presume, however, that the group of nine banks, which account for a large proportion of Romania's private debt, will eventually accept the GOR's proposal since they negotiated its terms (and may have worked out the moratorium strategy) with the Romanians. We have not heard of any responses by the banks to the proposal; reportedly they are waiting for additional economic and financial data that the GOR promised to provide.

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The GOR's optimism notwithstanding, its prospects for settling with the banks will hinge on a rescheduling with public sector creditors, as neither side wishes to be in the position of "bailing out" the other. For the moment, the U.S.G. has persuaded the French, who chair the Paris Club reschedulings, to stave off an official request for rescheduling from the Romanians. We took the position that it was premature to consider such a request until the Fund reached agreement on a new standby program with Romania.

We did concede, however, that we would attend a creditors-only meeting after a standby had been nailed down. Nobody has suggested such a meeting, but if they did we would attend only if the conditions outlined in the talking points above were accepted by the other participants.

Meanwhile, the U.S. Government has had problems with delinquencies by Romania on its payments on its debt to U.S.G. agencies. In February, they failed to make a \$5.8 million payment to the Commodity Credit Corporation (CCC) on time. They came up with the money, however, after being reminded of their obligations. Currently, they are behind on payments of \$700,000 on an Eximbank credit and \$5.1 million on a debt to Northern Trust Co. of Chicago that was insured by Eximbank. The Romanians had said they would make the latter payment but sent only 20 percent, citing their moratorium on servicing their private debts. When our Embassy raised the issue, the Romanians responded that they had been in "error" in not notifying Eximbank and its foreign counterparts that their moratorium applied to payments on its official debt as well. They added that they would soon formally request a rescheduling through the Paris Club and that this would constitute the notification that the governments so far had not been given.

In going into arrears on its commercial debt, the GOR violated one of the conditions of the standby arrangement it had concluded in June 1981. As a consequence, its access to financing under the program was suspended. Since early this year, there have been frequent periodic consultations between the IMF staff and the GOR, which culminated in late March with a visit by Finance Minister Gigea, during which he resolved the remaining differences between them on GOR commitments. The Fund staff is expected to circulate its memorandum on the standby shortly; it could come to the Board in late May.

We have heard reports to the effect, however, that the Fund may not want to submit the program to the Board until it has assurances that a rescheduling is likely to take place. If the Fund did take this position, potentially a stand off could develop as a result of (1) our continuing to insist that talks on a rescheduling await a standby and (2) the private banks and the Fund refusing to move on their respective efforts until they have assurances of a rescheduling of the official debts. The Fund may be about to make the first move

to try to prevent such an impasse: its Management has informally asked the U.S. Executive Director what the U.S. Government's intentions are toward a rescheduling. We have not yet responded.

Our effort to obtain European cooperation in restraining credits to the Soviet Union has added a new dimension to the Romanian debt issue. We have suggested that our assistance in other areas of East-West economic relations of interest will be dependent on their helping on our priority issues. Thus, we intend to try to use U.S. participation on the rescheduling for Romania as a quid pro quo for European support for our proposal for restraining credits to the Soviets.

Poland. On April 6, 1982 the Government of Poland and its western bank creditors signed the agreement rescheduling 95 percent of the principal payments due during the last nine months of 1981 (\$2.2 billion). The signing had been delayed several times because of the Poles' inability to meet the banks' condition that they be paid all the interest that was due during this period (approximately \$700 million). The Poles also had to pay a 1 percent signature fee (\$27 million) before the banks would sign. Now that the signing has taken place the banks are saying they will not implement the rescheduling agreement unless (1) Poland pays the interest due on the rescheduled amounts during the first quarter of 1982 and (2) an agreement is reached on the 1982 (private) debt rescheduling agreement by August.

In 1982, Poland's debt service to the West will total about \$10.5 billion. About \$6.8 billion of this sum is principal and \$3.7 billion is interest (including approximately \$0.8 billion of interest on the 1981 rescheduling). Even if the Government of Poland succeeds in meeting its current goal of a \$1 billion trade surplus in 1982, its hard currency financing gap in 1982 will still exceed \$9 billion.

The official creditors have agreed not to enter into discussions regarding rescheduling Poland's 1982 debt until there is some relaxation of martial law. Some of the smaller creditors (e.g. Sweden, Austria) and perhaps the U.K., however, are apparently interested in proceeding with the 1982 rescheduling exercise. Western banks also wish to begin 1982 rescheduling negotiations and the USG will be increasingly pressured to retreat from the three political conditions it wanted satisfied before entering into rescheduling discussions, as outlined in the talking points.

~~CONFIDENTIAL~~ 7

Mircea Malitza (MEAR-cha Ma-LEET-suh) - Appointed Ambassador of the Socialist Republic of Romania

Head of State - Nicolae Ceaurescu, (pronounced Chow-SHESH-koö), President of the Romanian Socialist Republic.

Head of Government - Nicolae Dascalescu, (pronounced Das-ka-LESS-ku), Prime Minister.

Ambassador Malitza, 56, married, 3 children. Previous assignments include: Counselor of the Romanian Mission to the UN; Deputy Foreign Minister, concurrently Professor of Diplomacy, University of Bucharest; Minister of Education; Adviser to President for Educational Affairs and Ambassador to Switzerland and UN Offices in Geneva.

Pertinent Background: President and Mrs. Ceaurescu visited the US in 1978. President Ford visited Romania in 1975. President Ceaurescu has invited you to visit Romania at your convenience. Secretary Haig visited Romania and met President Ceaurescu in February.

Significant Programs or Issues: Romania's foreign policy is relatively independent despite its Warsaw Pact membership. It supported your zero option INF missile proposal for Europe and applauded your May 9 call for a reduction in strategic missiles. Unfortunately, Romania's internal regime is one of the most repressive in Eastern Europe, causing particular concern to Evangelical Christians in the US. Romania continues to experience serious economic problems but is working constructively with western bankers and the International Monetary Fund and plans to negotiate soon a rescheduling of its nearly \$12 billion debt with Western nations.

Issues for Discussion:

- Reiterate your appreciation for Romania's support for the U.S. zero option proposal and our call for a reduction of strategic missiles. Express our intention to continue to support Romania's efforts to pursue an independent foreign policy.
- Underscore your hope that Romania will respond positively to our concerns on human rights, including emigration, family reunification and religious freedom because these have the potential of causing friction between our countries if not satisfactorily resolved.

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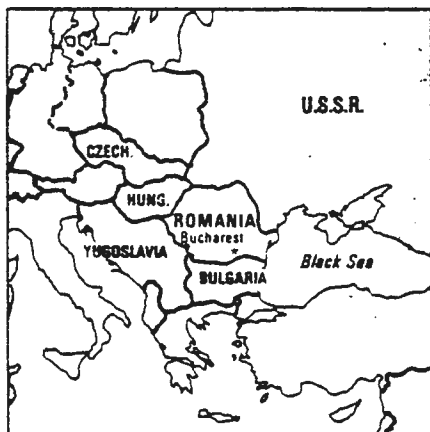
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Romania



United States Department of State
Bureau of Public Affairs

July 1980



Official Name:
Socialist Republic
of Romania

PROFILE

People

POPULATION (1978 est.): 21.9 million. ANNUAL GROWTH RATE: 0.9%. ETHNIC GROUPS: Romanians 88.1%, Magyars 7.9%, Germans 1.6%, Jews, Ukrainians, Serbs, Croats, Russians, Turks. RELIGIONS: Orthodox 80%, Roman Catholic 6%, Calvinist, Lutheran, Jewish. LANGUAGES: Romanian, Hungarian, German. EDUCATION: *Years compulsory*—10. *Attendance*—98%. *Literacy*—98%. HEALTH: *Infant mortality rate*—31/1,000 (US=15/1,000). *Life expectancy*—(1974-77) 69.3 yrs. (males), 71.8 yrs. (females). WORK FORCE (10.2 million): *Agriculture*—40%. *Industry and commerce*—25%. *Other*—35%.

Geography

AREA: 237,499 sq. km. (91,699 sq. mi.); somewhat smaller than NY and PA combined. CITIES: *Capital*—Bucharest (pop. 2.1 million). *Other cities*—Constanta (290,226), Iasi (284,308), Timisoara (282,691), Cluj-Napoca (262,421), Brasov (262,041). TERRAIN: Consists mainly of rolling and well-watered plains with fertile soil; hilly in the eastern regions of the middle Danube basin. CLIMATE: Moderate.

Government

TYPE: Communist. DATE OF CONSTITUTION: August 21, 1965.

BRANCHES: *Executive*—President (Chief of State), Prime Minister (Head of Government), Council of Ministers. *Legislative*—unicameral Grand National Assembly (GNA) and its Council of State. *Judicial*—Supreme Court, county courts, people's courts.

SUBDIVISIONS: 40 Counties (includes city of Bucharest).

POLITICAL PARTIES: Romanian Communist Party. SUFFRAGE: Universal and compulsory over age 18.

DEFENSE: 3.8% of GNP (1978 est.).

FLAG: Three vertical bands from left to right—blue, yellow, and red. Centered is a coat of arms depicting a mountain forest and wheat field, with a red star atop the emblem.

Economy

GNP (1978 current prices): \$67.5 billion. ANNUAL GROWTH RATE: 7.6%. PER CAPITA INCOME: \$3,100.

NATURAL RESOURCES: Oil, timber, natural gas, coal.

AGRICULTURE (15% of GNP): *Products*—corn, wheat, oil seeds, potatoes.

INDUSTRY (57% of GNP): *Types*—mining, forestry, construction materials, metal production and processing, chemicals, machine building, food processing.

TRADE (1978): *Exports*—\$8.2 billion: foodstuffs, light manufactures, fuel.

Partners—USSR, FRG, GDR.

Imports—\$8.9 billion: machinery, fuel, iron ore, coking coal, cotton.

Partners—USSR, FRG, GDR.

OFFICIAL EXCHANGE RATE: 4.47 lei=US\$1 (commercial); 12 lei=US\$1 (tourist).

US ECONOMIC AID RECEIVED: None. ECONOMIC AID SENT: None.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN and most of its specialized agencies, Council for Mutual Economic Assistance (CEMA), Warsaw Pact, World Bank, International Monetary Fund, GATT, Danube Commission, Interpol.



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PEOPLE

About 88% of the people are ethnically Romanian, a group which, in contrast to that of Slav or Magyar (Hungarian) neighbors, is traced back to ancestors related to the French, Italians, Spanish, and other "Latins." As a result, the Romanian language, although containing many elements of Slavic, Turkish, and other languages, is related to French, Italian, Portuguese, and Spanish. Romania was a Roman colony during the second and third centuries, and modern Romanians consider themselves to be descendants of the Roman civilization. Hungarian and German are also spoken in some parts of the country.

Most of the minority populations reside in Transylvania or areas to the

north and west of Bucharest. Among the principal minorities are the Hungarians, Germans, and Jews, with smaller numbers of Serbs, Croats, Ukrainians, Greeks, Turks, Armenians, and Great Russians.

