Establishing an Export Council in Romania: Challenges and Solutions

A COUNTRY PAPER CONTRIBUTED BY

THE ROMANIAN STRATEGY TEAM
Background

Between 2001-2002, Romanian entrepreneurs, employer federations, business associations and authorities recognized the need of having better co-ordination in, and diversification and improvement of, export promotion instruments. In 2002 a law providing for a System of Export Promotion and Support (SEPS) with financing from the state budget was approved Law No.663/2002 and modified by Law No.511/2003). The system was introduced to counter a decrease in the use of fiscal instruments, such as income tax, for export activities. The following were adopted:

Emergency Ordinance No.120 dated September 25, 2002 regarding the approval of the SEPS with state budget financing (Official Monitor, Part I, No.727 dated October 4, 2002) approved the following system:

1. Instruments on EXIMBANK management
2. Instruments falling under the responsibility of ministries:
   - Export promotion programme managed by Foreign Trade Department of the Ministry of Economy and Commerce
   - SME Export Support Programme (managed by the National Agency for Small- and Medium-sized Enterprises and Co-operation
   - Competitiveness of Industrial Products Programme (managed by the Ministry of Economy and Trade)
   - Competitiveness of agricultural and food products (managed by the Ministry of Agriculture, Forests and Rural Development)

The Inter-Ministerial Committee, which is supported by a Secretariat within the Export Promotion Directorate within the Ministry of Economy and Trade, also decided to use state budget financing to monitor the SEPS.

Outcomes

During 2003 it became clear that this system was a step in the right direction because:

- it was a first attempt to create a co-ordinated system at national level;
- it introduced new instruments for promoting Romania (financing marketing centres abroad for the companies, promotional catalogues);
- it introduced export development instruments such as the financing of compliance to quality standards.

However, the system had notable limitations:

- a lack of consultation with the private sector;
- a still fragmented, uncoordinated approach at the national level.

The result was an array of instruments and services offered at random, without a strategic approach through a relevant, written and realistic national export strategy.

At this point, it must be mentioned that some private sector stakeholders, including business associations were not, and still are not, convinced about the need of national co-ordination.

An Export Council for Romania

In the second half of 2003 a process of consultation with the business sector was initiated. In December 2003, through a Parliament decision Emergency Ordinance nr. 120 (the SEPS) was amended in two respects:
• the monitoring of the system was no longer the task of the Inter-Ministerial Committee, which was abolished;
• in its place, an Export Council (EC) should be created, on the basis of a Public-Private sector Partnership (PPP);
• the new EC should be created after the amendment entered in force, and after consultation with the business sector.
• the new EC will have new responsibilities, such as elaborating and monitoring a national export strategy.

In doing so, a dilemma had to be resolved: Should the Directorate initiate actions alone or should it consult the business associations from the beginning?

It was decided to proceed on a consultative basis despite the many challenges (high dispersion of interests, many private sector stakeholders – often without one voice at national level, etc.). During the first months of 2004 several consultations were held with the business associations until a consensus was reached about the text of Government Decision regarding the establishment of the EC. This was then approved and signed by the Prime Minister (Government Decision nr. 486 from April 1, 2004).

Through this decision, the Ministry of Economy and Trade, Export Promotion Directorate, was mandated by Parliament to set up the Export Council.

The main provisions of the decision are:

• The Export Council is a national institution with public-private character, without legal personality, that functions in collaboration with the Ministry of Economy and Trade, with the aim of harmonizing the sectoral, inter-sectoral and regional strategies into The National Strategy of Export, and to determine export targets and priorities.

• The Export Council has responsibilities in the fields of co-ordination and harmonization of the elaboration and unified implementation of sectoral and inter-sectoral strategies and policies, as well as to monitor the System of Export Promotion and Support with state budget financing.

• The Export Council is formed with representatives from public institutions, employers and business and professional associations with competences and activities in the export field (mentioned in the Annex I that is an integral part of this Decision).

