



Doing Business in Romania: 2008 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Romania

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Market Overview

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Romania closed out 2007 with approximately 6% GDP growth, marking the 8th consecutive year of economic expansion. Romania joined the European Union in January 2007, acquiring all of the privileges that come with membership in this powerful economic club, including harmonized tariffs and the opportunity for US firms to use Romania as an economically advantageous gateway to the EU market.

The U.S. and Romania have long enjoyed a strong political, military and, increasingly, commercial relationship. The U.S. - Romanian Treaty regarding the reciprocal encouragement and protection of investment was established in May 1992 and ratified by the U.S. in 1994. The signing of the U.S.- Romania Defense Cooperation Agreement in 2005 provided further evidence of the deepening of the strategic partnership between our two countries.

Romania's advantageous location on the crossroads of trade routes in Southeast Europe as well as its booming economy makes it an increasingly attractive place for Americans to invest. Recent U.S.-investments have been drawn by Romania's market of almost 22 million consumers, pro-American climate, political and economic stability and formidable economic business opportunities. In 2007 the U.S. was ranked 7th overall in direct foreign investment at USD 916,4 million, representing 4.24 percent of total investment from 1989 onwards. The actual figure is substantially higher when calculating investments made through foreign subsidiaries, of which many have US parent companies. American investments have focused on telecom, information technology, manufacturing, agriculture and consumer products.

As a new member of the European Union from January 1st, 2007, Romania enjoys real competitive advantages that recommend it as an attractive market for foreign investment and exports. It encompasses one of the largest customer markets in the region driven by steady economic growth and accompanied by rising consumer demand. EU membership portends strong future consumption and investment growth, as well as continued improvement in the judicial system.

The specific advantages offered by Romania's rapidly growing market include:

- A large domestic market of 22 million people (second in Central and South Eastern Europe), and access to another 450 million people in the entire EU market;

- A strategic location at the cross-roads of traditional commercial and energy routes between the EU, Asia and the countries of the former Soviet Union, which ensures easy access to the Balkans, the Middle East and Northern Africa;
- Extensive maritime and river navigation facilities for the transport and distribution of goods;
- Free trade zones and shipyard facilities;
- 17 regional and six international airports with one of the highest numbers of international passengers rates in South Eastern Europe;
- 72,859 km of road and 11,380 km of railway connected to the European networks;
- Nationwide electricity network connected to the main European networks;
- Nationwide fiber optic telecommunication network with large digital capacity integrated into the European optic cable system via satellite, as well as mobile telecom networks;
- A highly developed industrial infrastructure, including oil and petrochemicals;
- A relatively large and highly skilled labor force, with good knowledge of foreign languages and well trained in science and engineering (first in Europe and sixth in the world in terms of the number of certified IT specialists);
- A wide range of natural resources, including fertile agricultural land (37 million acres of arable land), coal, oil and gas, and attractive tourist sites;
- Diplomatic relations with 176 countries; member of the UN, NATO and numerous other international organizations;
- Functioning Market Economy status recognized by the EU (November 2003) and the U.S. (March 2003); and
- EU membership from January 2007.

During 2007, Romania's economy continued to grow and efforts continued to be made to privatize and restructure several strategic sectors. Few of the targeted privatizations, however, were concluded successfully.

Privatizations in the energy sector showed mixed results. While the privatization of Electrica Muntenia Sud to Italian energy company Enel was finalized in 2007, the GOR has delayed plans to privatize integrated power complexes in Turceni, Rovinari and Craiova, and announced its intention to merge selected remaining state-owned energy assets into a national integrated energy company.

Romania is also taking part in two international projects: the NABUCCO natural gas pipeline project as an alternative source of gas for Romania and Europe, and the PAN EUROPEAN OIL PIPELINE - PEOP Project, which will bring Caspian oil to the European market.

In the automotive sector, the most important privatization in 2007 was the acquisition of Daewoo Automobile Craiova by Ford of Europe, pending approval by the European Commission.

Substantial shifts are underway in the area of defense and homeland security. Following 15 years of post-Communist transition, Romania became a NATO member on March 29, 2004. In a concerted effort to rejuvenate Romania's armed forces and make them interoperable with NATO forces, the Romanian military has embarked on a long-term modernization program expected to be completed in 2010.

The long-term and extensive privatization program of the defense industry, initiated by the Romanian government in 2004, is targeting the modernization of existing facilities in order to manufacture equipment that meets NATO standards. At present, the Romanian defense industry is capable of producing artillery, avionics equipment, helicopters, small caliber arms, communications systems, electro-optics and explosives.

Romania's defense industry is set to mature considerably as a result of active support from the government to privatize some of its activities, but remains relatively small compared to its European counterparts. In the second quarter of 2006, the Romanian government unveiled plans to privatize the helicopter manufacturer IAR Ghimbav, which manufactures Alouette and Puma helicopters.

While the commercial climate is generally positive, there are factors that have limited U.S./Romanian trade to date that must be addressed in order to attract a wider audience of US exporters and investors. These factors include a relative lack of disposable income due to low wages, an inefficient judicial system, government bureaucracy, and poor protection of intellectual property rights.

Market Challenges

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Despite impressive economic expansion, Romania must continue to move forward with reforms ensuring greater legislative and economic predictability in order to maintain a competitive edge over its Eastern European neighbors in terms of attracting foreign direct investment. The current government, which took office in December 2004, won on a campaign platform of curbing endemic corruption and providing a level playing field for all companies, foreign and Romanian alike. This practice had in the past enabled state-owned enterprises or companies linked to well-connected Romanians to avoid bankruptcy while providing them with an unfair competitive advantage over foreign investors.

The business sector in Romania still requires improvement in the following areas:

- Combating corruption. Corruption continues to negatively impact the business climate, resulting in inefficient government spending, delays in improvements in health, education and transportation infrastructure and reduced reliability of the judicial system;
- Eliminating cumbersome, non-transparent bureaucratic procedures and "red tape" that add to the delay of business startups and increase operational costs;
- Improvement and adherence to the "silent approval" legislation, which allows approval of applications within a set deadline unless explicitly denied.
- Fuller consultation with both foreign and domestic investors on proposed legislation that directly affects business or investment;
- Bringing an end to frequent changes in economic legislations and uneven or delayed implementation of existing laws;
- Continuing tax reform, particularly in the areas of cost sharing agreements, tax deductibility and the VAT law.

- Improving law enforcement, reducing judiciary overload, simplifying cumbersome court procedures that continue to be an obstacle for doing business, and improving the quality of court decisions, which businesses claim can be arbitrary in nature.
- More effective enforcement of Intellectual Property Rights
- Further revising the labor code to increase labor market flexibility and stimulate the creation of jobs.

Romania remains among the most dynamic countries in the EU, but the pace of growth is slowing in parallel with the global economy, the national authorities have not laid out a clear strategy for future development and use of EU cohesion funds, and there are fears that excessive public sector spending, combined with very strong growth in private consumption, will exacerbate economic imbalances. The IMF predicts that growth will remain at six per cent for 2008, but rising inflation is a key concern. Inflation rose from 4.9 per cent in 2006 to 6.6 percent in 2007, far from the 3-5 percent target.