Before World War II, minorities represented more than 28% of the total population, but that percentage was halved in large part by the loss of the border areas of Bessarabia and northern Bukovina (to the U.S.S.R.) and southern Dobrudja (to Bulgaria), as well as by the postwar flight or deportation of ethnic Germans. However, in Transylvania, which was part of the pre-1918 Austria-Hungary, Romania retains areas where the ethnic "minority" sometimes makes up three-fourths of the local population and is therefore politically significant.

The official Romanian Government policy toward the national minorities is nondiscriminatory and allows them a degree of cultural autonomy. But it insists on their integration into the national economy and provides for compulsory study of Romanian, in addition to the minority languages.

The Jewish community surviving World War II has been reduced perhaps 90% over the past three decades by emigration to Israel. In recent years, up to 10,000 of the nearly 400,000 ethnic Germans in Romania have emigrated annually to the Federal Republic of Germany. Since World War II there has been little emigration of ethnic Hungarians to Hungary.

Religious observance in Romania has traditionally been extensive, and

religious allegiances generally follow ethnic lines, with about 80% of all Romanians nominally belonging to the Romanian Orthodox Church. The Greek Catholic or Uniate Church, to which about 10% of the populace belonged, was incorporated into the Romanian Orthodox Church by fiat in 1948. Roman Catholics, largely Magyar and German, constitute about 6% of the population; Calvinists, Jews, Baptists, and Lutherans make up most of the remaining 4%.

Romania is a land rich in traditions and folklore. Drawing on its Latin ties, blended with the Slavic influence and the contributions of the various ethnic groups, Romania has made significant contributions to the arts and humanities.

Among the best known of its writers are Mihail Eminescu, one of the great poets of the 19th century; Mihail Sadoveanu, author of many novels which have been widely translated; the poet Tudor Arghezi; and the playwright Eugene Ionescu. Particularly significant has been the Romanian contribution in the musical field, including the pianist Dinu Lipatti; the violinist and composer George Enescu, and many opera singers. Romania is rightly famous for the painted monasteries of Bukovina, with outside frescoes of unique beauty and quality. Two of the best known artists of the 20th century were Romanian: Tristan Tzara and Constantin Brancusi. Romania also has a rich tradition in the performing arts; the Bucharest Bulandra Theater has acquired worldwide renown.

GEOGRAPHY

Extended inland halfway across the Balkan Peninsula and covering a large elliptical area of 237,499 square kilometers (91,699 sq. mi.), Romania occupies the greater part of the lower basin of the Danube River system and the hilly eastern regions of the middle Danube basin. It lies on either side of the mountain system—the Carpathians and the Transylvanian Alps—which forms, with the Balkan Mountains, the natural barrier between the two Danube basins. In the past two centuries Romania has served as the natural gate for Russian expansion in the Balkans and the Mediterranean basin.

Romania's location gives it a definitely continental climate, particularly in the Old Kingdom (that part east of the Carpathians and south of the Transylvanian Alps), where temperatures approximate the extremes of the Russian climate, and to a lesser degree in Transylvania, where the climate is

more moderate. A long and at times severe winter (December-March), a hot summer (April-July), and a prolonged autumn (August-November) are the principal seasons of the year. The change from winter to summer is so rapid that there is very little springtime. At Bucharest the daily minimum temperature in January averages -7°C (20°F), and the daily maximum in July averages 29°C (85°F).

HISTORY

Romania has had 22 centuries of violent and dramatic history. From about 200 B.C., when it was first colonized by the Dacians (a Thracian tribe), to modern times this territory has been the scene of many invasions and migrations that have left their mark on the country and its inhabitants. Today the Romanians form an island between the Slavic and the Hungarian peoples.

Before the postwar Communist regime, Romania looked to the Western countries, particularly France, for cultural, educational, scientific, and social inspiration and development. Among all the Balkan countries, Romania was considered the most Gallicized; the French language, along with Romanian, was compulsory in the schools. In 1948, the Russian language and Soviet institutions supplanted the French language and other Western influences in Romanian cultural life. Since the late 1960s, however, Russian has not been compulsory, and German, French, and English are widely taught in the schools.

Romania was an independent kingdom from 1881 until December 30, 1947, when the Communist-dominated government forced the abdication of King Michael. Before 1938 Romania had a series of governments dominated by a landowning aristocracy, based only nominally on a liberal constitutional system, with a de facto limitation of suffrage. The Social Democratic Party, which controlled the small labor movement, was tolerated by the monarchy but never had political power. In the 1930s, an anti-Semitic, anti-Soviet, Fascist Iron Guard movement threatened the government, which was taken over in 1940-41 by the authoritarian General Antonescu. In June 1941 Romania entered World War II on the side of the Axis powers.

A coup led by King Michael and opposition politicians, with the support of the army, deposed the Antonescu dictatorship on August 23, 1944 (Romania's national holiday). An armistice, secretly negotiated at Cairo, was signed September 12 and brought Romanian forces into the war on the side of the Allies against the Germans in Transylvania, Hungary, and Czechoslovakia. Romania, which had suffered extensive losses in the war against the U.S.S.R., incurred additional heavy casualties.

The peace treaty, signed at Paris on February 10, 1947, confirmed the Soviet annexation of Bessarabia and northern Bukovina (originally occupied in 1940) and ceded a largely Bulgarian-populated area of southern Dobruja to Bulgaria. It also reincorporated into Romania that portion of northern Transylvania granted to Hungary in 1940 under German and Italian arbitration between Romania and Hungary. In addition, the treaty required substantial war reparations by Romania to the Soviet Union.

Soviet occupation forces supported Communist organizers, and the non-Communist political leaders were purged. In March 1945 King Michael was forced to appoint a Communist-front government. The King abdicated under pressure in December 1947 when the Romanian People's Republic was declared. With their accession to power, the Communists effectively subordinated national Romanian interests to those of the U.S.S.R. Since late 1961, however, Romanian communism has assumed an increasingly nationalistic cast. A substantial shift in Romania's foreign policy has resulted.

A new Constitution was adopted in 1965. It provided that the name of the country be changed to the Socialist Republic of Romania. In 1968 a sweeping reorganization of the administrative structure and territorial division was carried out. The new territorial division was reminiscent of that existing before the imposition of the Soviet-style regime.

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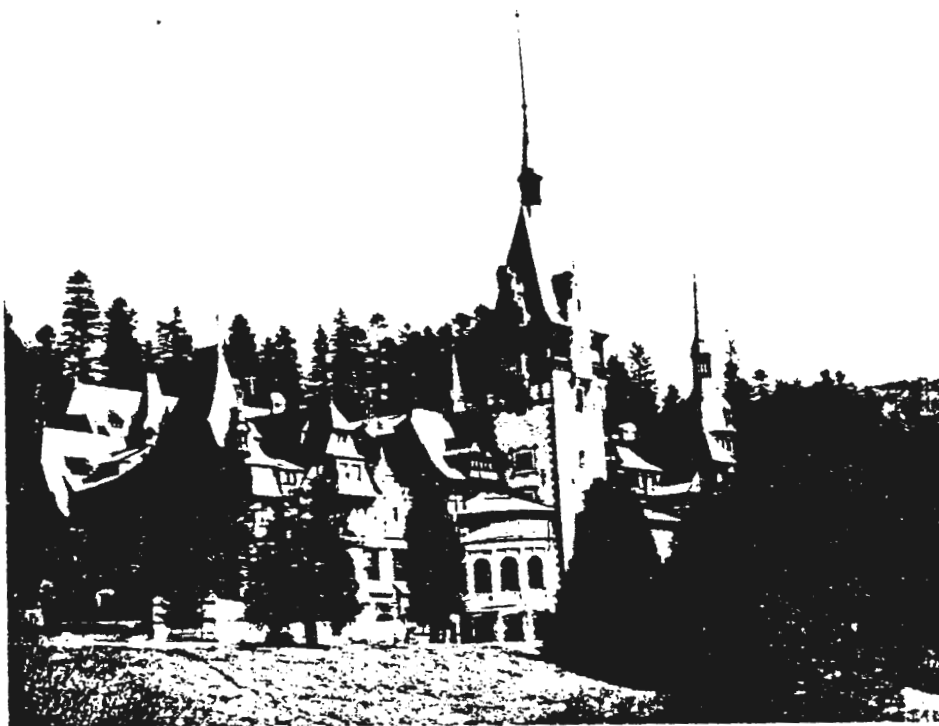
In 1968 a sweeping reorganization of the administrative structure and territorial division was carried out. The new territorial division was reminiscent of that existing before the imposition of the Soviet-style regime.

GOVERNMENT

Romania is governed by a centralized executive appointed by the Grand National Assembly. Real power, however, lies in the leadership of the Romanian Communist Party (RCP; until July 1965, the Romanian Workers' Party). The party's leading role has been written into the Constitution.

The three principal branches of the government are the Grand National Assembly, with its Council of State; an executive consisting of a Council of Ministers, operating ministries, and state committees; and a judiciary.

Like the 1952 Constitution it re-



Peles Castle, former royal residence and 17th-century monastery, in Sinaia (south of Brasov, central Romania).

placed, the Constitution of 1965 provides for a unicameral Grand National Assembly (GNA). Its 349 Members are elected from single-member electoral precincts of equal population for regular 5-year terms, which may be extended in times of emergency.

The GNA is charged with electing the President of the Republic, the Council of State, the Supreme Court, the Chief Public Prosecutor, and the Council of Ministers. Its other constitutional powers include amending the Constitution, reorganizing the bureaucracy, and granting amnesties. The GNA follows party policy on all these matters.

The bulk of legislative work is performed by the Council of State, a permanent body of 28 members elected by the GNA, which acts when the Assembly is not in session. The Council consists of a President, three Vice Presidents, 23 members, and a secretary. Its President is the President of the Republic, Nicolae Ceausescu, who was elected to this position as the country's first President in March 1974. The Council of State has the power to issue decrees with force of law.

The Constitution defines the Council of Ministers as the "supreme administrative organ" of the state. The Council is formally appointed by and theoretically subordinate to the Assembly. In fact, however, it executes

the policies established by party leadership. The Council is composed of the Prime Minister (Head of Government), vice premiers, and ministers and heads of various other central administrative organs.

The Constitution gives the Council of Ministers extensive powers to carry out the state economic plan, manage the country's economy, insure public order, defend the interests of the state, protect the rights of the citizens, direct the country's armed forces and military conscription, conduct foreign affairs, and suspend decisions of the county people's councils which do not conform to the law. In fulfilling its functions, the Council of Ministers is authorized to issue decisions and orders. In March 1969 a Defense Council was formally set up to take over many of the prerogatives of the Council of Ministers with regard to defense matters.

Following the July 1972 National Party Conference, several combined party and state bodies were formed to control a wide variety of party and government activities, further eroding the authority of the Council of Ministers. The Supreme Council for Economic and Social Development, headed by President Ceausescu, was established in 1973 to coordinate all social and economic planning. Other new party and state organs are the Council for Social and Economic Organizations, which

controls the size and functions of ministries and economic enterprises, and the Central Council of Workers' Control Over Economic and Social Activities, which oversees fulfillment of economic plan targets.