• The Export Council is an open structure. According to Export Council rules and regulations, other public sector institutions and private sector organizations with competences in the export field may join the Council.

1 Functions of the Export Council

By law, the Export Council has the following competences:

a) To harmonize the sectoral, inter-sectoral and regional strategies within the framework of The National Export Strategy, with a view to determining priorities for export growth;
b) To identify resources and public and private financing to fulfil programmes and actions identified in The National Export Strategy;
c) To propose programmes to assure the increase in competitiveness of the export offer;
d) To initiate actions to increase and diversify exports with goods and services having high added value;
e) To analyze the current constraints in foreign trade activity and to formulate proposals to improve it;
f) To suggest modifications of the legislative framework to eliminate export barriers and generate an increase in export volume;
g) To support the promotion of services and provide specialized assistance to exporters;
h) To monitor progress, results and impact of the measures, instruments and mechanisms of support and promotion of exports with state budget financing, included those identified in the National Export Strategy;
i) To publicize actions, programmes and measures for export growth.

2 Composition of the Export Council

To allow full transparency, it was decided that the leadership of the Export Council be assumed by two co-chairmen, one representing the public sector and one representing the private sector. Both were nominated by the members of the Export Council during its first meeting.

In order to fulfil its competences, the Export Council may organize sectoral / specialized committees.

The Secretariat of the Export Council is organized by the General Directorate of Export Promotion within the Ministry of Economy and Trade.

3 Challenges Faced

It has to be mentioned that the legal provisions regarding the EC were subject to various disputes. Reaching consensus was not easy. Here are some major points of view which needed clarification and which were debated:

- Do we need an Export Council?
- Can a PPP in export strategy work in Romania given that the public and private sectors have different, or even hidden, agendas?
- Why should Romania need one more strategy at national level when so many other strategies and policies exist?
- The strategy might fail in a list of wishes;
- The EC will play a marginal role.

One can say that these challenges were generated by different interests and perceptions but also by a low level of trust towards a new initiative and towards partnership.

First, the business community in Romania has no homogenous interests. There are also different perceptions about state or public intervention in a functional market economy. Some leaders of business association still believe in a protectionist role of the state and conceive such interventions accordingly. Other are more pro-competitiveness in orientation, looking for new types of intervention to ameliorate market failures, to stimulate competition, etc.

Second, there is certain mistrust in the capacity of the public sector to work as a competent public administration for the business community.

Third, there a general mistrust in partnership, whether public-public, private-private, or public-private, and on the capacity to make long-term plans. The word strategy has negative connotation with a list of wishes to be ‘sold’ for public opinion.

Fourth, a mentality still exists in both the public and private sectors that a PPP has hidden agendas and that a NES might be used to share blame and to evade accountability.

During the debates, which took some time, it became more clear for the more conservative participants that:

- The business of trade promotion is changing fast due to liberalization and globalization. Instruments that address competitiveness constraints are needed.
- A partnership approach gives power to compete and, if barriers are created the whole economy will lose;
- The Export Council proposes a different and realistic National Export Strategy.
4 Solutions / Progress Made

Despite these challenges, and despite the fact that not all stakeholders were fully convinced about its likely efficiency, the Export Council met for the first time on April 19, 2004. The following measures were decided:

1. Election of the two co-chairmen (for the private sector, Mr. Mihai Ionescu from ANEIR – the National Exporters and Importers Association, and for the public sector, Mr. Eugen Dijmarescu, Minister delegate for Trade in the Ministry of Economy and Trade).

2. Approval of the rules of functioning of EC (see Annex II);

3. Set up of four specialized groups (commissions) as follows:
   - Commission for Strategy, Competitiveness, Marketing and Branding, chaired by the General Director, Export Promotion Directorate (MEC);
   - Commission for Monitoring Export Promotion Instruments, chaired by General Secretary of ANEIR;
   - Commission for Trade Legislation, Commercial Defence and Training, chaired by the General Director, Commercial Policy Directorate (MEC);
   - Commission for Current Issues, chaired by General Secretary of ANEIR.