Market Opportunities

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The strongest areas of opportunity for U.S. exports and investment potential include the following sectors: automotive, building products, electrical power equipment, franchising, IT&C – computer software, pharmaceuticals, pollution control equipment, telecommunication, safety and defense.

Market Entry Strategy

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Investors are cautioned to exercise due diligence before engaging in green field or brown field projects, and to undertake their own thorough independent research. Engaging good local counsel with solid knowledge of Romanian legislation is critical to success in the market. Prospective investors should exercise due diligence on state aid implications of potential deals with the GOR. Finding a reliable local joint venture partner, agent or distributor is definitely the key to success in the Romanian market.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/35722.htm>

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Using an Agent or Distributor

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Agents, distributors and joint venture partners can contribute significantly to the success of a foreign company in the Romanian market by considerably shortening entry time and strengthening market position. Romanians tend to be well educated, speak foreign languages (the majority speak English as a second language), have a good understanding of technical matters, and can rapidly master new techniques with minimal training. The U.S. Commercial Service, through its International Partner Search and Gold Key Services, can help new-to-market U.S. companies find experienced local companies willing to act as agents, distributors or representatives (http://www.buyusa.gov/romania/en/international_partner_search.html and http://www.buyusa.gov/romania/en/gold_key_matching_services.html).

The appropriateness of a potential Romanian partner can be evaluated by consulting the Ministry of Justice's Trade Registry (<http://www.onrc.ro/english/services.php>), which, for a moderate fee, will provide information from its database. The National Bank of Romania also provides information regarding a firm's indebtedness ratios and payment history. The Ministry of Finance releases data on companies with overdue debts and taxes. U.S. companies should strongly consider using the International Company Profile service offered by the U.S. Commercial Service (http://www.buyusa.gov/romania/en/international_company_profile.html).

The steps to open a local office in Romania are the following:

1. Chose the type of company

General Partnership (SNC): A general partnership can involve two or more partners. The partnership relationship is based upon a contract, and any person who is able to enter into a binding contract may enter into a partnership. The parties must register their partnership with the National Trade Registry Office in the Ministry of Justice.

Limited Partnership (SCS): As with other jurisdictions, a limited partnership consists of one or more general partners, who manage the business of the partnership, and one or more limited partners who contribute capital (money or other property) to the partnership, but do not participate in its management. Generally, limited partners are not liable for the debts and obligations of the partnership beyond their contributions to the registered capital.

Joint-Stock Company (SA): A joint stock company is a limited liability corporation with registered capital of at least USD 960 and at least five shareholders. Shares can be nominative shares or bearer shares, and can be freely traded or pledged. A joint stock company may be set up privately or by public subscription. In the case of a company established on a private basis, there must be a Memorandum of Association. At the time of registration of the company, each shareholder must pay at least 30% of his/her portion of the registered share capital, with the remaining 70% paid within a maximum of 12 months.

Limited Partnership by Share (SCA): The capital is divided into shares and the obligations are guaranteed by the capital and by the unlimited and joint liability of the general partners. The limited partners are liable only for the payment of their shares.

Limited Liability Company (SRL): A limited liability company is a company formed by a limited number of partners (no more than 50). The registered capital of a limited liability company cannot be less than 200 RON. The registered share capital of a limited liability company is normally divided into shares with a registered value of not less than 10 RON each. Shares cannot be freely traded, making limited liability companies similar to what are known as private companies in other legal systems. Shares of these companies cannot be pledged as collateral for loans.

Representative Offices: Foreign companies may open representative offices in Romania following registration with the Department of Foreign Trade in the Ministry of SMEs, Trade, Tourism, and Liberal Professions. Representative offices cannot carry out commercial activities on their own behalf, but are entitled to promote and supervise the business of their parent organizations. There is an annual licensing fee of \$1,200.

Branches: Foreign companies may establish branches in Romania. They must be registered with the appropriate trade registry, relative to the location of their office.

Economic Interest Group (EIG): An EIG is an association of not more than 20 members, which is established for a specific period of time to promote and develop its members' activities. EIG members share unlimited liability. EIGs may not own shares in one of their member companies and may not issue shares or other negotiable instruments.

European Economic Interest Grouping (EEIG): Unlike an EIG, an EEIG may be established for an indefinite period of time, and while it may be set up in any EU member state, it may function in Romania only as a Branch or Representative Office.

2. Headquarters

U.S. companies are required to have as a headquarters a real location (not a postal address as in the U.S.) that is the property of one or more partners/shareholders or are in their use.

3. Name of the company

The company's name is registered with the Trade Registry in the jurisdiction where the company is to be located.

4. Authenticated constitutive documents

General partnerships and limited liability partnerships are set up through a contract of company. Joint-stock companies, limited partnerships with shares and limited liability companies are set up through a contract of company and articles of incorporation. The signatories to the articles of incorporation are considered founders. The company must have a "Constitutive Document," (Articles of incorporation) which sets the rights and obligations of the shareholders, the object of activity of the company, the quorum required for the adoption of different resolutions, the dissolution procedure, and so forth.

5. Company's account

The company account is open on the registered name for depositing the authorized share capital, depending on the chosen form of business organization starting with minimum capital of RON 200 (about \$60) for a limited liability company.

6. Other required legal documents

Other documents are required, such as fiscal records.

7. Submission of the complete dossier to the One Stop Office

Once the dossier is complete, it is submitted to the One Stop Office in the proper jurisdiction. The One Stop Office falls under the National Trade Register Office of the Ministry of Justice.

The forms of business most commonly used by foreign investors are limited liability company (SRL), the joint stock company (SA) and the branch of a foreign parent company. Bank and insurance companies can only be organized in the form of joint stock companies. Representative offices are often used as a market entry technique, allowing for an assessment of existing opportunities before making a more substantial commitment to Romania.

Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with European Union (EU) and Member State national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the

rights and obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

Key Link:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML>

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of such "vertical agreements." Most U.S. exporters are small- and medium-sized companies (SMEs) and are therefore exempt from the Regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of affecting competition at the EU level but useful for cooperation between SMEs. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than €50 million are considered small- and medium-sized undertakings. The EU has additionally indicated that agreements that affect less than 10 percent of a particular market are generally exempted as well (Commission Notice 2001/C 368/07).

Key Link:

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf

The EU also looks to combat payment delays with Directive 2000/35/EC. This covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. In sum, the Directive entitles a seller who does not receive payment for goods/services within 30-60 days of the payment deadline to collect interest (at a rate of 7 percent above the European Central Bank rate) as compensation. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.

Key Link: http://ec.europa.eu/comm/enterprise/regulation/late_payments/

Companies' agents and distributors can take advantage of the European Ombudsman when victim of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights.

