



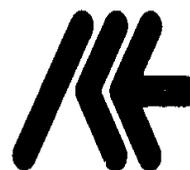
UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION

## Expert Group Meeting on the Promotion of SME Export Consortia

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### COUNTRY PAPER ROMANIA

Based on the contributions of  
Sanda Ionescu  
Romanian Trade Promotion Center  
and  
Razvan Bratu  
National Association of Romanian Importers and Exporters



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## **A. INFORMATION ON THE COUNTRY'S EXPERIENCE**

### ***A.1 Policies and programmes to promote exports***

#### **Main actors and their activities**

The main Government agencies involved in export promotion are the Ministry of Economy and Commerce (MEC) and the National Agency for Small and Medium Sized Enterprises and Cooperatives (NASMSEC)

MEC is in charge of Romania's Export Promotion Programme. This programme intends to facilitate the access of Romanian SMEs to foreign markets, to enhance the value of their exports and to improve access market information. Concrete action consists among others in helping Romanian firms to participate in international fairs and exhibitions; organizing economic missions and export promotion activities abroad; executing foreign market surveys and providing information on Romanian products.

The institution in charge of export promotion is the Romanian Trade Promotion Center (RTPC). It reports directly to MEC. Its activities cover the following major fields:

- Export promotion
- Trade-related information
- Technical assistance projects/programmes
- Interactive data base on Romania's export offer
- Consultancy
- National territorial network of representatives
- international cooperation

NASMSEC is in charge of two programmes supporting SME export development:

#### ***The National Multi-annual Programme (2002-2005) to Support SME Export Development***

This programme involves promoting SME products and services in foreign markets; supporting communication with and business partnerships in foreign markets; training entrepreneurs in export promotion techniques; improving the access of SMEs to market information and helping them to capitalize on this information in foreign markets.

#### ***The National Multi-annual Programme for Informing and Educating Traders***

This programme supports participation in professional courses in the food industry and in basic hygiene for food-trading activities.

Other NASMSEC programmes with an impact on SME exports are the national multi-annual programmes for investment support for start-ups and SMEs in industrial priority sectors, for SME access to training and consultancy services (among others in such fields as EU legislation, standardization systems and quality certification and international co-operation).

Through the Government budget, approximately 4,280 billion ROL (1€ = 36,000 Romanian lei) have been made available in 2005 (double the amount of 2004) for sustaining and promoting export activities, such as editing brochures and other promotional materials (CDs, etc), participations in international trade fairs approved by the Ministry of Economy and Commerce,

and supporting SME production for export markets. The Government-owned Eximbank (see below) is the main recipient of these funds (3,650 billion ROL).

In 2003, the Government and private sector associations have formed the Export Council of Romania. The Council has two presidents, the Minister of Economy and Commerce and the Secretary General of the National Association of Exporters and Importers from Romania. The intended key roles of the Council include supervising the spending of export funds, assessing the effectiveness of public and private sector export strategies and improving the legal framework. However, the Government tends to by-pass the Council with certain measures or procedures that have immediate or long-term consequences for producers and exporters.

### Export performance

Recent developments in the volume and structure of exports are shown in Table 1.

*Table 1: Major manufactured exports, 2003-2004*

Industries	2003		2004		Growth (%)
	Volume (€ million)	Export share (%)	Volume (€ million)	Export share (%)	
Textile and leather products	5423.32	34.7	5659.64	29.9	4.36
Engineering and electrotechnical products	3471.15	22.3	4622.99	24.4	33.18
Metals and articles thereof	2016.94	12.9	2922.64	15.4	44.91
Wood products (including furniture), paper	1718.96	11.0	2009.98	10.6	16.93
Chemical products and plastics	1088.99	7.0	1480.96	7.8	35.99
Mineral products	1098.04	7.0	1361.48	7.2	23.99
Foodstuffs	497.93	3.2	587.41	3.1	17.97
Articles of stone, gypsum, cement, glassware and pottery	213.00	1.4	212.46	1.1	-0.26
Others	85.43	0.5	77.17	0.5	-9.67
Total	15613.75	100	18934.72	100	21.27

Source: General Customs Administration

The strong increase in exports (over 21%) reflect the capacity of the national economy to respond to increasing demand in foreign markets, which was boosted by free trade agreements. Decreasing exports were registered for products with low value added.