The group structure of the EC indicates that a compromise was made between short-term, fast action, ad-hoc measures (Commission for Current Issues) and medium-long term pro-competitiveness action (Commission for Strategy, Competitiveness, Marketing and Branding).

It was also decided that the Commission for Strategy, Competitiveness, Marketing and Branding should start its work immediately and to organize in Bucharest a workshop about “Modalities to Elaborate a National Export Strategy” with ITC assistance.

The EC met again in a plenary session on 21 May 2004. During this session, the report of the Commission for Strategy, Competitiveness, Marketing and Branding was presented and the EC approved the national export strategy design initiative. It was a first recognition of the essential role of the EC within the national context.

Between May 21 and the end of August 2004, the Commission worked (in accordance with ITC methodology), as a Strategy Core Team, and completed the first phase of the national export strategy design. The Team prepared a ‘response paper’ with the title “The case for a National Export Strategy: Key Issues and Possible Response” that was submitted to the EC on August 31. The EC appreciated the work of the team and endorsed the document. A national stakeholders’ symposium will be held in late October or early November to widen the consultation.

Apart from the work in coordinating the strategy design process, the EC is active in targeting some short-term measures. To date, there have been five EC meetings (it is accepted that EC should meet normally every four weeks). Some of the items that the EC has discussed include:

- short term possibilities to reduce trade deficit;
- approval of calendar for promotional events in the next year;
- evaluation of performance and use of money for certain instruments to stimulate and promote exports;
- debating some changes to the existing laws for export promotion (due to this function, recently a new amendment was made to the law 120/2002. The Romanian Trade Promotion Centre (RTPC) was authorized to organize participating in fairs and economic missions and to receive money from the budget on this purpose). Previously this function was the responsibility of the Ministry of Economy and Trade, Directorate for Export Promotion (DEP). Through this change, DEP remains in control of trade events and policy
activities (i.e. negotiate the programme with the business associations, set up quality norms for the participation, monitor the programme) and RTPC becomes its executive body. Also, through this new amendment, all proposals to utilize funds from the budget for export promotion or development have to be approved in advance by EC.

The agenda is normally set up by the two co-chairmen and through requests from the members. Such requests are made either during the EC plenary meeting, or in written form addressed to the EC secretariat between meetings. For example, in the last meeting of EC, on 31 August, members raised problems to be discussed in the next meeting such as:

- why some instruments of export promotion (support for SME or for agro-food products) are not functioning well?
- how to improve the activity of the Romanian trade representatives abroad in order to respond to basic needs of Romanian companies?

5 The Future of the EC

In Romania, the EC is still a young body. Both the private and public sectors have to learn to work in a real partnership, circumventing mistrust and the tendency to blame one another. The last meeting of the EC showed progress in real collaboration and the fact that EC can become a “problem solver” through better communication. The future success of the EC depends on two major criteria:

- capacity to overcome mistrust and to assume a shared accountability (all are responsible for outcomes);
- capacity to work towards a common vision, and produce a national export strategy that is realistic and relevant, and that is endorsed and implemented irrespective of political cycles or hidden agendas.

In the worse case scenario, the EC will fail to deliver a national strategic response. However, even if this happens, the path towards a PPP will remain and other attempts will follow. In the best-case scenario, Romania will, by early next year, produce a relevant and realistic national export strategy that provides a long-term vision and a strategic response to making the country more internationally competitive.
ANNEX I: Rules of the Organization and Functioning of the Export Council

1. **General Provisions**

   1.1 The Export Council is a national structure organization based on public-private partnership, without juridical authority, under the umbrella of the Ministry of Economy and Trade.

      The founder members of the Export Council include representatives from all key private organizations and public institutions having responsibilities in the export activity.