Key Link: <http://www.ombudsman.europa.eu>

Data Privacy

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The EU's general data protection Directive (95/46/EC) spells out strict rules concerning the processing of personal data. Businesses must tell consumers that they are collecting data, what they intend to use it for, and to whom it will be disclosed. *Data subjects* must be given the opportunity to object to the processing of their personal details and to opt-

out of having them used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter. This general legislation is supplemented by specific rules set out in the "Directive on the processing of personal data and the protection of privacy in the electronic communications sector" (2002/58/EC). This requires companies to secure the prior consent of consumers before sending them marketing emails. The only exception to this opt-in provision is if the marketer has already obtained the intended recipient's contact details in the context of a previous sale and wishes to send them information on similar products and services.

Key Link: http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm

Transferring Customer Data to Countries Outside the EU

The EU's general data protection Directive provides for the free flow of personal data within the EU but also for its protection when it leaves the region's borders. Personal data can only be transferred outside the EU if adequate protection is provided for it or if the **unambiguous consent** of the data subject is secured. The European Commission has decided that a handful of countries have regulatory frameworks in place that guarantee the adequate protection of data transferred to them – the United States is not one of these.

The Department of Commerce and the European Commission negotiated the Safe Harbor agreement to provide U.S. companies with a simple, streamlined means of complying with the adequacy requirement. It allows those U.S. companies that commit to a series of data protection principles (based on the Directive), and who publicly state that commitment by "self-certifying" on a dedicated website, to continue to receive personal data from the EU. Signing up is voluntary but the rules are binding on those who do. The ultimate means of enforcing Safe Harbor is that failure to fulfill the commitments will be actionable as an unfair and deceptive practice under Section 5 of the FTC Act or under a concurrent Department of Transportation statute for air carriers and ticket agents. While the United States as a whole does not enjoy an adequacy finding, companies that join up to the Safe Harbor scheme will. Companies whose activities are not regulated by the FTC or DoT (e.g. banks, credit unions, savings and loan institutions, securities dealers, insurance companies, not-for-profit organizations, meat packing facilities, or telecommunications carriers) are not eligible to sign up to the Safe Harbor.

EU based exporters or U.S. based importers of personal data can also satisfy the adequacy requirement by including data privacy clauses in the contracts they sign with each other. The Data Protection Authority in the EU country from where the data is being exported must approve these contracts. To fast track this procedure the European Commission has approved sets of model clauses for personal data transfers that can be inserted into contracts between data importers and exporters. The most recent were published at the beginning of 2005. Most transfers using contracts based on these model clauses do not require prior approval. Companies must bear in mind that the transfer of personal data to third countries is a processing operation that is subject to the general data protection Directive regardless of any Safe Harbor, contractual or consent arrangements.

EU countries' Data Protection Authorities (DPAs) and large multinational companies are also developing a third major approach to compliance with EU rules on transfers of personal data to countries outside the EU. This is based on country-by-country approval

of “binding corporate rules” (BCRs). Companies that set up BCRs that satisfy European DPAs will be able to use the presumption of conformity that these approvals provide to transfer personal data from the EU to any location in the world – not just the United States. BCRs can be a tool for compliance with privacy rules on a global scale. The process of negotiation and approval of the BCRs is currently lengthy and complex, and has not been attempted by small or medium-sized companies.

Key Links: <http://www.export.gov/safeharbor/>
http://ec.europa.eu/justice_home/fsj/privacy/modelcontracts/index_en.htm
http://ec.europa.eu/justice_home/fsj/privacy/workinggroup/wpdocs/2007_en.htm

Franchising

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Franchising regulations in Romania are much the same as in other countries, basically granting the franchisee the right to operate or develop a business, product, technology or service. The contract, generally called a Franchising Agreement, reflects the interests of the members of the franchise network, and protects the franchiser’s industrial or intellectual property rights by maintaining the common identity and reputation of the franchise network. The franchising agreement must define, free of any ambiguity, the obligations and liabilities of all of the parties, and must contain the following elements: object of the contract, rights and obligations of the parties involved, financial clauses, contract duration, clauses related to modifying, prolongation, and canceling of the agreement. The growing number of franchisers is indicative of the significant potential of the franchise sector. In 2000 there were 18 franchise chains in Romania, while the number grew to 280 by 2007. Of the 450 brands seeking to enter the market in 2007, 280 opened at least one franchise unit.

American franchises in Romania

At present, American franchises in the Romanian market rank high in terms of the number of brands and market share. At the end of 2007, US brands ranked first, accounting for 25% of total foreign brands, followed by brands from Italy and France, which accounted for 24 % combined.

Important U.S. companies like McDonald’s, Pizza Hut, and KFC (Kentucky Fried Chicken) currently have franchisees in Romania. Other American franchises present in the Romanian market include:

- Hertz
- Budget
- Pizza Hut
- American Life Insurance Company
- Howard Johnson Grand Hotel Plaza
- Four Star Pizza
- Daylight Donuts
- Ruby Tuesday’s
- Pizza Inn

- Candy Bouquet
- Gloria Jean's Café
- Computer Troubleshooters
- Fastrackids
- Ramada

Direct Marketing

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The Romanian Direct Marketing Association (ARMAD) is a member of the Federation of European Direct Marketing (FEDMA) and European E-commerce and Mail Order Trade Association (EMOTA).

The Romanian market of direct marketing reached a level of € 21 million in 2007, a 55% increase from 2006 and among the fastest growing sectors in Romania. According to data from the Romanian Direct Marketing Association (ARMAD), the sub-sectors with the fastest growth were: telemarketing, with an increase of 110%, mail order with an increase of 220%, and e-direct marketing (direct marketing via e-mail) with an increase of 350%. In Romania, there are more than 30 direct marketing companies, also members of ARMAD. The direct marketing industry is just developing, but the trends confirm that this type of business is increasingly seen as a solution for companies who understand their clients and target to increase sales. One further significant detail regarding regulations is that, unlike the United States, Romania does not have a national "do-not-call list", but in 2007 a "do not mail" list has been implemented by the Romanian Direct Marketing Association.

There is a wide range of EU legislation that impacts the direct marketing sector. Compliance requirements are stiffest for marketing and sales to private consumers. Companies need to focus, in particular, on the clarity and completeness of the information they provide to consumers prior to purchase, and on their approaches to collecting and using customer data. The following gives a brief overview of the most important provisions flowing from EU-wide rules on distance selling and on-line commerce. Companies are advised to consult the information available via the hyperlinks, to check the relevant sections of national Country Commercial Guides, and to contact the Commercial Service at the U.S. Mission to the European Union for more specific guidance.

Processing Customer Data

The EU has strict laws governing the protection of personal data, including the use of such data in the context of direct marketing activities. For more information on these rules, please see the privacy section above.

Distance Selling Rules

- Distance and Door-to-Door sales
The EU's Directive on distance selling to consumers (97/7/EC) sets out a number of obligations for companies doing business at a distance with consumers. It can read like a set of onerous "do's" and "don'ts," but in many ways it represents nothing more than a customer relations good practice guide with legal effect. Direct marketers must provide clear information on the identity of themselves as well as their supplier,

full details on prices including delivery costs, and the period for which an offer remains valid – all of this, of course, before a contract is concluded. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Similar in nature is the Doorstep Directive (85/577/EEC) which is designed to protect consumers from sales occurring outside of a normal business premises (e.g., door-to-door sales) and essentially assure the fairness of resulting contracts.