The distribution of exports by region an trade block is shown in Table 2

*Table 2: Exports by destination, 2001-2002*

	Exports FOB	
	2002	Share (%) -

	US\$ million	2002/2001 (%)	2001	2002
<b>Total</b>	<b>13868.8</b>	<b>121.8</b>	<b>100.0</b>	<b>100.0</b>
of which:				
Developed countries	10331.4	121.9	74.4	74.5
of which:				
European Union	9301.1	120.5	67.8	67.1
EFTA	187.7	147.2	1.1	1.4
Transition countries	1343.1	100.4	11.8	9.7
of which:				
Central and Eastern Europe	1283.1	101.6	11.1	9.3
of which:				
C E F T A	882.1	109.2	7.1	6.4
Developing countries	2171.6	139.8	13.6	15.7
of which:				
OPEC	379.3	120.5	2.8	2.7

Source: National Institute of Statistics

In 2002, the top ten trading partners for exports (accounting for 74.5% of total exports) were: Italy (25.0%), Germany (15.6%), France (7.6%), United Kingdom (5.8%), USA (4.3%), Turkey (4.2%), the Netherlands (3.1%), Hungary (3.1%), Austria (3.0%) and Greece (2.8%).

### Obstacles to further export growth

These include:

- Low product quality (international standards are not always applied);
- Lack of specialized personnel (insufficient training, lack of management interest in training, low salaries for qualified personnel)
- The strong Romanian lei (between November 2004 and June 2005 the continuous strengthening of the ROL, sometimes by 10% from a day to another, has driven many exporters to bankruptcy)
- Utility prices (gas, energy) have gone up by 40% since 2004 (as a consequence of Government measures taken in response to EU demands regarding competitiveness with the other EU members, in order to level the prices on the EU market).
- Lack of R&D investment (there is no R&D tradition in Romania; the R&D budget for 2004-2005 is very low).
- Limited access to credit and insufficient Government efforts to help producers accessing the available funds.

## ***A.2 Legal and incentive framework***

There is no specific legal form for export consortia in Romania. If a firm wants to become member of a group promoting exports it must pay a fee for the services provided, which ranges from € 200-5000. Such a group may also formulate rules for the acceptance of members. The National Association of Exporters and Importers of Romania (ANEIR), for example, only accepts firms with a minimum turnover of € 5 million, which would exclude small firms.

A joint venture agreement might be a useful legal form for export consortia. Under this agreement, parties act together for the accomplishment of a common business goal. In Romania, a joint venture is not a separate legal entity. When Romanian legal entities form associations or consortia which are not new legal entities, each partner remains individually taxable. The minimum number of enterprises in such groups is three. If foreign entities become members of such associations, the tax must be computed and paid by the Romanian legal entity on behalf of the foreign partners.

There are no specific fiscal incentives for export consortia. Table 2 summarizes the existing incentives and subsidies.



Table 3: Subsidies for export promotion and related activities

Type of activities	Government budget		FNRA (Non-Reimbursable Financial Allowances)
	Individual companies	Employers' associations	Individual companies <i>only</i>
Participation in international fairs/exhibitions;	Subsidy 50%		- Subsidy 60% for about 2 years - Maximum approx. € 2,200/agent
Organizing and participating in economic missions and export promotion activities abroad;	Subsidy 50%		- Subsidy 60% for about 2 years - Maximum approx. € 2,200/agent
Market research survey in terms of products/range of products		Subsidy 50%	
Support for organizing and operating a trade representation in a potentially interesting market for Romanian exports through a private-public partnership.	Subsidy 50%		
Information on the range of Romanian exports, etc.		Subsidy 100%	
Promotional materials (catalogues, brochures, CD rom), multi-media publicity, web sites		Subsidy 100%	- Subsidy 60% for about 2 years - Maximum approx. € 2,200/agent
Adoption of standardization systems and quality certification	Subsidy 50%		
Supporting investments (lands, buildings, new equipment and tools, etc.)			Subsidy 40% + loan 45%
Design and installation of a web site			- Subsidy 60% during about 2 years - Maximum approx. € 280/agent
Modalities to access incentives & required documentation	Firms must be exporters, products must be their own, of good quality and of high added value.		Firms must be entirely private, have operated at least 1 year before applying and have no debts. Exports must be manufactures or services.