The judiciary is constitutionally limited to "defending the Socialist order and personal rights, educating citizens to the respect of law," and by applying sanctions, "reeducating lawbreakers and preventing the commission of new infractions." A new revision of the judicial system is being designed to remove misdemeanors from the court system, reduce punishments for felonies, reduce the number of crimes punishable by death from 28 to 5 (exempting altogether youth and some women), and create workers' judicial councils to handle 40-50% of cases previously requiring court appearance.

None of the courts—the Supreme Court, the county courts, the people's courts, etc.—has authority to review the constitutionality of laws. The Supreme Court guarantees uniformity of procedures by supervision and decision in procedural matters. It is elected anew by each GNA and is responsible to it or (between GNA sessions) to the Council of State. Theoretically, judges and assessors (lay judges) are independent and subject only to the law.

The office of the Chief Public Prosecutor, an important institution borrowed from the U.S.S.R., is also given constitutional status. The Chief Public Prosecutor is vested with the "supreme supervisory power to insure the observance of the law by ministries and other central organs, by the local organs of state power and administration, as well as by officials and other citizens."

For territorial/administrative purposes, Romania is divided into 39 counties and the city of Bucharest. Each county is governed by a People's Council, whose chairman is also the First Secretary of the county's Communist Party organization.

Principal Government Officials

President and Chairman of the Council of State—Nicolae Ceausescu
 Prime Minister—Ilie Verdet
 Minister of Foreign Affairs—Stefan Andrei
 Minister of Foreign Trade—Cornel Burtica
 Ambassador to the United States—Nicolae Ionescu
 Ambassador to the UN—Teodore Marinescu

Romania maintains an Embassy in the United States at 1607 23d Street NW., Washington, D.C. 20008 (tel. 202-232-4748).

POLITICAL CONDITIONS

The transition immediately after World War II from the pro-German dictatorship of Ion Antonescu to the dictatorship of Moscow-trained Communists was relatively rapid. After 1947, the new government followed the Soviet example of agricultural collectivization and forced industrialization accompanied by a remodeling of the state along totalitarian Communist lines.

However, a general "de-Russification" of the country began in 1961 as the Romanian leadership displayed increasing independence of the Soviet Union, whose troops were withdrawn in 1958. The growth of political nationalism has also been intermittently accompanied by some relaxation of internal restrictions. In 1965, 1967, and 1977 nearly all political prisoners were released, and prison sentences of others were reduced or rescinded. A degree of liberality toward cultural creativity was shown in the 1969-71 period. Since 1964, Romania has also permitted a sharp increase in cultural relations with the West, although the level remains low in absolute terms. However, an extensive internal security apparatus has maintained a powerful influence on Romanian life.

The Romanian Government's nationalistic policies have won considerable popular acceptance. Increasing numbers of persons from those strata previously most antagonistic to the system—intellectuals and agricultural workers—joined the Romanian Communist Party. The party's membership rose from 1.3 million in 1965 to over 2.7 million, or more than 10% of the total population, by 1977.

Political leadership since the late 1950s has been remarkably stable, and the passage of power from longtime party/government chief Gheorghe Gheorghiu-Dej, who died in 1965, to Nicolae Ceausescu was evidently smooth and uncomplicated. Ceausescu's 15 years in office (party chief since 1965, Chief of State since December 1967, and President of the Republic since 1974) have been characterized by a slowly improving living standard and popular acceptance of the government's independent foreign policy.

There has been no evidence of any prospective change in Romania's policy of independence within the Communist

system or its active development of relations with non-Communist governments. Responsible officials have repeatedly declared that these policies will be continued.

While the government's independent foreign policy remains popular, 1977 also witnessed important manifestations of unrest on the domestic scene, including an illegal strike in the coal mining area of the Jiu Valley, which the government broke through a combination of concessions and toughness.

ECONOMY

After the Communist takeover in 1945, Romania's economy was patterned after the highly centralized and controlled Soviet model. Although Romania is a member of the Council for Mutual Economic Assistance (CEMA), it maintains its right to decide on participation or nonparticipation in multilateral activities and has resisted supranational planning on the grounds that economic planning is a sovereign national prerogative.

Still one of the less-developed countries of Europe, Romania has many natural resources. Its government is determined to show continued impressive growth rates along with a large

measure of economic independence. In fact, Romania has sustained one of the highest annual GNP growth rates in post-World War II Europe (about 8% per year, 1965-74, according to World Bank estimates).

Its main economic goals are the rapid development of industrial capacity and output, especially in heavy industry; continued state ownership of industrial facilities and collectivized agriculture; rapid improvement of technology and diversification of industrial production; and, a goal since 1963, reduction of economic dependence on any single country or group of countries through an expansion of trade with many states.

Most of the increase in national income has come from industrial production growth. This has resulted in a high priority on a high rate of investment at the expense of consumption; increased availability of inputs from agriculture and imports; growth of the industrial labor force; and large imports of advanced technology and equipment, particularly from industrialized non-Communist countries.

The relative backwardness of agricultural methods and the low productivity of the agricultural labor force, which consists now primarily of older men and women, continue to be serious

TRAVEL NOTES

Tourist attractions—The monasteries of Bukovina, the Transylvanian Alps, and the beach resorts of the Black Sea are attractive places to visit, as are the cities of Cluj-Napoca, Iasi, Sighisoara, Sibiu, and Brasov, which retain old sections with many valuable civic and religious monuments.

Travel accommodations—Many foreign tourist agencies arrange travel and hotel reservations in advance for groups or individuals. The official Romanian travel agency, Carpati, has an office at 500 5th Ave., Room 328, New York City.

Visa and currency requirements—Visas are available, without fee, from Romanian Consulates or on arrival. Be aware, however, that each visitor is required to spend the equivalent of \$10 in hard currency each day in Romania, unless traveling on a prepaid, all-inclusive tour. Carefully retain receipts for all money exchanges and purchases to present on departure.

Climate—Romania has hot Mediterranean summers and cold, dry winters.

Health—Although no inoculations are required for travelers coming from the US or Europe, it is advisable to be immunized against polio and hepatitis for travel outside urban areas. *Health requirements change. Travelers should check most recent information.*

Telecommunications—Local telephone service is automatic and fairly dependable. International telephone and telegraph connections are generally good, but delays may occur in placing calls. Romania is seven time zones ahead of the eastern US.

Transportation—Bucharest has many inexpensive, but often crowded, buses and streetcars. Taxis are fairly inexpensive. A new subway system was inaugurated in 1979 and will be expanded in the next few years.

Driving to Bucharest from December through February is not advised, as mountain passes can be hazardous. Otherwise, the main roads are reasonably good. Rail and air facilities are available for domestic and international travel. The daily Wiener-Walzer Express from Vienna takes roughly 20 hours to reach Bucharest.

economic problems for Romania. In the past 2 years, agricultural production has had little growth. The agricultural sector has recently been receiving greater attention as a valuable source of hard-currency earnings, but Romania's development strategy remains overwhelmingly focused on heavy industry.

Among East European countries Romania is second only to Poland in area and population and has long been a major European corn- and wheat-growing country as well as an important producer of oil, timber, and, more recently, natural gas. The principal emphasis of postwar economic programs has been on developing power, mining, forestry operations, construction materials, metal production and processing, chemicals, and machine building. These industries now account for about 60% of the gross industrial output. The rapidly expanded machine-building industry, a key part of the industrial process, accounts for about one-fourth of the gross industrial product. The current 5-year plan (1976-80) also places heavy emphasis on the development of the chemical industry, which is slated to grow at an annual rate of 15%. The 1981-85 plan is likely to continue this emphasis, although the growing energy crisis may affect this plan negatively.

Light industry occupies a less important position in the economy relative to the prewar years when it supplied about 66% rather than the present 40% of industrial output. Food processing and textiles lead light industry, with production and consumption of durable consumer goods being rather low. Consumer goods are receiving somewhat more attention in current plans, but continued emphasis on heavy industry sharply limits expansion in this area.

Although Romania is not as dependent on foreign trade as other East European countries and is largely self-sufficient in foodstuffs and fuels, the development of Romanian industry requires imports of technology, machinery, equipment, and industrial materials—principally rolled steel, iron ore, coke and coking coal, and cotton. An increase in imports has forced expansion of traditional exports of food, lumber, and fuel in order to avoid trade deficits. It is also noteworthy that in 1976 Romania for the first time became a net importer of crude oil. Manufactures, including a wide variety of capital equipment, have lately accounted for about one-quarter of exports. In 1977 imports and exports were each balanced at \$7.02 billion.

Before World War II less than 20% of Romania's trade was with nations that are now Communist, and half of this amount was with Czechoslovakia. However, during the period 1947-59 annual trade with the Communist world reached as high as 86%. In more recent times Romania has increased its share of trade with non-Communist countries. The non-Communist share of 1959-69 Romanian trade increased three to four times faster than that of Communist countries, and in 1973 Romania became the first Warsaw Pact country to conduct less than half of its trade with Communist nations. In 1977 about 55% of Romania's trade was with non-Communist countries.

Approximately 17-18% of Romania's trade is with the Soviet Union, which is the most important supplier of iron ore, coke, and other raw materials. Romania's second largest trading partner is the Federal Republic of Germany, which held a 9% share of Romanian trade in 1977. The United States became Romania's fourth largest trading partner in 1979. Since 1960 Romania has received substantial credits from Western Europe. Romania has also attached great importance to developing economic ties with the Third World for economic and political reasons. In accordance with announced policies, the Third World's share of Romanian trade is about 20%.

FOREIGN BUSINESS INFORMATION

For information on foreign economic trends, commercial development, production, trade regulations, and tariff rates, contact the Bureau of Export Development, US Department of Commerce, Washington, DC 20230. This information is also available from any of the Department of Commerce district offices located throughout the US.

FOREIGN RELATIONS

Since the early 1960s Romania has increasingly asserted its national sovereignty and has sought closer ties with non-Communist countries. Major disputes with the U.S.S.R. arose over Soviet proposals in 1962 to subordinate Romanian economic development to a supranational planning body within CEMA. In a "declaration of independ-

ence" of April 22, 1964, the Romanian leadership sharply criticized these proposals and emphasized the right of each Communist Party to work out its own policies in all fields on the basis of national self-interest. Romania consistently followed this policy during the Czechoslovak crisis in the summer of 1968, when it publicly criticized and did not participate in the invasion of that country by the Soviet Union and other members of the Warsaw Pact.

Since 1964 Romania has frequently taken positions on international issues markedly different from those taken by the Soviet Union. These have included, among many others, neutrality in the Sino-Soviet dispute and continuing pursuit of good state and party relations with the People's Republic of China; recognition of the Federal Republic of Germany in 1967; maintenance of relations with Israel after the 1967 war and an independent view of Middle East developments during the 1967 and 1973 wars, as well as during the current negotiating phase; early approaches and formal relations with the European Common Market; an independent position (close to Yugoslavia and the Italian and Spanish Communist Parties) in international Communist affairs; an active individual role both in the United Nations and in the CSCE process; "guest" status at nonaligned meetings. In addition to good relations with its neighbor Yugoslavia, it has promoted Balkan regional cooperation efforts.