Key Link: http://ec.europa.eu/consumers/cons_int/safe_shop/index_en.htm

- **Distance Selling of Financial Services**
Financial services are the subject of a separate Directive that came into force in June 2002 (2002/65/EC). This piece of legislation amends three prior existing Directives and is designed to ensure that consumers are appropriately protected in respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the Directive establishes criteria for the presentation of contract information. Given the special nature of financial markets, specifics are also laid out for contractual withdrawal.

Key Link: http://ec.europa.eu/consumers/cons_int/fina_serv/index_en.htm

Direct Marketing Over the Internet

The e-commerce Directive (2000/31/EC) imposes certain specific requirements connected to the direct marketing business. Promotional offers must not mislead customers and the terms that must be met to qualify for them have to be easily accessible and clear. The Directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist. When an order is placed, the service provider must acknowledge receipt quickly and by electronic means, although the Directive does not attribute any legal effect to the placing of an order or its acknowledgment. This is a matter for national law. Vendors of electronically supplied services (such as software, which the EU considers a service and not a good) must also collect value added tax (see Electronic Commerce section below).

Key Link: http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Joint Ventures/Licensing

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U.S. companies may enter the Romanian market as partners with Romanian counterparts or may operate 100% foreign-owned companies. Many foreign companies involved in local manufacturing do so under joint-venture agreements. The main advantages offered by joint ventures include quick market access utilizing an existing infrastructure and knowledge of the local business environment. Disadvantages of joint ventures include the potential acquisition of excess personnel and the possibility of not having complete control of the business.

The Romanian Government adopted a new public procurement law, Emergency Ordinance 34/2006, in order to align its legislation with EU standards. The Government also launched an electronic system for public acquisitions in an effort to ensure a fully transparent procurement process.

The EU public procurement market, including EU institutions and Member States, totals around EUR 1,600 billion. This market is regulated by two Directives:

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts, and
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.

Remedies directives cover legal means for companies who face discriminatory public procurement practices. These directives are implemented in the national procurement legislation of the 27 EU Member States.

The US and the EU are signatories of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and some services and works contracts published by national procuring authorities of the countries that are parties to the Agreement. In practice, this means that U.S.-based companies are eligible to bid on supplies contracts from European public contracting authorities above the agreed thresholds.

However, there are restrictions for U.S. suppliers in the EU utilities sector both in the EU Utilities Directive and in the EU coverage of the Government Procurement Agreement (GPA). The Utilities Directive allows EU contracting authorities in these sectors to either reject non-EU bids where the proportion of goods originating in non-EU countries exceeds 50% of the total value of the goods constituting the tender, or are entitled to apply a 3% price difference to non-EU bids in order to give preference to the EU bid. These restrictions are applied when no reciprocal access for EU companies in the U.S. market is offered. Those restrictions however were waived for the electricity sector.

For more information, please visit the U.S. Commercial Service at the U.S. Mission to the European Union website dedicated to EU public procurement. This site also has a database of all European public procurement tenders that are open to U.S.-based firms by virtue of the Government Procurement Agreement. Access is free of charge.

Key Link:

<http://www.e-licitatie.ro>

http://www.buyusa.gov/europeanunion/eu_tenders.html

Distribution of industrial goods in Romania is similar to most European countries. Retail outlets include specialized shops, supermarkets, hypermarkets, cash and carry, department stores, gas station convenience stores, and do-it yourself shops, kiosks, street vendors, open-air markets and wholesale centers.

Large retailers are leaving their nests in Western Europe, which provide satisfactory but not excellent results, and going to Eastern Europe and Asia. Romania is one of the top targets in Eastern Europe for retailers like Metro, Carrefour and Selgros, whose local large-format stores provide the biggest sales increases for their chains.

All sorts of retailers – from cash & carry to supermarkets and discounters – are striving to get more of the local retail pie. However, cash & carry and hypermarkets are the most popular types of modern shopping in Romania. Cash & carry stores represented 45.2 percent of local grocery shopping last year, followed by hypermarkets, with 23.5 percent of sales. Supermarkets account for only 18.1 percent, according to a study by Planet Retail.

The local market has for several years been dominated by Carrefour and Cora on the hypermarket segment (or Big Box store), while Metro and Selgros have competed on the cash & carry market.

Last year proved to be the best for retailers in Romania, as all major players accounted for historical increases in sales. If forecasts for 2007 come to fruition, this year might bring even better performances.

The modern-day retail system appeared in Romania in the early 1990s – specifically in 1991 when the first La Fourmi supermarket was opened in Bucharest, quickly followed by other supermarket companies. Specialized shops have developed rapidly. They usually are located in large cities, offer a modern shopping experience, and utilize computer-controlled inventory and sales. Examples include Leonardo and Fiorangelo for shoes, Paneuro for automotive components and Neoset for furniture. The number of specialized shops is expected to increase.

Foreign supermarket companies have entered the Romanian market. The first foreign company to enter the market was the Metro Cash & Carry chain in 1996, followed by Billa, Gima, Carrefour and XXL, Auchan, Kaufland, Mega Image, and Artima.

Discount shops continued expansion over the last year. MiniMAX Discount developed by Red&Yellow, intends to open about 30 stores this year, 10 of which are in Brasov, Buzau, Calaras, Campulung, Cernavoda, Hunedoara, Mangalia, Oltenita, Pucioasa and Turnu Magurele.

Plus, developed by the German group Tengelmann, entered the Romanian market in 2005 and currently has a network of 21 stores.

Penny Market, a brand of the German Group REWE, along with XXL Mega Discount, operates a chain of 16 outlets. Penny Market targets cities with less than 20,000 inhabitants.

Profi plans to open 8 new stores outside the Transylvania region this year.

Shopping malls are on the increase in Romania. The Bucharest Mall and Bucharest Plaza were the first ones that most resemble Western-style shopping centers. Currently, there is available space of 143,000 sqm in all Romanian malls, with an average of 0.07 sqm per capita. Bucharest is far behind other European capitals such as Warsaw, Budapest or Prague. This situation is expected to change drastically as foreign investors started to build malls all over the country. The biggest number of malls will be in Constanta. At least one mall will be built in Timisoara, Cluj, Brasov, Iasi, Craiova, Oradea, Ploiesti, Targu Mures, Bacau, Sibiu, Suceava and Focsani.

The Port of Constanta, a safe and modern port, is the main Romanian port and the largest port in the Black Sea.

Selling Factors/Techniques

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Price, payment conditions and quality are critical factors for success in Romania's business environment. The Romanian market, like other former East-European markets, is still cash poor. However, in some market niches – luxury cars, real estate, high-end art and furniture, apparel and cosmetics – catering to a small segment of high-income customers, very expensive products can be sold with relative ease using credit cards, consumer loans, leasing, mortgages, or corporate loans.