### **A.3 Role of support institutions**

There are no specific institutions for the promotion of export consortia and there is no federation of export consortia. Institutions which support exports, especially of SMEs, include:

- *The Romanian Export Import Bank (Eximbank)* provides export credit (for more information, see [www.eximbank.ro](http://www.eximbank.ro) )

*The National Association of Exporters and Importers of Romania (ANEIR - see also Table 4)* has been a major factor in the doubling of Government export funding in 2005. Its activities cover the following fields:

- Promotion of competition;
- Representation of importers and exporters in the formulation of relevant regulations (trade, tax, standards, consumer protection, environment), ensuring that EU and WTO rules are taken into account;
- Information on these regulations and helping exporters and importers, particularly SMEs, to comply with them;
- Export strategies;
- Agreements with similar foreign organizations to facilitate trade;
- Foreign market surveys;
- Training;
- Formulation of export and brand strategies;
- Advice on export financing.

- *The Romanian Trade Promotion Center (RTPC)* is the only trade promotion center in Romania. It has branches in nine cities. Its main areas of work are dissemination of trade information to the business community, trade statistics, studies on foreign markets of interest to Romanian exporters, development of sectoral trade development programmes, advice to the business community on Romanian trade legislation and on assistance available to exporting companies, and trade fair and exhibition participation (both abroad and in Romania).
- *The Chamber of Commerce and Industry of Romania (CCIR)* is a non-governmental, public interest, self-financing organization with the objective of promoting Romanian trade and industries both at home and abroad. There are 40 regional chambers.
- *The National Council of Private Small and Medium Sized Enterprises (NCPSME)* is a non-governmental, non-profit organization that represents the interests of SMEs in negotiations with the government. It provides free information on financial sources, business opportunities, economic missions, national and international fairs and exhibitions, and SME-related EU legislation. In addition, it also offers legal, managerial and marketing consultancy services.
- *The Employers' Federation of Light Industry (FEPAIUS - see also Table 4)* is a federation of the major associations in the textile and garment industry. Its activities consist in: providing general business support; training, consulting, assistance in fields like labour and social legislation, employment strategy, etc; providing access to information from national sources; assisting companies in participating in trade promotion events; and initiating partnerships with similar organizations abroad.

- *The Romanian Association of Electronic and Software Industry (ARIES - see also Table 4)* has more than 360 members and is the largest association of computer and IT specialists in Romania. It has four strategy directions: lobbying and advocacy; information and communication; promoting the image of the IT industry and of the interests of the associated firms; creation of working groups on special issues and other activities (schooling, projects, etc.).

#### **A.4 Number and typology of operational export consortia**

There are no operational export consortia. The Transylvania Cluster, founded in February 2005, intends to be one, but the members have not found an appropriate legal form yet. Table 4 shows the main characteristics of this cluster in Romania and of the business associations which promote their members' exports.