The Romanians describe their foreign policy as one of amicable relations with all countries regardless of differing social systems, noninterference in the internal affairs of other states, the pursuit of peace, and the advancement of Romanian national interests. The record substantiates this policy. They have maintained proper relations with the Soviets while rejecting Soviet domination, both directly and indirectly. At the 1976 conference of European Communist Parties, they were among the successful proponents of the right of each party to develop and pursue policies on the basis of its own experiences and of the conditions in which it operates. Their participation in Soviet-sponsored international Communist activities has been unpredictable.

Romania is a member of the General Agreement on Tariffs and Trade. It joined the International Monetary Fund and the International Bank for Reconstruction and Development in December 1972. Although a member of the Warsaw Pact, Romania sharply

limits the participation of its armed forces in that body and has neither participated with troops in Pact maneuvers abroad since 1962 nor permitted such maneuvers within Romania since 1964.

DEFENSE

Romania maintains a relatively large army and a small air force and navy but looks upon these forces as strictly defensive. It also has set up paramilitary bodies in which all male citizens can be drawn in case of an emergency affecting the security of the nation.

U.S.-ROMANIA RELATIONS

After a 15-year period of coolness, the United States and Romania began in 1960 to improve relations by signing an agreement providing for partial settlement of American property claims. In the same year, cultural, scientific, and educational exchanges were initiated. In 1964 the legations of both nations were raised to the level of Embassies.

In August 1969 President Nixon paid an official visit to Romania, the first by a U.S. President to Eastern Europe since World War II. During that visit agreement was reached to establish a U.S. library in Bucharest, a Romanian library in New York, and a U.S. bank office in Bucharest.

High-level contacts between U.S. and Romanian leaders have multiplied despite continuing political differences. President Ceausescu's April 1978 visit to the United States to meet with President Carter was his fourth visit since October 1970. President Ford (in 1975) and Secretaries of State Rogers and Kissinger each visited Bucharest. Also in 1975, the Romanian First Deputy Minister of Defense and Chief of the General Staff exchanged visits with the U.S. Army Chief of Staff. High-level visits have also included trips by American Cabinet officers and Romanian Ministers, Parliamentarians, and leaders in many fields.

READING LIST

This list provides a general indication of the material currently available on this country. The Department of State does not endorse unofficial publications.

- American University. *Area Handbook for Romania*. Washington, D.C.: U.S. Government Printing Office, 1972.
- Fischer-Galati, Stephen A. *The New Romania*. Cambridge: Massachusetts Institute of Technology Press, 1967.
- Gilberg, Trond. *Modernization in Romania Since World War II*. New York: Praeger, 1975.
- Hale, Julian. *Ceausescu's Romania*. London: Harkar, 1971.
- Ionescu, Ghita. *Communism in Rumania, 1944-1962*. London: Oxford University Press, 1964.
- Jowitt, Kenneth. *Revolutionary Breakthroughs and National Development: The Case of Romania, 1944-1965*. Berkeley: University of California Press, 1971.
- Seton-Watson, R.W. *A History of the Romanians From Roman Times to the Completion of Unity*. Cambridge: Cambridge University Press, 1939.

In 1972 Secretary Rogers and Foreign Minister Manescu signed a Consular Convention to facilitate the protection of citizens and their property in both countries. In the same year, Overseas Private Investment Corporation facilities were granted, and Romania became eligible for U.S. Export-Import Bank credits. An agreement signed in 1974 for cultural, educational, scientific, and technical exchanges and cooperation has resulted in a steady growth of contacts and exchanges of information in those fields.

A 3-year trade agreement signed in April 1975 and renewed in 1978 accorded most-favored-nation status on Romania, the only East European country willing at that time to receive this treatment under the terms of Section 402 of the Trade Reform Act of 1974. This status has been renewed yearly since 1975 after congressional review.

Subsequently, the two countries signed a long-term agreement on economic, industrial, and technical cooperation. Total trade in 1979 amounted to \$829 million. A joint declaration issued during President Ceausescu's 1978 visit restated the desire of both countries to continue and expand their relations.

Because of its connection with the most-favored-nation status, emigration remains a related issue for discussion between the two governments. A dialogue has been maintained concerning problems of dual nationals, binational marriage cases, and reunification of divided families. Approximately 1,500-1,700 Romanians now emigrate to the United States each year.

Following a series of natural disasters in the 1970s—major flooding as well as the earthquake of 1977—assistance from private Americans and from the U.S. Government (including a \$20 million grant for earthquake relief) was a positive factor in U.S.-Romanian relations.

Principal U.S. Officials

Ambassador—O. Rudolph Aggrey
Deputy Chief of Mission—Herbert Kaiser
Counselor for Press and Culture—Al Pearlman
Political Affairs Counselor—Stephen Johnson
Economic Affairs Counselor—Clint Smith
Science and Technology Attache—John Zimmerman
Consul—James Lassiter

The U.S. Embassy in Romania is located at Strada Tudor Arghezi No. 7/9 Bucharest (tel. 12-40-40). ■

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THE PRESIDENT'S REPLY
TO THE REMARKS OF THE
NEWLY APPOINTED AMBASSADOR
OF THE SOCIALIST REPUBLIC OF ROMANIA
MIRCEA MALITA
UPON THE OCCASION OF THE PRESENTATION OF
HIS LETTER OF CREDENCE

Mr. Ambassador:

I am pleased to welcome you today, and to receive your letters of accreditation as Ambassador Extraordinary and Plenipotentiary of the Socialist Republic of Romania in the United States. I accept as well the letter of recall of your distinguished predecessor.

Please convey my thanks to President and Mrs. Ceausescu for their good wishes, and convey to them and to the Romanian people our best hopes for success, prosperity and abiding peace.

The United States pursues its relations with other nations on the basis of mutual respect, the recognition of equal sovereignty and national independence. Our bilateral relations with Romania have developed so well in recent years because we

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have proceeded on the basis of these principles and because we have sought to find common ground to resolve our differences whenever they have arisen.

Mr. Ambassador, we value our relations with Romania. We appreciate the efforts which Romania has made to establish an independent position in foreign affairs. We understand and share the desire to reduce tensions in the world so that all people may have the opportunity to pursue their destinies in peace, and without the fear of repression. We trust that, as our relations develop further, our concerns and views will continue to grow closer and lead to further cooperation and understanding between us.

I look forward to working with you during your assignment in Washington, Mr. Ambassador, and wish to assure you that you will receive the full cooperation of the United States Government in the pursuit of your official duties.

REMARKS OF THE
NEWLY APPOINTED AMBASSADOR
OF THE SOCIALIST REPUBLIC OF ROMANIA
MIRCEA MALITA
UPON THE OCCASION OF THE PRESENTATION OF
HIS LETTER OF CREDENCE

Mr. President:

I am highly honored to present to Your Excellency, together with the recalling letters of my predecessor, the letters through which I am accredited as Ambassador Extraordinary and Plenipotentiary of the Socialist Republic of Romania in the United States of America.

On this occasion I am happy to convey to Your Excellency and to Mrs. Nancy Reagan from the President of the Socialist Republic of Romania, Nicolae Ceaușescu and Mrs. Elena Ceaușescu, the best wishes of good health and personal happiness, and to the friendly American people wishes of prosperity, peace and progress.

Appreciating the role and the particular responsibility incumbent on the United States in international life, Romania pays a special attention to her relationship with your country.

The fact that these relations have found a sound basis of development on the principles of the full equality in rights,

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national independence and sovereignty, non-interference in the internal affairs and the mutual advantage of renunciation to force in international relations, principles consecrated in the high level Romanian-American agreements and that on this basis our two Governments and peoples have set up a fruitful relationship in all fields of activity, represent for us a source of deep satisfaction.

We also consider there still are manifold possibilities to extend and deepen the cooperation and collaboration between Romania and the United States both in the field of the bilateral relations, of commercial, scientific, cultural and artistic exchanges, and in the sphere of international life, aiming at the peaceful settlement, through negotiations, of differences among states, for a constructive solution to the major issues confronting mankind.

I feel confident that, through joint efforts, we will succeed to use these possibilities, in the interest of our two countries and peoples, in the interest of peace, national independence and understanding among all peoples.

For me personally, Mr. President, it is a great honor and satisfaction to be able to contribute, by accomplishing the mission my President has entrusted me with, to the achievement of this high goal and I am convinced that, in my efforts, I will be able to rely on your personal support and understanding and on the support and understanding of the American Government as well.

THE SECRETARY OF STATE
WASHINGTON~~CONFIDENTIAL~~

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MEMORANDUM FOR: THE PRESIDENT

FROM: Alexander M. Haig, Jr.

SUBJECT: Visit of Romanian Foreign Minister
Andrei, May 15

I. THE SETTING

Foreign Minister Andrei's short visit with you is for the purpose of handing over an invitation from President Ceausescu to visit Romania, as did Presidents Ford and Nixon. Ceausescu has visited the US twice.

We encourage Romania's relatively independent foreign policy, realizing its Warsaw Pact membership and long border with the Soviet Union leave little maneuver room. Romania can play a moderating role in Eastern Europe, e.g., when it calls publicly and in Pact councils for non-intervention in Poland.

Andrei, Ceausescu's chief foreign policy adviser, supports openness to the West, and the US in particular. He seeks Western political and economic help, but Romania's repressive internal regime is a problem for us.

II. OBJECTIVES

Assure him our firm policy towards the Soviets need not affect our good relations with Romania, but be noncommittal on a visit.

Stress that US-Romanian relations hinge to a great extent on the Romanian response to emigration and human rights problems, and cooperation in international crisis areas like the Middle East.

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BY RW DATE 1/9/17

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III. ISSUES

1. Andrei is here to determine this Administration's policy towards Eastern Europe, and hopes we will recognize Romania's relatively independent position within the Warsaw Pact.

2. Renewal of Most Favored Nation trade status for Romania is pending. I have recommended you approve renewal, but you should be aware that some U.S. groups will question this because of their desire to pressure Romania on freedom of emigration and treatment of religious bodies--although major Jewish leaders agree that renewal of MFN best permits us to keep pressure on Romania on emigration. Should the subject arise, I recommend that you limit yourself to saying that greater Romanian responsiveness in dealing with these problems would contribute to popular support for better US-Romanian relations.