Electronic Commerce

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In Romania, e-commerce is at the very beginning stages. There are still many major obstacles to developing a fully functional e-commerce system. These include low Internet penetration, lack of legislation, limited use of credit cards and a high rate of online fraud and cybercrime. There are quite a few online stores and auction sites that are becoming very profitable and reliable for local consumers. Existing online stores offer all types of payment, from cash to a bank order and credit card payments. Most items sold online are electronics and IT-related equipment or small items such as books, CDs, toys, etc.

Business-to-business e-commerce appears to have better immediate prospects, mainly because of the easier payment methods. Although there are companies that offer their products and services on the Internet, many more must join in order for e-commerce to become commonplace in the daily business environment. The international telecom provider, Orange has introduced the possibility to pay online for calling credit and bills. Many Romanian banks have developed online systems that allow e-banking operations that support business-to-business e-commerce. According to an Economist Intelligence Unit 60-country survey, Romania ranks 43rd in its readiness for e-commerce and its potential for information and communication technology (ICT) integration in the e-business economy.

Most of the large banks offer e banking to their clients (especially companies). Some also offer Internet banking, as long as they can provide adequate security. The banks made a first step in this direction with BTR-net, a service that does not require dedicated software on the client's computer. Alpha Bank launched its electronic banking service in

June 2000 and at the beginning of 2006 it was awarded the prize for the best internet banking service in Romania.. In sum, thirty-five banks in Romania offer various e-banking services, and they are constantly trying to attract more customers to use their online services by charging up to 35% less than they do for the same transactions made at the counter.

Romania's inter-bank electronic settlement system began operation in May 2005. The system is managed by the central bank and Transfond - a company one third owned by the central bank and two thirds owed by commercial banks. The electronic settlement system allows payment in real time (seconds) for transfers below USD 9,600 and in a few hours for larger transfers above that amount, compared to a former average speed of three days. The last module of the electronic settlement system became functional in November 2005 when T-bill transfers were added. Romania's inter-bank electronic settlement system is technically compatible with the international SWIFT and TARGET systems. In 2006, the government launched the "Virtual payments counter", which is regarded as an important encouragement for Romanian e-commerce.

In July 2003, the EU started applying Value Added Tax (VAT) to sales by non-EU based companies of Electronically Supplied Services (ESS) to EU based non-business customers. U.S. companies that are covered by the rule must collect and submit VAT to EU tax authorities. European Council Directive 2002/38/EC further developed the EU rules for charging Value Added Tax. These rules are set to expire at the end of 2008.

U.S. businesses mainly affected by the 2003 rule change are those that are U.S. based and selling ESS to EU based, non-business customers or those businesses that are EU based and selling ESS to customers outside the EU who no longer need to charge VAT on these transactions. There are a number of compliance options for businesses. The Directive created a special scheme that simplifies registering with each Member State. The Directive allows companies to register with a single VAT authority of their choice. Companies have to charge different rates of VAT according to where their customers are based but VAT reports and returns are submitted to just one authority. The VAT authority responsible for providing the single point of registration service is then responsible for reallocating the collected revenue among the other EU VAT authorities.

Key Link: http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/e-services/index_en.htm

Trade Promotion and Advertising

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Romania's progress toward a market economy brought notable growth in the variety and quality of advertising. Total advertising expenditures are expected to reach \$485 million dollars, rising 30% from last year's \$370 million. Multinational companies that represent a large proportion of the spending are active primarily in rapidly growing categories such as: fast moving consumer goods, mobile communication, beverages and the automotive sector.

More TV channels were launched, others announced their intention to launch. New dailies emerged along with a trend towards more tabloid-like content to attract and retain an increasingly volatile audience primarily seeking entertainment instead of news and

opinion. Some interesting developments include the growth of Internet publishing among the major players in the press and a more-competitive and finely targeted business press..Radio continues to grow with a few successful networks having a clear lead in terms of audience and geographical coverage. Given the increasing media “clutter” and migration of audience, new media is flourishing in all forms: Internet, digital TV, etc. Audience fragmentation continues across all types of media; the number and types of media channels addressing niche audiences is increasing and has attracted more investments.

Television

The TV market developed in 2007 due to the NAC (National Audio-Visual Council) approving over 56 cable TV licenses, 32 satellite TV, 43 licenses for radio stations and 5 licenses for satellite radios.

The 12th Convention for Cable Communication that took place in November in Bucharest was the stage for many announcements regarding the launch of several TV networks and stations on the Romanian market.

The TV market (national market share) in 2007 was structured as follows:

- TVR 1 (state-owned) 16.5%
- Pro TV 15.9%
- Antena 1 13.5%
- Acasa 7.9%
- TVR 2 (state-owned) 5.1%
- Prima 4.2%
- Realitatea TV 3.9%
- National TV 1.9%
- OTV 2%
- Others 29.2%

By urban market share the TV market is structured as follows:

- Pro TV 17.9%
- Antena 1 13.9%
- TVR 1 (state-owned) 11.1%
- Acasa 9.0%
- Prima 4.7%
- Realitatea TV 4.8%
- TVR 2 (state-owned) 3.2%
- OTV 2.2%
- National TV 2.1%
- Others 31.1%

Press

The best-known English-language business publications are:

- *Quarterly Bulletin* (economic, financing, monetary and credit trend information and statistics), published by the National Bank;
- *Statistic Bulletins* (on various topics), published by the National Institute of Statistics;

- *Romanian Insights* (monthly), published by the Romanian Chamber of Commerce and Industry;
- *Business Review* (weekly), published by Business Media Group SRL;
- *Nine O'Clock* (daily), published by Nine O'Clock Publications;
- *Romanian Business Journal* (weekly), published by Penta;
- *Ziarul Financiar* (daily) published by MediaPro. (Only one English page.)

Just like other media categories, the Out Of Home market increased in volume and consolidated through acquisition by international companies. Billboard locations are increasing in number while backlit and dynamic models are replacing the traditional simple painted billboards, hence an increase in inventory quality. Advertising on public transportation vehicles is also common. Street-TV screens and unconventional ads are new entries on this market.

The Radio market (audience share) in Romania is structured - according to a survey conducted by IMAS in Spring and Autumn 2007 – as follows:

- Radio Romania Actualitati 21.2%
- Europa FM 14,3%
- Kiss FM 13,1%
- Radio 21 9,8%
- Pro FM 9%
- InfoPro 1,5%
- Magic FM 0,7%
- National FM 0,7%
- Radio Romania Cultural 0,5%
- Radio Romania Muzical 0,2%
- Radio Romania Regional 15.6 %
- Others 13.4%

Most major multinational agencies are represented in Romania. Among them are: Ogilvy & Mather, McCann-Erickson, Lowe & Partners (IPG member), Tempo Advertising, Graffiti/BBDO, Saatchi and Saatchi, Young and Rubicam, Leo Burnett and Publicis.