Table 4: Characteristics of private sector bodies promoting exports

Name	Transylvania Cluster	ARIES
<b>Sector</b>	<b>IT</b>	<b>IT</b>
<b>Type</b>	Promotion and sale	Promotion
<b>Legal form</b>	No legal form yet	Non-governmental non-profit organization
<b>Number of firms and their size</b>	5 firms (small and medium companies) Size of firms (employees): 11- 50: 3 firms,150-200: 2 firms	- 364 firms (95% SMEs ) - 6 universities
<b>Year of incorporation</b>	February 2005	1993
<b>Organizational structure</b>	President is the director of one of the firms, elected by rotation for 3 months	Board:1 president, 7 vice-presidents and 4 members. Executive staff: executive vice-president, 7 staff.
<b>Main type of services</b>	Information technology and communications solutions in areas such as banking, finance – investment, e-commerce, retail – supermarkets, e-government, insurance, telecom, etc.	- Establishing permanent relations with similar associations from other countries; - Collaboration with Romanian commercial representatives abroad in promotion activities; - Identifying opportunities and preparing firms for participation in international events; - Organization of domestic events with external participation; - Promotion materials (studies, statistics, policy papers, catalogues, presentation materials, ARIES site, etc.).
<b>Main markets</b>	EU and USA	Western Europe, USA and Japan
<b>Yearly operational and promotional costs</b>	-	Approx. € 200,000/year
<b>History</b>	One of the cluster members was the promoter. The cluster is based on personal relationships between the executives.	The promoter is the actual president of the association; he is also general director of one of the founder companies.
<b>Performance</b>	- Web site, promotional documentation; - Members promote the cluster at every opportunity; - Too early for results of export projects.	The association's members have exported over € 200 million/year.
<b>Main challenges ahead</b>	- PR campaign in the USA and EU; - Bid on large EU and e-government projects; - Partnering with other clusters (Boston, Minnesota, etc.) - Creation of common development methodology and marketing plan	- Establishing new relations with similar associations abroad; - Participation in economic missions and preparing firms well for such activities;
<b>Changes in membership</b>	<b>Official number of firms doesn't change</b>	<b>Number of firms grows every year</b>
<b>Changes in type of services</b>	<b>No changes</b>	<b>- No changes</b>

Table 4: Characteristics of private sector bodies promoting exports (continued)

Name	ANEIR	FEPAIUS
<b>Sector</b>	General trade	Textiles and leather
<b>Type</b>	Promotion	Promotion
<b>Legal form</b>	Association	-
<b>Number of firms and their size</b>	80	6 Employers' organizations representing 234 firms with a turnover of US\$ 625 million
<b>Year of incorporation</b>	1995	1992
<b>Organizational structure</b>	National office with departments for importers, exporters, distributors, legal and tax issues, government and international relations; local support centres	Board: president, general manager, executive president and 7 vice presidents. There are 4 active committees, for collective labour contract negotiation, economy, lobbying and quality/competitiveness
<b>Main type of services</b>	See Section A.3	Public-private sector dialogue on, a.o., export issues, representation of member in foreign markets, including trade fair organization, information, training.
<b>Main markets</b>	EU, other European countries, USA, Russia, China	EU, other European countries, USA, Russia, China
<b>Yearly operational and promotional costs</b>	Approx . € 40,000	Approx. € 100,000
<b>History</b>	The founder of ANEIR was the General Manager of ROMANOEXPORT – Petru CRISAN, one of the top export companies in Romania.	Created on the 14 <sup>th</sup> of February 1992 by mutual consent of the founding members (board of directors).
<b>Performance</b>	Among others, has helped to ensure that the government's export promotion budget was doubled in 2005.	Has successfully united most of the companies active in the light industry branch
<b>Main challenges ahead</b>	EU membership and international competitiveness	EU membership and international competitiveness
<b>Changes in membership</b>	Constant increase in members	Constant increase in members
<b>Changes in type of services</b>	No changes, except improvements	No changes, except improvements

### ***A.5 Main obstacles to the creation of export consortia and proposals for improvement***

The main obstacles to the creation of export consortia are:

- Lack of awareness of the importance of the inter-firm cooperation, partly because the concept is not promoted persistently;
- Unwillingness of firms to share information;
- Differences interpretations of export regulations, etc, among firms in a branch;
- Lack of relevant skills and knowledge in the existing trade promotion organizations;
- Uncoordinated trade promotion and export development;
- Inadequate legal framework, both for consortia and exports in general;
- Absence of financial or fiscal support for the export consortia, lack of experience at Government level in developing financial and other support schemes;
- Inadequate public-private sector cooperation.

These problems can be solved through:

- Better promotion of the concept and the operational mechanisms by the trade promotion organizations, especially among SMEs, through seminars and practical training, with support from an international organization;
- Improvement of the legal framework and of mechanisms ensuring compliance with the relevant trade laws;
- Better export financing modalities;
- Better communication between the public and private sectors on the issue (e.g. through regular high-level meetings).