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ROMANIA

23

**Romania: Ceausescu
Cracks Down** []

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President Ceausescu's recent sweeping purge of top officials and his crackdown on intellectuals are meant to intimidate potential critics of his economic policies. This approach may succeed for a time, but only substantial reforms can stem the economic decline and avert further disaffection. Ceausescu, disappointed over the lack of Western sympathy for Romania's debt problems, is looking to the East for help even while maintaining his maverick role within the Communist movement. []

Loyalty First

Ceausescu frequently has "rotated" his top subordinates to prevent challenges to his supremacy, to provide scapegoats for policy failures, and to ensure a responsive bureaucracy. Last month's personnel changes are the latest in a series of shifts since early 1981 in which Ceausescu has replaced two-thirds of the party's executive Secretariat and over half of the Council of Ministers. []

For the most part, key posts have gone to apparatchiks who are loyal to Ceausescu but lack relevant expertise. Constantin Dascalescu, who replaced the able and experienced Ilie Verdet as Premier, is a party "troubleshooter" with little background in economic management. He is expected to demand greater discipline from government ministers who Ceausescu contends have been lax in implementing his economic policies. Of the new Deputy Prime Ministers (all incumbents were replaced), only one has extensive economic experience. The new Minister of Foreign Trade, moreover, has had no experience in this field beyond a one-year stint as Romania's representative to CEMA. []

Verdet and deposed Foreign Trade Minister Burtica, both longtime members of the party leadership and close aides of Ceausescu, are the major scapegoats for Romania's economic problems. Ceausescu may have felt they had built sufficient followings to make them

threats at a time when his own popularity was at low ebb. Moreover, they may have differed with Ceausescu on economic policy or balked at implementing his often arbitrary directives. Both have been relegated to insignificant positions: Verdet to the largely ceremonial Council of State and Burtica, who was dropped from the party's elite Permanent Bureau, to a provincial post. []

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Ceausescu has increased the pressure on potential dissidents. In April and May Ceausescu reportedly fired 350 to 400 prominent intellectuals for participating in a "secret" organization practicing transcendental meditation, and more dismissals are to come. The media branded the group a "religious sect" possibly set up by an unspecified foreign intelligence organization. []

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The regime has stepped up media attacks on and harassment of religious dissidents, accusing them of cooperating with foreign groups to disrupt Romanian society. []

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A "congress" on culture and ideology later this month is likely to tighten already strict controls on cultural and religious activities and contacts with foreigners. []

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Economic Problems

The underlying reason for Ceausescu's moves is his vulnerability to criticism for the failure of his economic development strategy. Industrial growth—the key element of his program—is slower than at any time since the immediate postwar years. Agricultural output has declined during the past two years, and prospects are poor for a turnaround this year. Lack of hard currency has forced Romania toward debt rescheduling. The slow progress of the rescheduling

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talks—a final agreement may not be reached until the end of the summer—impedes Romania's ability to finance badly needed imports of energy and other raw materials. []

The general public is bearing the burden of the economic slowdown. Serious food shortages continue despite sharp jumps in consumer prices and rationing of some key consumer items. Electrical power shortages have resulted in reduced work schedules and layoffs. Bucharest has forced some workers who lost jobs in the cities to return to the farms. []

Public morale remains low as a result of continued economic hardship. A few localized strikes have recently taken place, but the regime, relying heavily on police repression, has so far managed to avoid a repetition of the violent riots of last fall. []

Turning to the East

The West's cutoff of credit earlier this year probably convinced Ceausescu to step up efforts to expand ties with the East. His attempts to obtain special treatment from the Soviets and his other CEMA partners have been largely unsuccessful. Although trade with the USSR has increased 30 percent annually the past two years, Romania still does not receive the concessionary terms available to other CEMA members on certain key items, notably oil. []

Ceausescu still distrusts Moscow and refuses to make significant political concessions to obtain economic aid. His talks with Italian Communist Party officials during their ideological dispute with Moscow in February and his recent visit to China testify to his continued pursuit of an independent foreign policy. Ceausescu may, however, reason that a display of vigilance against Western influences at home might evoke some sympathetic response in Moscow. His selection of Romania's former representative to CEMA to oversee the country's foreign trade activities, in place of the more Western-oriented Burtica, may be another gesture to the Soviets. As long as he maintains his maverick posture, however, Ceausescu can expect few substantial benefits from his Warsaw Pact allies. []

Outlook

President Ceausescu appears determined to continue addressing Romanian economic problems with administrative tinkering, tightened controls, and forced austerity. Continued adherence to this approach, however, combined with a personnel policy that deemphasizes experience and initiative, will contribute to further economic decline, erosion of living conditions, and social instability. Popular discontent will grow, and intensified austerity measures could set off spontaneous disturbances. []

With top officials cowed by the recent purges, chances for serious anti-Ceausescu plotting from within the inner circle are slimmer than ever in the short term. Lower level administrators may be somewhat unsettled, however, by Ceausescu's sudden firing of long-time cronies and by his clear intent to step up pressure to meet unrealistic production goals. The numbers of prominent victims of Ceausescu's purges continue to climb, creating an ever-widening pool of potential Ceausescu foes. Many of them have extensive contacts throughout the demoralized bureaucracy and over the longer term might find substantial support should they mount a challenge to Ceausescu. []

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KEYWORDS: DENMARK

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DEPARTMENT OF STATE
INFORMATION MEMORANDUM

S/S

Romania 6520
add-on
Emigration

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TO: The Secretary
FROM: HA - Elliott Abrams *SA*
SUBJECT: Trip Report - Romania

In talks I held during my trip to Romania last week, the GOR agreed to improved Romanian performance on emigration.

As part of last summer's contentious debate over extension of MFN to Romania for another year (pursuant to the Jackson Amendment), the GOR agreed to hold talks with us this Fall over improving their performance on emigration. There were two main issues: harassment of applicants for emigration, and long delays in the processing of applicants. The Embassy knows of hundreds of cases where families have lost jobs and/or homes and still, after delays up to two years, are not being given permission to leave.

The talks, held October 6-7, revealed a Romanian desire to be -- or at least seem -- cooperative. They agreed to reduce processing of cases to an average of 6-9 months, and to stop the "bureaucratic abuses" they hold responsible for harassment. Moreover, they abandoned the idea of an "education tax," according to which emigrants would have to pay back to the state the full cost of their education. This would have halted emigration of all but manual laborers, and would have meant congressional rejection of MFN renewal. President Ceausescu had mentioned this new tax to several Americans, but when informed that it would kill MFN, the GOR officials told us that it was not even being considered.

Overall numbers of emigrants to the US may drop this year, reflecting our immigration law more than their emigration policy. I told the Romanians we would defend them if this were unfairly blamed on them, as we will defend them if delays in emigration arise from US backlogs in granting immigration visas.

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It remains to be seen whether the Romanians will deliver. They run a "tight ship," otherwise known as a communist police state, and if would-be emigrants are not harassed they will be the only Romanians free from police pressure. Still, significant progress on the "harassment" and the "delay" issues is in the GOR's interest. The Embassy will monitor the situation, and hold further talks aimed at producing a document which describes our agreement. I will brief key congressional and interest groups this week.

Drafted: HA:EAbams:ks
x20334 10/12/82

Cleared: EUR:RWFarrand

cc: S - Mr. Seitz
D - Mr. Dam
E - Mr. Wallis
P - Ambassador Eagleburger
EB - Mr. McCormack, Designate

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CINCEUR, USDOCO, USAF, USAREUR FOR POLADS

E.O. 12356: DECL: OADR

TAGS: AORC PARM WP CZ RO

SUBJECT: CEAUSESCU AND WARSAW PACT POLITICAL DECLARATION

REF: 82 BUCHAREST 10009

1. C - ENTIRE TEXT.

2. SUMMARY: ON DECEMBER 16 NICOLAE CEAUSESCU TOLD THE CONGRESS OF THE COMMUNIST PARTY OF ROMANIA THAT THE PARTY LEADERSHIP CONSIDERS THAT IT IS NECESSARY TO BEGIN DIRECT NEGOTIATIONS BETWEEN THE WARSAW PACT AND NATO REGARDING DISARMAMENT AND REDUCING THE DANGER OF WAR AND IN THE FIRST INSTANCE TO LIMIT THE MILITARY ACTIVITY OF THE TWO BLOCS. ON DECEMBER 20 AND 22, ACTING FOREIGN MINISTER AUREL DUMA CALLED THIS PROPOSAL TO THE AMBASSADOR'S ATTENTION (SEE REFTEL) AS BEING AN ESPECIALLY SIGNIFICANT PASSAGE IN CEAUSESCU'S LONG SPEECH. ON JANUARY 5 THE WARSAW PACT SUMMIT CONFEREES INCLUDED SUCH A CALL IN THE FINAL SECTION OF THE POLITICAL DECLARATION. A BUCHAREST NEWS ITEM SAID THAT THE PROPOSAL WOULD BE DISCUSSED FURTHER AT THE NEXT WP FOREIGN MINISTERS' MEETING. THE SEQUENCE SUGGESTS THAT CEAUSESCU AND HIS SUBORDINATES EITHER SPAWNED THE IDEA AND CONVINCED THE SOVIETS TO GO ALONG WITH IT OR -- AND NOT NECESSARILY CONTRADICTORILY -- THAT CEAUSESCU WAS FLOATING A TRIAL BALLOON OF A POSITION AGREED TO BY THE SOVIETS WELL IN ADVANCE OF THE PRAGUE MEETING. EACH OFFERS CONSIDERABLE GRIST FOR THE MILL OF THOSE ANALYZING ROMANIAN-SOVIET RELATIONS. END SUMMARY.

3. IN HIS SPEECH DECEMBER 16 TO THE NATIONAL CONGRESS OF THE COMMUNIST PARTY OF ROMANIA, NICOLAE CEAUSESCU SAID THE LEADERSHIP OF THE CPR CONSIDERS IT NECESSARY

TO BEGIN DIRECT NEGOTIATIONS BETWEEN THE WARSAW PACT AND NATO WITH REGARD TO DISARMAMENT AND REDUCTION OF THE DANGER OF WAR. AS A FIRST STEP, HE SAID, IT WOULD BE NECESSARY TO LIMIT THE MILITARY ACTIVITY OF THE TWO BLOCS.

4. ON DECEMBER 20 AND 22, ACTING FOREIGN MINISTER AUREL DUMA (SEE REFTEL), ON HIS OWN INITIATIVE IN CONVERSATIONS DEVOTED PRIMARILY TO OTHER MATTERS, SOUGHT THE AMBASSADOR'S REACTION TO CEAUSESCU'S PROPOSAL. HE IMPLIED THAT THE PROPOSAL WAS SOMETHING NEW AND THAT THE IDEA HAD ORIGINATED IN ROMANIA.

5. ON JANUARY 5 AGERPRES IN ITS REPORT OF THE PRAGUE WARSAW PACT POLITICAL CONSULTATIVE CONFERENCE NOTED THAT AMONG OTHER THINGS THE SUMMIT CONFEREES HAD CALLED FOR THE CONCLUSION OF A TREATY BETWEEN THE STATES BELONG TO THE WARSAW PACT AND THE STATES BELONGING TO NATO WITH REGARD TO THE MUTUAL NON-USE OF MILITARY FORCE AND THE MAINTENANCE OF PEACEFUL RELATIONS, OPEN TO ALL THE OTHER STATES. THE REPORT FURTHER STATED THAT THE CONFEREES AGREED THAT THE PROBLEM OF SOME CONTINUING MEASURES TO BRING THIS INITIATIVE TO LIFE WOULD BE DISCUSSED AT THE NEXT MEETING OF THE WARSAW PACT FOREIGN MINISTERS' CONFERENCE.