Specialized market testing and market research are available from independent suppliers, both Romanian and international, as well as from established Romanian institutes and organizations such as BRAT, The Institute of World Economy, and the Romanian Chamber of Commerce and Industry (<http://www.ccir.ro>)

General Legislation

Laws against misleading advertisements differ widely from Member State to Member State within the EU. To respond to this imperfection in the Internal Market, the Commission adopted a Directive, in force since October 1986, to establish minimum and objective criteria regarding truth in advertising. The Directive was amended in October 1997 to include comparative advertising. Under the Directive, misleading advertising is defined as any "advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which for those reasons, injures or is likely to injure a competitor." Member States can authorize even more extensive protection under their national laws.

Comparative advertising, subject to certain conditions, is defined as "advertising which explicitly or by implication identifies a competitor or goods or services by a competitor." Member States can, and in some cases have, restricted misleading or comparative advertising.

The EU's Television without Frontiers Directive lays down legislation on broadcasting activities allowed within the EU. From 2009 the rules will allow for US-style product placement on television and the three-hour/day maximum of advertising will be lifted. However, a 12-minute/hour maximum will remain. Child programming will be subject to a code of conduct that will include a limit of junk food advertising to children.

Following the adoption of the 1999 Council Directive on the Sale of Consumer Goods and Associated Guarantees, product specifications, as laid down in advertising, are now considered as legally binding on the seller. (For additional information on Council Directive 1999/44/EC on the Sale of Consumer Goods and Associated Guarantees, see the legal warranties and after-sales service section below.)

The EU adopted Directive 2005/29/EC concerning fair business practices in a further attempt to tighten up consumer protection rules. These new rules will outlaw several aggressive or deceptive marketing practices such as pyramid schemes, "liquidation sales" when a shop is not closing down, and artificially high prices as the basis for discounts in addition to other potentially misleading advertising practices. Certain rules on advertising to children are also set out.

Key Link:

http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

Medicine

The advertising of medicinal products for human use is regulated by Council Directive 2001/83/EC. Generally speaking, the advertising of medicinal products is forbidden if market authorization has not yet been granted or if the product in question is a prescription drug. Mentioning therapeutic indications where self-medication is not suitable is not permitted, nor is the distribution of free samples to the general public. The text of the advertisement should be compatible with the characteristics listed on the product label, and should encourage rational use of the product. The advertising of medicinal products destined for professionals should contain essential characteristics of the product as well as its classification. Inducements to prescribe or supply a particular medicinal product are prohibited and the supply of free samples is restricted.

The Commission plans to present a new framework for information to patients on medicines in 2008. The framework would allow industry to produce non-promotional information about their medicines while complying with strictly defined rules and would be subject to an effective system of control and quality assurance.

Key Link:

http://ec.europa.eu/eur-lex/pri/en/oj/dat/2001/l_311/l_31120011128en00670128.pdf

Food

Regulation 1924/2006, applicable as of July 1, 2007, sets new EU rules on nutrition and health claims. The annex to Regulation 1924/2006 lists the nutrition claims such as "low fat" and "light" that will be allowed throughout the EU and the conditions for using them. An EU positive list of health claims, based on generally accepted scientific advice such as "X is good for your bones," is yet to be established. The EU positive list will include health claims based on generally accepted science and well understood by the consumer, not those based on emerging science. New health claims and disease reduction claims will have to be assessed by the European Food Safety Authority (EFSA) and approved by the Commission.

Key Link: http://ec.europa.eu/food/food/labellingnutrition/claims/index_en.htm

Food Supplements

Regulation 1925/2006, applicable as of July 1, 2007, harmonizes rules on the addition of vitamins and minerals to foods. The regulation lists the vitamins and minerals that may be added to foods and sets criteria for establishing minimum and maximum levels.

Key Link: <http://useu.usmission.gov/agri/foodsupplements.html>

Tobacco

The EU Tobacco Advertising Directive bans tobacco advertising in printed media, radio, and internet as well as the sponsorship of cross-border events or activities. Advertising in cinemas and on billboards or merchandising is allowed though these are banned in many Member States. Tobacco advertising on television has been banned in the EU since the early 1990s and is governed by the TV Without Frontiers Directive.

Key link: http://ec.europa.eu/health/ph_determinants/life_style/Tobacco/tobacco_en.htm

Pricing

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Product pricing structure is similar to that used in most developed countries: prices are increased by wholesale and retail markups as well as by taxes (especially VAT). VAT is applied at 19% with few exceptions such as medicine and health services. Product pricing is influenced by existing competition in the Romanian market, as well as by the liquidity of the market. With respect to common consumer goods, price is sensitive, and competition can be fierce, as local producers compete with products from China, Southeast Asia and Turkey. In the case of higher quality goods, the reputation of brands as well as technical specifications or length of guarantee may determine success in the market.

According to the EC's recent forecast the inflation rate is projected at approx. 4.5% in 2008 in accordance with a relatively tight monetary policy. However, burgeoning credit and wage increases in excess of productivity growth could result in stronger inflationary pressure. In 2007, inflation rose from 4.9 percent in 2006 to 6.6 percent in 2007, missing the projected 3-5 percent target.

The lack of exposure to western practices left a legacy of indifference to after-sales service that is gradually being changed, at least in the case of large multinationals operating in Romania.

Romanian consumers are increasingly sensitive to the quality of after-sales services in making their buying decisions.

Legal provisions regarding sales, service and customer support are currently in line with European Union provisions. Conscious of the discrepancies among Member States in product labeling, language use, legal guarantee, and liability, the redress of which inevitably frustrates consumers in cross-border shopping, the EU institutions have launched a number of initiatives aimed at harmonizing national legislation. Suppliers within and outside the EU should be aware of existing and upcoming legislation affecting sales, service, and customer support.

Product Liability

Under the 1985 Directive on liability of defective products, amended in 1999, the producer is liable for damage caused by a defect in his product. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim.

Key link: http://ec.europa.eu/enterprise/regulation/goods/liability_en.htm

Product Safety

The 1992 General Product Safety Directive introduces a general safety requirement at the EU level to ensure that manufacturers only place safe products on the market. It was revised in 2001 to include an obligation on the producer and distributor to notify the Commission in case of a problem with a given product, provisions for its recall, the creation of a European Product Safety Network, and a ban on exports of products to third countries that are not deemed safe in the EU.

Key link: http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm

Legal Warranties and After-sales Service

Under the 1999 Directive on the Sale of Consumer Goods and Associated Guarantees, professional sellers are required to provide a minimum two-year warranty on all consumer goods sold to consumers (natural persons acting for purposes outside their trade, businesses or professions), as defined by the Directive. The remedies available to consumers in case of non-compliance are:

- repair of the good(s);
- replacement of the good(s);
- a price reduction; or
- rescission of the sales contract.

Key link:

http://ec.europa.eu/comm/consumers/cons_int/safe_shop/guarantees/index_en.htm

Other issues pertaining to consumers' rights and protection, such as the New Approach Directives, CE marking, quality control and data protection are dealt with in Chapter 5 of this report.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property rights in Romania. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Romania than in the U.S. Third, rights must be registered and enforced in Romania under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Romania. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Romania require constant attention. Work with legal counsel familiar with Romanian laws to create a solid contract that includes non-competition clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Romania or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Romania in Moscow for Eastern Europe, and the address usptomoscow@mail.doc.gov

Following Romania's EU accession on January 1st 2007, EU regulations in the field of intellectual property have become directly applicable in its territory and Romania has implemented relevant EU directives. Moreover, Romania is a founding member of the World Intellectual Property Organization ("WIPO") and has adhered to almost all enactments on intellectual property binding the World Trade Organization member states. The main competent authority is the Romanian Office for Patents and Trademarks ("OSIM").