   1.2 The Export Council is an open structure organization, and new members may join it by an application form.

   1.3 The rules of functioning of the Export Council are in accordance to art. 3; alin.(4) Government Decision nr. 486/2004.

2. **Responsibilities**

   2.1 The main responsibilities of the Export Council are stipulated in the Government Decision nr. 486/2004. The Export Council may also have other competences in order to ensure the achievement of its goals.

3. **Organization and Functioning**

   3.1 The Board of the Export Council consist of two co-chairmen designated by the majority of the Export Council members from the members of the Export Council in the first Council meeting.

   3.2 The Secretariat services of the Export Council will be made by the General Division for Export Promotion within the Ministry of Economy and Commerce, in collaboration with the private organizations.

   3.3 The Export Council meetings will take place every month or as many times will be necessary, this being subject of decision made by the Export Council co-chairmen.

   3.4 The Secretariat of the Export Council is in charge to organize the Council meetings by sending the e-mails or faxes to all the Council members at least 5 days before. The agenda, which is approved, by co-chairman and other related documents, will be also sent to the Council members.

   3.5 In case of one of the Council member, designated according to art.3 pct.5, G.D. nr. 486 /2004 cannot attend the Council meeting than he will be replaced by another person, which is nominated by the Board of his institution/organization.

   3.6 The Council meeting is statutory if majority of the Council members is present at the meeting.

   3.7 The Council meeting will be chaired alternatively by one of the two co-chairmen.

   3.8 The Export Council decisions will be adopted by the majority vote of the present members and in case of equally the vote of the co-chairman is decisive.

   3.9 The results of the debates and the issues signed by the co-chairman in chair will be written in a Council Register, which is kept by the Council Secretariat. All the Council members will be informed with the Council decisions.
3.10 The Council co-chairmen may approve a list of non-member guests proposed by the Council Secretariat, to attend some of the Council meetings, depend by the topics, and the Council Secretariat will take care to send them invitations and related documents.

3.11 In order to have an operative activity the Export Council will establish working groups on each field of activity, consisting of specialists and experts designated by any member of the Export Council. The working groups responsibilities are to analyze specific matters in their field of activity and to produce documents to be debated in the Export Council meetings.

4. Final Decisions

4.1 The Export Council will find the necessary logistics to ensure the Council normal activity.

4.2 Rules of organization and functioning of the Export Council may be changed or improved, by case, after the vote of majority of the Council members to data of the related Council meeting.

4.3 The present rules have been approved in the Export Council meeting of 19 April 2004.
ANNEX II: Components of the Export Council

Co-chairman, minister delegate for trade, representing the public sector
Co-chairman, representing the private sector

Members: Public sector:

- minister delegate for trade-Ministry of Economy and Trade;
- secretary of state-Ministry of Public Finance;
- secretary of state-Ministry of Economy and Trade (Industrial Policies);
- secretary of state-Ministry of Communications and Information Technology;
- secretary of state-Ministry of Transportation, Construction and Tourism;
- secretary of state-Ministry for Foreign Affairs;
- secretary of state-Ministry for European Integration;
- president-National Agency for Small and Medium Sized Enterprises and Cooperation;
- president-National Commission for Prognosis;
- vice-governor, National Bank of Romania;
- president-Export Import Romanian Bank, EXIMBANK
- vice-president, National Institute of Statistics;
- general director-National Authority of Customs;

Members: Private sector:

Business Associations at the National Level:

- Employer Confederations;
- National Association of Romanian Exporters and Importers;
- Chamber of Commerce and Industry of Romania;
- National Council for Private Small and Medium Sized Enterprises;
- Romanian Association of Banks;

Business Association and Employers at the Sectoral Level:

- Professional Association in the Engineering industry, electrotechnic and electronic;
- Employers Federation in the Light Industry;
- Producers Association of Furniture of Romania;
- Professional Association in the Communications and Information Technology;
- Employers Federation in the Chemistry Industry;
- Professional Association in the Metallurgical Industry;
- Professional Association in the Food Industry;