6. THE POLITICAL DECLARATION OF THE WARSAW PACT STATES, RELEASED AFTER THE JANUARY 4-5 SUMMIT MEETING IN PRAGUE AND PUBLISHED IN BUCHAREST JANUARY 7, INCLUDED IN ITS FINAL SECTION (SECTION VI) THIS CALL IN A MUCH ELABORATED FORM, BUT WITHOUT THE INFORMATION REGARDING DISCUSSIONS AT THE NEXT WPO FOREIGN MINISTERS' COMMITTEE MEETING.

7. CONSIDERING THE LENGTH AND THE CHARACTER OF THE

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ROMANIA

THE ISSUE:

Events in Poland over the past 18 months, culminating in the military takeover, and the continuing concern in the West for Eastern Europe's unresolved economic crisis, have raised questions about U.S. relations with all the countries of Eastern Europe, and in particular with Romania.

Because of its pressing economic concerns, Romania is frequently seen as the next "financial basket case" of Eastern Europe. Not only the financial wisdom of extending credits, rescheduling Romania's debt and improving trade relations have been raised, but owing to Romania's repressive internal regime, questions about the propriety of continuing good relations at all with the Ceausescu regime persist. The purpose of this paper is to review U.S. objectives in Romania and to provide guidelines for responding to specific operational issues requiring resolution within the next 30 to 90 days. This review should also clarify overall policy guidelines for addressing future issues affecting U.S.-Romanian relations.

The paper itself is divided into three parts: 1) an overview which also serve as a summary; 2) individual sections addressing in depth current commercial, economic, military and human rights questions and; 3) three appendices containing additional background information pertinent to the study.

ROMANIAN POLICY THRUST:

Romania's policies over the past two decades have reflected its desire to establish the maximum degree of autonomy in its foreign relations, recognizing always, however, the restraints imposed upon it (and - for domestic reasons-- accepted) by the dominating presence of the Soviet Union and its own membership in the Warsaw Treaty Organization (WTO) and the Council for Mutual Economic Assistance (CEMA).

POSSIBILITIES FOR US INFLUENCE:

The USG's ability to influence specific Romanian policies, domestic or foreign, will depend to a large extent on the coincidence of our broad policy goals and on Romania's need for U.S. support in pursuing its primary interests. If the Romanian regime's need to implement repressive internal policies to maintain itself in power bring it into conflict

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with the US on human rights grounds, its demonstrated national policy goal to establish an autonomous foreign policy position is complementary with our own goals and interests in the Eastern European region. By supporting Romania in its foreign policy objectives we can hope to develop some leverage and influence to effect the development of its internal structure. Romania's interest in the bilateral relationship with the US, based on a perception that it is gaining tangible benefits from the relationship will continue to play an important role in shaping Romanian attitudes.

Neither the present Romanian regime, nor any likely successor regime, can be expected to abandon willingly the communist system of government or its membership in the WTO or CEMA. The Soviet Union, which shares over 500 miles of border with Romania, will not tolerate dramatic changes in this regard. At the same time, however, Romanian nationalism, wrapped up in long-standing Romanian antipathies towards Russia and its other neighbors (Slavic and Hungarian), and the unusually harsh treatment by the Soviet Union in the immediate post World War II era, provide the natural underpinning for Romania's efforts to achieve a position of limited autonomy within the WTO.

US INTERESTS:

Basic U.S. interests in Romania continue to be linked to Romania's strategic geographic position along the southwestern Soviet European border, its membership in the WTO, its political role in the Third World, its economic and commercial relationship with the West and its human rights and emigration policies.

Romania provides an important buffer between Yugoslavia and the USSR serves also to separate Bulgaria from the Soviet Union along land routes. It is the second largest WTO state in Eastern Europe both in territory and population. Its participation, or lack thereof, in WTO activities has a measurable impact on the effectiveness of the WTO's southern flank.

Currently Romania is not a significant military factor in NATO planning. A Romania aligned closely with the Soviet Union and dedicated to the Soviet's foreign policy and military objectives would, however, increase significantly the military threat to the Balkans, including Yugoslavia, Greece, Turkey and the Adriatic.

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Politically, our objective is to encourage greater Romanian independence in foreign policy to coincide more closely with our own. We want to nurture a climate in which Romania's bilateral relations with the USSR loom less important over time and Romania is strengthened in its proclivity to oppose Soviet actions designed to coerce or intimidate other Eastern European countries. We desire continued Romanian opposition to Soviet policies within the WTO on issues such as expanding defense budgets and joint military operations. We want Romania to support moderate positions in the UN and other international fora, and to cooperate in seeking peaceful settlement of third world disputes.

Romania will continue to have a degree of influence in the WTO where it has consistently argued for lower military expenditures and has blocked public pronouncements critical of China and the U.S. In 1958 Romania negotiated the departure of Soviet troops from its territory and continues to deny permission for the stationing of WTO forces there. Its degree of participation in WTO exercises is the lowest of any WTO country (16%). It seeks closer contacts with the U.S. military establishment, welcoming annual port calls by U.S. vessels at Constanta and visits by the National Defense University. Similar activities by WTO vessels and military groups are not common. Romanian support for WTO weapons modernization has been lukewarm. Romania often looks outside the WTO, when possible, for procurement (e.g. France for helicopters, UK for transport and civilian aircraft, Yugoslavia for fighter aircraft using some UK and U.S. technology).

Romania has openly opposed Soviet intervention in the internal affairs of neighboring states and has adopted general disarmament policies which differ from those of the Soviet Union and other WTO countries. Its constant overtures to the West serve as an example to other Eastern European countries that there are alternatives to slavish subservience to the Soviet Union.

Economically, in addition to pursuing a policy of diversifying its trade and economic ties (as noted above), Romania broke ranks with the Soviets and CEMA and became the first WTO member to sign a "bilateral" agreement with the EC. It was the first WTO country to join the World Bank, the International Monetary Fund (IMF) and the Geneva Accords on Trade and Tarriffs (GATT).

Domestically, we want to see greater internal liberalization of the Romanian regime, specifically greater tolerance for groups seeking to express their religious preferences and ethnic traditions. We also desire a relaxation of Romanian policies affecting family reunification.

Romania clearly pursues policies to achieve its own ends; these are sometimes in conflict with U.S. political views. With significant regularity, however, its policies are at variance with those of the Soviet Union. It is in our national interest to encourage the development of a distinct and separate Romanian identity within the WTO and to encourage the natural Romanian tendencies to move in that direction.

CONCLUSIONS:

Basic US objectives in Romania should be:

1) to encourage an independent Romanian foreign policy, which at a minimum diverges from that of the USSR and comes more in parallel to our own.

2) promote internal political/economic liberalization, providing, where possible, incentives and encouragement for gradual political or economic reforms. These would encompass, but would not be restricted to improvements in emigration procedures, religious freedom and freedom of association.

The US should employ normal peaceful means to achieve its objectives in Romania, demonstratively showing its preference if Romania either moves toward liberalizing its political and economic regime or pursues a relatively independent foreign policy or, ideally, both. Assuming Romanian policies and activities meet these criteria, the USG should be prepared to respond:

economically and commercially, by approving reasonable credit requests, responding sympathetically to requests for better access to US markets, and supporting critical development projects.

politically, by manifesting through regular consultations, visits and high level statements, U.S. support and sympathy for Romania's efforts to assert its autonomy in foreign affairs.

culturally, by promoting closer links in the field of academic, scientific and cultural relations.

militarily, by encouraging exchanges and visits, and to the extent possible, by providing older technology to encourage Romania to move away from sole dependence on WTO sources for military support.

The following sections provide in-depth consideration of current economic, commercial, military and human rights issues affecting US-Romanian relations. Although self-contained papers, they should be viewed within the overall context of the IG terms of reference.

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DEBT RESCHEDULING

BACKGROUND:

The Romanian external debt position has deteriorated sharply in recent years. The current account deficit, which grew steadily from the mid-1970's due to the rapid expansion of domestic demand and continued neglect of the agricultural sector, ballooned to \$2.4 billion in 1980 in the wake of the second major hike of OPEC oil prices. While the deficit narrowed to \$800 million in 1981, the improvement stemmed mainly from a slowdown in import growth rather than from a return to vigorous export growth.

The external borrowing necessary to finance the current account deficit pushed Romanian hard currency debt to \$10.7 billion by the end of 1981, a three-fold increase in only four years. The Romanian debt service ratio climbed to 31 percent in 1981. Moreover, private banks, skittish over events in Poland and bearish concerning the medium-term economic outlook for Romania, became increasingly reluctant to roll over short-term debt and to extend new medium-term credits. Thus, by year-end 1981, Romania confronted a severe liquidity squeeze and accumulated arrearages to private creditors in excess of \$1 billion. Official lending dried up as well. Romania exceeded the ceilings on arrearages contained in the terms of its IMF lending program, thereby losing access to Fund resources. The U.S. suspended consideration of new CCC credits and delayed disbursements under Exim's commitment to finance the GE nuclear turbine project. Other governments have taken similar steps.

POLITICAL CONSIDERATIONS

The U.S. position on an official rescheduling will be a pivotal element in Romania's near term economic future and will significantly influence the course of U.S.-Romanian bilateral relations. While the direct financial impact on Romania of a U.S. decision to reschedule would be small, the broader economic and political effects would be important.

Both the IMF and the private banks are waiting to see what the official creditors will do. Continued uncertainty concerning the handling of official debt could complicate and possibly delay the submission of a new standby program for Romania to the IMF Executive Board. Moreover, if the private banks stick to their present position of refusing to move forward on rescheduling with the official creditors, the continued existence of over \$1 billion in Romanian arrears to the private banks may prove to be an insurmountable obstacle to

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the formulation of a viable IMF adjustment program. Finally, even with a private/official debt rescheduling, Romania will face a \$2.2 billion financing gap in 1982. While the resumption of official credits (including IMF disbursements) may fill a portion of the gap, the GOR will need to rely heavily on private capital flows. A decision to reschedule Romania's official debt could remove an important element of political uncertainty, with positive impact on banks' willingness to move back into Romania.

A U.S. decision against government debt rescheduling would result in a severe deterioration of U.S./GOR bilateral relations. The Romanians are aware that the U.S. has participated in numerous rescheduling over the years and that we have always based our decision to participate (including in Chile under Allende) on financial criteria. Romania meets those criteria. The GOR would view a U.S. refusal to reschedule as a politically-motivated act calculated to downgrade the bilateral relationship and lumping Romania in the same category as Poland and the USSR. More generally, a negative Western posture on debt would lead the Romanians to conclude that they had little alternative but to move closer to the USSR both politically and economically.

Finally, there would be no guarantee that other Western creditor nations would forego a governmental rescheduling, even if the U.S. chose not to do so. Our refusal to reschedule would put strains on our relations with our allies.

The above notwithstanding, a U.S. decision to reschedule will require careful explanation to Congress and the general public that rescheduling is to our long term economic and political advantage.

CONSIDERATION OF EXIM AND CCC CREDITS:

Once Romania's debt problems are regularized through private and government rescheduling and the implementation of the IMF stabilization program, Romania will approach us about the extension of new CCC credits or the resumption of Exim disbursements. We should base these decisions on a careful evaluation of Romania's economic and financial outlook following IMF approval of a new standby program. A decision to withhold new credit/disbursements would not be inconsistent with a continuation of a policy of differentiation. Failure to release the Exim credits for the GE turbine project, would, however, be viewed by the GOR to be a politically motivated decision hostile to GOR interests.