Patents

Law no. 64/1991, as republished in 2007 ("Patents Law") empowers OSIM to handle patent applications submitted on the basis of the Paris Convention for the Protection of Industrial Property (1883) and the Patent Cooperation Treaty (1970) administered by WIPO, as well as the European Patent Convention (Munich, 1973) administered by the European Patent Office. Law no. 611/2002 with respect to the ratification of the European Patent Convention lays down the procedural rules for a European patent application to confer protection in Romania.

Pursuant to the Patents Law, the subject matter of an invention may be a product or process in any technological field and in order to be patentable it must be novel, imply an inventive activity and be susceptible of industrial application.

Trademarks

The protection of a trademark in the Romanian territory may be obtained by filing a national application to OSIM based on Law no. 84/1998 on trademarks as further amended, an international application designating Romania submitted to WIPO as per the Madrid Agreement (1891) or the Madrid Protocol (1989) as applicable or a Community application submitted to the Office for the Harmonization of the Internal Market pursuant to EU Council Regulation no. 40/94 on the Community trade mark. It is noteworthy that the Community trademark confers protection by means of a single application and procedure in all EU Member States.

Copyright

Law no. 8/1996 on copyright and neighboring rights ("Copyright Act") constitutes the national regulatory framework in the field. Romania is also a signatory to the Berne Convention for the Protection of Literary and Artistic Works (1886) and the WIPO Copyright Treaty (1996).

An important role is played by the organizations for the management of copyright and neighboring rights, e.g. representing the interest of composers, interpreters, writers and producers, which negotiate the levels of the copyright levies with the users (mainly radio/TV stations).

Subsequent amendments to the Copyright Act have helped increase the number of successful operations carried out against counterfeiting and piracy by the competent authorities, mainly the Romanian Copyright Office and the police. However, enforcement still remains an ongoing problem and the International Intellectual Property Alliance 2007 Special 301 Report, after analyzing the country's copyright protection and enforcement problems, recommended keeping Romania on the Watch List for 2006. According to the report, Internet piracy is gradually replacing optical disc piracy, while the estimated trade losses due to copyright piracy have decreased in 2006. In July 2006, during the "Eastern Europe and Central Asia Regional Congress On Combating Counterfeiting And Piracy", organized by the Government of Romania in Bucharest, U.S. Government's STOP (Strategy Targeting Organized Piracy) initiative was launched in conjunction with the Steering Group of the Global Congress on Combating Counterfeiting and Piracy. Officials of the U.S. Department of Commerce commented that "Romania is on the right track, as its IPR law is good and the philosophy of Romanians to react against fake products that could affect their health and safety is there. The norms to implement it haven't been fully developed yet. The enforcement of the law still remains an area of concern."

Protection of Intellectual Property rights during customs procedures

According to the EU Council Regulation no. 1383/2003 and Law no. 344/2005, the holders of intellectual property rights may apply to the customs authority requesting action against goods infringing their rights. In case such request is granted, goods infringing an intellectual property right may not be imported, exported, re-exported or placed under a suspension for a certain period of time. Such merchandise may be destroyed or, subject to the consent of the right-holder they may be given to non-profit organizations, depending on the nature of goods.

Key link

<http://www.osim.ro/index3.html>

Copyright

The EU's legislative framework for copyright protection consists of a series of Directives covering areas such as the legal protection of computer programs, the duration of protection of authors' rights and neighboring rights, and the legal protection of databases. Almost all Member States have fully implemented the rules into national law; and the Commission is now focusing on ensuring that the framework is enforced accurately and consistently across the EU.

The on-line copyright Directive (2001/29/EC) addresses the problem of protecting rights holders in the online environment while protecting the interests of users, ISPs and hardware manufacturers. It guarantees authors' exclusive reproduction rights with a single mandatory exception for technical copies (to allow caching), and an exhaustive list of other exceptions that individual Member States can select and include in national legislation. This list is meant to reflect different cultural and legal traditions, and includes private copying "on condition right holders receive fair compensation."

Key Link: http://ec.europa.eu/internal_market/copyright/index_en.htm

Patents

EU countries have a "first to file" approach to patent applications, as compared to the "first to invent" system currently followed in the United States. This makes early filing a top priority for innovative companies. Unfortunately, it is not yet possible to file for a single EU-wide patent that would be administered and enforced like the Community Trademark (see below). For the moment, the most effective way for a company to secure a patent across a range of EU national markets is to use the services of the European Patent Office (EPO) in Munich. It offers a one-stop-shop that enables rights holders to get a bundle of national patents using a single application. However, these national patents have to be validated, maintained and litigated separately in each Member State.

Key Links: http://ec.europa.eu/internal_market/indprop/index_en.htm
<http://www.european-patent-office.org/>

Trademarks

The EU-wide Community Trademark (CTM) can be obtained via a single language application to the Office of Harmonization in the Internal Market (OHIM) in Alicante, Spain. It lasts ten years and is renewable indefinitely. For companies looking to protect trademarks in three or more EU countries the CTM is a more cost effective option than registering separate national trademarks.

On October 1, 2004, the European Commission (EC) acceded to the World Intellectual Property Organization (WIPO) Madrid Protocol. The accession of the EC to the Madrid Protocol establishes a link between the Madrid Protocol system, administered by WIPO, and the Community Trademark system, administered by OHIM. As of October 1, 2004, Community Trademark applicants and holders are allowed to apply for international protection of their trademarks through the filing of an international application under the

Madrid Protocol. Conversely, holders of international registrations under the Madrid Protocol will be entitled to apply for protection of their trademarks under the Community Trademark system.

Key Links: <http://oami.europa.eu/>
<http://www.wipo.int/madrid/en>

Designs

The EU adopted a Regulation introducing a single Community system for the protection of designs in December 2001. The Regulation provides for two types of design protection, directly applicable in each EU Member State: the registered Community design and the unregistered Community design. Under the registered Community design system, holders of eligible designs can use an inexpensive procedure to register them with the EU's Office for Harmonization in the Internal Market (OHIM), based in Alicante, Spain. They will then be granted exclusive rights to use the designs anywhere in the EU for up to twenty-five years. Unregistered Community designs that meet the Regulation's requirements are automatically protected for three years from the date of disclosure of the design to the public.

Key Link: <http://oami.europa.eu/>

Trademark Exhaustion

Within the EU, the rights conferred on trademark holders are subject to the principle of "exhaustion." Exhaustion means that once trademark holders have placed their product on the market in one Member State, they lose the right to prevent the resale of that product in another EU country. This has led to an increase in the practice of so called "parallel importing" whereby goods bought in one Member State are sold in another by third parties unaffiliated to the manufacturer. Parallel trade is particularly problematic for the research-based pharmaceutical industry where drug prices vary from country to country due to national price Regulation.