COMMERCIAL CONSIDERATIONS

With over \$1 billion in two-way trade in 1981 and with 32 U.S. companies and banks operating offices in Romania, the U.S. has substantial economic and commercial interests in Romania. We are Romania's second leading Western trading partner, and Romania relies on U.S. suppliers for important agricultural commodities and vital raw materials (coal and phosphates).

US GOALS AND INTERESTS:

We seek to continue developing the Romanian market for U.S. goods and, to the extent possible, to use Romania to reach other markets in Eastern Europe and the USSR. Despite Romania's immediate economic and financial problems and current curtailment of Western imports, there are opportunities, particularly in raw materials, agricultural commodities and oil and gas exploration equipment, to develop further commercial cooperation. We should encourage Romania's efforts to diversify its sources of commercial supply. We should recognize that encouragement of Romanian dependence on US sources of supply in place of CEMA sources carries with it a certain political obligation to continue the supply so long as Romania does not violate the terms of trade.

Where we have established an economic presence by U.S. firms in Romania, we should seek to protect their interests and facilitate their operations. Given the GOR's increasing need for hard currency earnings to meet debt obligations and growing import needs, this is not an easy task since resident Western firms offer a small but easy source of hard currency through added taxation and fees and increased operating costs.

We also want to encourage a Western oriented approach by the GOR in economic and trade matters and seek to draw Romania away from the Soviet Union and CEMA. We have had some success with Romania itself and also in using Romania to influence other East European countries. The granting of MFN to Romania, signing of a bilateral trade agreement, and establishment of a joint economic commission in 1974-75 served as a model for the normalization of trade relations with Hungary in 1978. Also, we have used the Romanian example in explaining the framework and setting the standards for improving trade relations with Bulgaria, Czechoslovakia, and the German Democratic Republic. It is in our interest to continue these efforts.

ACCRUED RESULTS:

There are sound economic, commercial and political reasons for continuing to follow a differentiated commercial policy with Romania. In the late sixties and early seventies, we recognized that Romania was beginning to adopt economic/commercial policies which differed from those of her East European neighbors and which offered us foreign policy opportunities. Specifically, Romania:

- 1) directed some of its foreign trade away from the USSR and its CEMA partners and toward the West,
- 2) sought to introduce Western technology, commercial expertise and capital into its fast growing industrial sector,
- 3) opened up Romania to Western investment and commercial presence by promulgating new trade legislation,
- 4) expressed its willingness to enter into bilateral economic and commercial agreements with Western countries,
- 5) joined international economic organizations such as the GATT, IBRD and IMF, thereby indicating its desire to become a part of the Eastern economic system,
- 6) resisted Soviet efforts to integrate CEMA and to impose supra-national controls over CEMA member countries.

Romanian participation in the CEMA has been characterized by a sharp nationalist opposition to Soviet integration and supra-national planning efforts. The Romanians rejected a Khrushchev proposal for CEMA central planning (i.e., Soviet control over national plans) in the 1960s on grounds that it would have permanently locked Romania into an agriculturally based, less-developed, economy -- fully dependent on the USSR for industrial imports. Since then Romania has supported no proposals (not even Hungarian and Polish compromise proposals) which would render any control over the national economy to the CEMA. Romania's success in thwarting Soviet ambitions to control East European economic development through legitimate CEMA institutions has been enhanced by its strong trading relations with the U.S. and the West. Any change in Romania's ability to trade with the West would not only lead to increased Soviet influence over Romania, but tighter Soviet control over the entire bloc.

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Romania has shown a willingness to meet our initiatives for improved trade relations with actions of its own that coincide with our interests. Both in concrete economic/commercial terms and symbolically, Romania has made a commitment to cooperate in a meaningful way with the United States. That commitment has sometimes put Romania at odds with the Soviet Union and her CEMA allies, but Romania has stuck to her course. A continuation of our past policy toward Romania will sustain that commitment and even deepen it. Romania can be expected to continue taking actions in the economic/commercial area which serve both her interests and ours. On the other hand, a shift in our trade policies would both undo much of the progress made and greatly reduce our ability to influence economic and commercial matters in Romania and in the region as a whole.

In response to Romania's initiatives to improve trade relations with the West, the United States negotiated and signed a bilateral trade agreement in 1975 and a long term cooperation agreement in 1976. We granted Romania MFN tariff treatment in 1975 and GSP status with respect to certain Romanian exports in 1976. Under MFN, bilateral trade grew from \$334 million in 1975 to \$1065 million in 1981. Romania exported \$108 million worth of goods to the U.S. under GSP in 1981. We also made Romania eligible for Eximbank financing, CCC credits, and OPIC guarantees. To date Eximbank financing has supported approximately \$600 million worth of U.S. exports to Romania and CCC credits have supported \$243 million in sales of U.S. agricultural commodities to Romania. We also established a joint economic commission with Romania to guide the development of bilateral trade relations.

PRESENT CONSIDERATIONS:

Currently, world economic conditions make it more difficult for Romania to take independent economic and commercial actions. Romania's current economic and financial problems could threaten to push her closer to the Soviet Union and CEMA. Nevertheless, Romania continues to look for ways to maintain its economic/commercial ties with the West, and in particular with the United States.

RECOMMENDED APPROACH:

We should continue to treat Romania as a distinct nation, different from the Soviet Union. A chief aim should be to encourage Romanian actions which strengthen the performance of the Romanian economy as the foundation for further independence from the USSR and to enhance the economic soundness of our bilateral commercial relations. We should remain willing to

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use economic concessions for political benefit when necessary, providing such actions are not seriously disadvantageous commercially or financially.

As specific means of furthering basic U.S. commercial objectives in Romania, the USG should:

1) continue to encourage bilateral trade and cooperation and take steps to promote their expansion;

2) protect U.S. economic/commercial interests in Romania and facilitate the operations of U.S. firms doing business there;

3) support Romania's economic recovery to help the GOR develop economic and commercial independence from the USSR;

4) encourage Romania to follow the IMF's lead in reforming its economy and foreign trade system.

We should continue to use Romania as a model for the development of U.S. trade relations with the other countries of Eastern Europe.

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HUMAN RIGHTS AND EMIGRATION

Romania has one of the most tightly controlled police states in Eastern Europe. It has suffered under dictatorships for over 40 years. It has no strong democratic tradition or history of popular revolt. Religious intolerance and ethnic animosities date back hundreds of years. Domestic liberalization, and improvements in the human rights area will continue to be slow.

US OBJECTIVES:

It should be our goal to continue to support those groups or individuals in Romania who seek, in accordance with internationally recognized standards, to further the development of pluralism in the Romanian society. These would include, but not necessarily be limited to, independent labor unions, should they materialize, religious denominations and independent minded cultural and intellectual leaders.

We should continue to pursue well-documented human rights violations involving individuals or any of the groups mentioned above, and the cases should be monitored regularly.

PROBLEMS AND SUCCESSES TO DATE:

Past performance indicates that Romania will resist efforts to address human rights issues as intervention in its internal affairs. To date, Romania has been responsive to persistent inquiries on human rights cases, particularly when they have involved emigration or when there has been high-level U.S. Executive Branch or Congressional interest. In the former instances, the Romanians have often found it expedient to send problem personalities into exile. In the latter they have demonstrated a willingness to be responsive to U.S. inquiries to avoid damaging relations.

Human Rights successes have been registered in the cases of Ababai, Prejban, Dascalau, Teodosiu, Goma, Georgescu, Crisan and Capusan, while limited success was achieved in the cases of Cana, Brasoveanu and the four Bucharest Baptist pastors. Of the individual cases formally raised by the Department in 1980, only one, that of Father Gheorgehe Calciu remains unresolved. The arrests in late 1981 and early 1982 of about 15 members of a major Bible smuggling organization demonstrates, however, that there has been no change in overall Romanian policies toward those religious denominations which refuse to accept state supervision of their activities.

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EMIGRATION:

Improvements in emigration to the US were steady from 1975, when MFN went into effect, through 1981 when internally imposed US regulations limiting the number of Romanians to be admitted to the US caused the annual figures to decline. Emigration to third countries, predominantly Israel and the FRG, show mixed results.

Officially, the FRG does not encourage members of the German ethnic minority to emigrate and does not intercede in individual cases. Nor does it link commercial trade or credits to emigration performance. Emigration to the FRG has averaged 7,500 per year since 1975.

Emigration to Israel since 1971 has averaged about 2,000 per year, peaking in 1973 at 4,000 and declining to an average of about 1,000 per year over the past 5 years. Although the Israeli government encourages emigration, it does not seek to apply pressure on the Romanian government to increase the rate of immigration. Efforts by the Department and private American Jewish organizations have had no marked effect on the rate of emigration to Israel.

CONCLUSIONS:

Where US interests are clearly and directly concerned, such as emigration to the US, there appears to have been the greatest Romanian response. Where US and Romanian fundamental interests have been in conflict (Romanian treatment of ethnic and religious groups) there have been mixed results. Where Romania might question the immediacy or appropriateness of U.S. Government interests (emigration to Israel), the response has been the poorest.

The appropriateness of maintaining a special relationship with the Romanian government in light of its repressive internal regime has been questioned on many occasions. In practical terms it is almost impossible to avoid some degree of identification with the regime's internal policies if we support its foreign policy. This is not a new problem. We have faced it in the past with the Republic of Korea, or Greece under the military dictatorship, and on a number of other occasions on virtually every continent in the world. The justification of our position depends in part on our ability to explain the importance of our foreign policy interests in Romania, and by being able to demonstrate to concerned interest groups in the US that the US Government is being responsive to their efforts to support oppressed individuals and groups in Romania.

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As in the case of the countries mentioned above, it can be argued that we stand a better chance of influencing the Romanian regime by having some degree of positive relationship with it than we would were we to severely restrict relations or sever them entirely. One need only look at the lack of influence which we have with Albania to make the point.

We can point to our success in improving family reunification for the US, and accept credit for human rights cases which have had a satisfactory resolution (although to date we have refrained from doing so publicly in keeping with the administration's stated policy of pursuing human rights with quiet diplomacy.)

The Department of State has already begun to expand its contacts with concerned U.S. human rights, ethnic and religious groups both as a resource for obtaining information about human rights cases in Romania and in order to coordinate governmental and private sector pressures being brought to bear on the GOR. These contacts have helped make clear to that portion of the the public which is concerned about Romanian human rights the reasons why the maintenance of close relations are important for human rights as well as other policy considerations. Efforts of this sort have already brought better understanding to several religious groups of the US Government's role in furthering human rights in Romania even when maintaining relations with Romania. These efforts should be expanded.

Working with such groups, and in coordination with the Congress, the Department should be able to demonstrate its earnest in attempting to impress on Romania that its relations with the US will be judged in part on the basis of the degree of respect it shows for internationally recognized human rights and liberties.

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TECHNOLOGY TRANSFER

Since the 1960's U.S. policy concerning controls on technology transfer to Romania has been more liberal than to the USSR and other Warsaw Pact countries. In practice our licensing actions have been only marginally more liberal, in sharp contrast to the markedly more favorable U.S. policy towards that country in recognition of its relatively independent foreign policy.

In COCOM, prior to the invasion of Afghanistan, Romania was treated on essentially the same basis as the USSR. In 1967 and again during 1979, in response to U.S. initiatives, COCOM agreed in substance to treating Romania on a relatively more favorable basis. There was no formal agreement in the COCOM record. The informal consensus did not result in any significant liberalization of COCOM controls on exports to Romania, in large part because the U.S. was not prepared to change significantly its positions on individual cases for Romania. In 1980, for example, the U.S. submitted only one or two cases in which it indicated that U.S. approval was based on the special circumstances in Romania. The principal manifestation of favorable treatment to date has been issuance of licenses after protracted delays for the Romanian Control Data Corporation joint venture to manufacture low performance computer peripheral devices.

Following the invasion of Afghanistan the U.S. proposed to COCOM a "no exceptions" policy for the USSR. Since then COCOM member governments have observed this policy on a de facto basis with one or two exceptions. We indicated to our Allies that the U.S. intended to limit the effects of the post-Afghanistan sanctions on Eastern Europe to those necessary to maintain effective controls on exports to the USSR, noting the need to deny licenses if the risk of diversion was unacceptably high. However, U.S. actions in denying licenses and objecting to COCOM cases since Afghanistan and particularly during the past year have constituted a significantly de facto tightening of licensing policy on exports to Eastern Europe, including Romania, in ways that have gone beyond efforts to avoid diversions to the USSR.

At the present time there is little difference in the U.S. licensing practice towards Romania and the other Eastern European countries (except Poland for which all licensing has now been suspended). This has been reflected most clearly in the field of computers, which is the most significant area of trade of controlled items with Romania and Eastern Europe. One

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element of current U.S. policy is to deny any computer with an internal memory greater than one megabyte to any of the Eastern European countries including Romania. A U.S. case for Romania submitted to COCOM for one element of a Landsat ground station indicated favorable differentiation for Romania; but Defense is now objecting to other minimum elements for the operation at such a station.

Romanian policies vis-a-vis the Soviet Union and the Warsaw Pact both politically and militarily therefore suggest strongly that we have considerably less to fear concerning diversion of critical equipment and technology to the Soviet Union from Romania than from other Eastern European countries. We are unaware of any instances of Romanian diversions of controlled equipment from stated civil end-uses in Romania.

Romania has for many years sought to develop a "special relationship" with the U.S. and other Western countries. The Romanians know that diversion of equipment to other Warsaw Pact countries would seriously damage its image of having a relatively independent foreign policy and would result in future denials of high technology exports from the U.S. and other COCOM member countries. The Romanian Government is therefore acutely aware of the need to safeguard against possible diversions. In view of these factors, it seems highly unlikely that the Romanian Government would permit such diversions to occur.

The consideration of the risk of diversions of exports to Romania should concentrate on the potential security danger of the application of the equipment in question in Romania rather than in the Warsaw Pact as a whole. The realities of the situation in Romania strongly suggest that we do not have to adopt the worst possible case approach and evaluate exports to that country with an eye to how diversions would assist military capabilities or research in the Soviet Union or the Warsaw Pact in general. Indeed, our willingness to "differentiate" in Romania's favor offers us the opportunity to demonstrate our support and appreciation for Romania's independent foreign policy in a concrete manner at a time when the Romanian economy is under considerable strain. The national security risk appears to be very small in comparison to the potential benefits.

In practical terms a start towards carrying out such a policy of differentiation would be approval of such exports as two megabyte computers and the minimum equipment needed for a Landsat ground station.

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APPENDIX A

Post-Ceausescu Romania

The steady erosion of Ceausescu's stature in Romania, both within the Romanian Communist Party (RCP) and with the population, makes it possible that his rule may not survive the next several years. His adamant refusal to shift domestic policy priorities or to let up on his cult of personality feeds the growing Romanian disillusionment with him.

Romania's economic plight, together with the current international developments, have put severe limitations on Ceausescu's ability to expand Romania's foreign policy autonomy and raised the spectre of growing Soviet leverage over Bucharest. While Ceausescu has not retreated from the fundamentals of his foreign policy, the mere spectre of increased Soviet influence damages his political appeal.

While it is difficult to imagine Romania without Ceausescu, his political liabilities provide considerable ammunition for would-be challengers from within the RCP. Open anti-Ceausescu activity by party leaders has been minor thus far, but the unhappiness with him (and his wife, Elena) is substantial. Any more against Ceausescu probably would emanate from within the Romanian leader's inner circle, with at least the tacit cooperation of the security forces, and possibly the military hierarchy. While popular unrest has been growing for several years, it is not organized or wide-spread enough to topple Ceausescu. But it could provide additional incentive for the opposition within the RCP.

Should there be such a challenge, it is likely to be carried out by individuals who, while being "rotated" by Ceausescu from job to job, have generally remained at the top of the apparat and know it well. This group would include such people as Prime Minister Verdet, Foreign Trade Minister Burtica, and RCP Secretary Dascalescu. Although they have been somewhat tainted by their close political association with Ceausescu, the very fact that they might decide to turn on him would also enhance a claim that they were acting in an attempt to save Romania from economic disaster and increased Soviet influence.

A post-Ceausescu Romania -- run initially by such a collective group -- is likely to be characterized by:

- adherence to the fundamentals of Ceausescu's foreign policy and nationalism;

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- revised economic policy to give more financial resources to agriculture and light industry;
- greater concern for consumer welfare;
- less arbitrary political rule, with more emphasis on pragmatic approaches to problems, but no sweeping political or economic reforms;
- maintenance of a very authoritarian political system, but one that would -- initially at least -- give more decision-making responsibility to technocrats, more leeway to intellectuals, and a less heavy-handed approach toward the populace.

The new leadership would be particularly keenly aware of the need to maintain the basics of Romania's foreign policy as established by Gheorghiu-Dej and expanded by Ceausescu: it constitutes the primary bond between the population and the party. However, the new leadership will have less room to maneuver with this policy as domestic reconstruction would take precedence. Foreign policy would be geared to the solution of domestic problems, and Romania's key supporters in the West, Third World and elsewhere would be asked to give a lending, mainly economic, hand. The success of such a reconstruction would be partially influenced by the nature of other states' attitudes and policies toward a post-Ceausescu Romania.

The Soviets could be expected to probe the situation, hoping to gain entree and influence over its course. But any untoward move by Moscow could backfire and serve to rally the population around the new regime. Failure to receive renewed backing by the U.S., Western Europe, China, and others could, however, force the new leadership into greater accommodation with Moscow, CEMA, and the Warsaw Pact -- but they would attempt to limit it and make it as temporary as possible.

Clearly, in the short-term, there is no guarantee that a post-Ceausescu leadership would be sufficiently unified, the population cooperative, and/or foreign backers solicitous enough to enable the transition team to get a grip on Romania's most pressing problems. If not, Soviet influence might gradually reassert itself, despite the RCP's efforts to the contrary. On the other hand, the Romanian economy would have at least a chance to rebuild itself. With popular and foreign support, the post-Ceausescu regime should be able to retain Romania's foreign policy and restore a modicum of internal order that would be more advantageous to Western interests than Ceausescu's current chaos.

APPENDIX B

Consistent with our efforts to improve commercial relations with Romania, the Romanian Government has taken numerous specific actions in commercial and economic areas which have benefited or coincided with U.S. interests.

Romania became the first East European country to become a member of the GATT (1971) and the IMF and IBRD (1972). This has drawn Romania more closely into the Western economic and financial systems and has placed obligations and responsibilities on Romania which have forced the regime to loosen somewhat its rigidity in economic/commercial matters. As a member of these organizations, the U.S. has opportunities to influence Romania's economic/commercial behavior, and our firms are afforded commercial opportunities in Romania under IBRD programs. Also Romania provided an example for other Eastern European countries to follow, and to a limited extent, some have (e.g., Hungary-GATT membership (1973) and IMF membership expected this May).

Outside of Yugoslavia Romania was the first East European country to promulgate equity joint venture legislation (1972) allowing up to 49 percent ownership by Western companies. In 1974, Control Data Corp. (CDC) established a joint venture in Romania under this law to manufacture computer peripherals. This joint venture has been profitable and has given CDC access to other Eastern European markets.

In 1972, Romania passed legislation permitting the establishment of representational offices in Romania for foreign firms. Currently there are 32 U.S. firms or their subsidiaries with offices in Romania in a wide variety of economic fields. This added U.S. commercial presence has helped increase rapidly bilateral trade and given U.S. firms a chance to compete against Romania's traditional West European trading partners.

Numerous bilateral agreements and other documents have been signed which have helped increase trade and develop sound, long-term economic relations. The U.S.-Romanian Trade Agreement and the Long Term Economic Cooperation Agreement form the basic framework for our economic/commercial relations. Bilateral agreements have also been signed in the following fields: taxation, maritime matters, fisheries, civil aviation, and science and technology. In addition, Romania has shown a willingness to reach agreement on specific commercial issues.

In 1981, the GOR signed a Memorandum of Understanding with the USG on patent matters which helps protect the industrial property rights of U.S. firms in Romania. The GOR also signed a Report on Business Facilitation Matters which facilitates the operations of U.S. firms with offices in Romania and seeks to improve conditions for doing business there.

Romania has established an active Joint Economic Commission (1974) with the U.S. private sector (40 member U.S. companies). Both organizations have done much to foster increased bilateral trade and to help resolve trade problems. U.S. Commission principals and U.S. members of the Council are received at the highest levels of the Romanian Government where economic/commercial issues have been frankly and forthrightly discussed. Both organizations have helped open up an extensive dialogue on these issues with GOR trade officials at all levels. Thanks to these organizations and the willingness of Romanian officials to talk openly, our economic/commercial relations have matured.

In 1975, Manufacturers Hanover Trust of New York was the first Western bank allowed (through special legislation) to open a branch office in Romania; this was the first Western bank branch in Eastern Europe. The Manufacturers branch has been an important asset in furthering U.S. commercial interests in Romania and throughout Eastern Europe, as well as in the Middle East and Asia.

Romania has turned to the U.S. for needed agricultural commodity and raw material imports. For years, Romania has been a steady customer for U.S. agricultural goods, particularly corn and soybean products. In 1981, \$335 million of U.S. total exports of \$504 million to Romania were agricultural commodities. Significantly, beginning in 1976, Romania turned away from the Soviet Union and other East European suppliers to sign large, long-term contracts with U.S. coal companies for the assured supply of metallurgical coal, vital to Romania's growing steel industry, and steam coal to meet Romania's growing energy demands. The United States has also become a major supplier of phosphates to supply Romania's expanding fertilizer industry.

Last year after strong competition from the Swiss, French and British, G.E. won a contract worth \$140 million to supply two turbine generators for the first phase of Romania's nuclear energy program. G.E. involvement in this project, the largest Western transaction to date in Eastern Europe, demonstrates not only Romania's confidence in a U.S. supplier but the importance the GOR attaches to the further development of bilateral commercial relations.

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