Community wide exhaustion is spelled out in the Directive on harmonizing trademark laws. In a paper published in 2003, the Commission indicated that it had no plans to propose changes to existing legal provisions.

Key Link: http://ec.europa.eu/internal_market/indprop/tm/index_en.htm

Due Diligence

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The Romanian business environment presents its own unique challenges, in addition to standard issues, such as incorporation, obtaining permits, payment of fiscal liabilities, IPR registration, contract preparation, collection or commercial disputes. U.S. companies doing business in Romania are advised to engage local reputable legal counsel. Romanian law firms are increasing in number and quality; numerous American and other foreign firms are represented as well in association with Romanian firms, as required by law.

Romania's contract law is set out in the Civil Code (which follows closely the French Civil Code) and the Commercial Code (which is modeled on the Italian Commercial Code). Generally, the specialized body of law, e.g., the Commercial Code, has precedence over the general body of law, the Civil Code.

Romanian law recognizes the existence of mortgages for immovable property and pledges for movable property. Thus, assets can be pledged as collateral for loans and as guarantees.

To protect the interests of creditors, Romanian law provides for the right to request forced execution against debtors' assets, the right to request the cancellation of legal acts that breach the creditors' rights, the right to request the taking of various measures for the purpose of preserving the debtor's patrimony (e.g., seizure by court order of assets to satisfy a due amount, the right to intervene in trials related to the debtor's assets, etc.), the right to start court actions in relation to certain rights of an inactive or negligent debtor.

Romanian bankruptcy legislation provides creditors the possibility to force insolvent companies to go either into reorganization or liquidation. If a company is able to overcome the incapability to pay its debts, by reorganization, it may not be necessary to go into liquidation. Nevertheless, if the reorganization is not successful, the judge will order the start of the liquidation procedure. Unfortunately, the lack of specialization of judges and lawyers in the bankruptcy field makes it difficult to bring such cases to court, and to obtain consistent outcomes.

Romanian justice continues to be slow and bureaucratic. Therefore, avoiding conflicts of any type is the best policy. It is strongly recommended that sales be based on confirmed irrevocable letters of credit opened with banks that are correspondents of American banks or are confirmed by such banks. Investors should conduct thorough due diligence. When possible, contracts should provide for international arbitration.

The U.S. Commercial Service maintains a list of law and business advisory firms with expertise in both Romanian and U.S. law, which is available upon request.

Given the above considerations, comprehensive due diligence should be performed whenever specific circumstances relating to a planned transactions clearly reflect a legal risk which could harm the parties. The legal due diligence process entails the review of all legal aspects pertaining to a transactions such as: corporate documents, historical evolution of the shareholding structure of a company, compliance of corporate decisions with the law and the company's articles of incorporation, legal status of assets, legal compliance of documents by which assets (both movables and real estate) have been acquired and sold, legal status of intellectual property rights, analysis of contracts concluded by that company, ranging from financing contracts up to distribution contracts, competition law issues, legal status of employees, legal compliance of collective bargaining agreements and individual employments agreements, compliance with regulatory requirements in relation to the company's business, checking the existence and lawfulness of all necessary approvals, authorizations and permits issued by different public authorities, legal compliance with environmental requirements and the status of litigation involving the company.

Perhaps the most complicated part of a legal due diligence is the review of information regarding assets, especially real estate. Apart from the fact that it takes time and skill to identify and collect the relevant documents, it is essential to fully comprehend their legal effects, in particular when it comes to the historical transfer of ownership, by spotting the deficiencies that might lead to legal hazards, and finally to advise the investor on the most effective approach of such data in negotiations process of the transaction.

In the past years, in Romania, the most complex legal due diligence operations have been performed in real estate transactions, banking transactions, mergers and acquisitions, including privatizations. As a consequence, Romanian law firms have acquired in this respect a considerable expertise, approximating the thoroughness which foreign investors are used to in western jurisdictions. Understanding the business culture of U.S. companies, as well as their specific needs in complex transactions, allows Romanian lawyers to adopt the most professional approach in searching for practical solutions, eliminating risks and insuring a positive and profitable outcome of the transactions.

Besides the list of law and business advisory firms with expertise in both Romanian and U.S. law, U.S. companies may also consider using the International Company Profile service offered by the U.S. Commercial Service (http://www.buyusa.gov/romania/en/international_company_profile.html).

Local Professional Services

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Local business service providers offering clear value to US firms exporting on the Romanian emerging market are available on the website of CS Bucharest, Romania: http://www.buyusa.gov/romania/en/business_service_providers.html

Local service providers focusing on EU law, consulting, and business development can be viewed on the website maintained by the Commercial Service at the U.S. Mission to the European Union at: www.buyusa.gov/europeanunion/services.html

For information on professional services located within each of the EU member states, please see EU Member State Country Commercial Guides which can be found at the following website: <http://www.export.gov/mrktresearch/index.asp> under the Market Research Library.

Web Resources

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Ministry of Justice's Trade Registry
<http://www.onrc.ro/english/services.php>
Ministry of Economy and Finance
<http://www.mefromania.ro/>
European Union legislation database
<http://eur-lex.europa.eu/>
European Ombudsman
<http://www.ombudsman.europa.eu>

European Commission, DG Health and Consumer Protection, Consumer Affairs
http://europa.eu.int/comm/consumers/cons_safe/prod_safe/index_en.htm
European Committee for Electro-technical Standardization
<http://www.cenelec.org>
<http://www.cenelec.org/Cenelec/Homepage.htm>
European Telecommunications Standards Institute
<http://www.etsi.org>
European Committee for Standardization
<http://www.cenorm.be>
American National Standards Institute
<http://www.ansi.org>
New Approach Standardization in Europe
<http://www.newapproach.org>
ETSI Collaborative Portal
http://portal.etsi.org/Portal_Common/home.asp
The CEN Information Society Standardization System
[http://www.cenorm.be/cenorm/workarea/sectorfora/isss\(ict\)/index.asp](http://www.cenorm.be/cenorm/workarea/sectorfora/isss(ict)/index.asp)
European Commission, Enterprise, Single Market, NANDO INFORMATION SYSTEM
<http://europa.eu.int/comm/enterprise/nando-is/home/index.cfm>
Government-to-Government Mutual Recognition Agreement Information
<http://ts.nist.gov/ts/hdocs/210/gsig/mra.htm>
European Cooperation for Accreditation
<http://www.european-accreditation.org>
New Approach Standardization in the Internal Market
<http://www.newapproach.org/Directives/DirectiveList.asp>
European Commission, Enterprise, Technical Regulations Information Systems
<http://europa.eu.int/comm/enterprise/tris>
<http://www.profitromania.ro>
<http://index2000.tradeholding.com/default.cgi>
<http://www.b2b-bestof.com>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Agricultural Sectors

The Foreign Agricultural Service provided information can be found at this link. For more information about opportunities in the agricultural sector please contact: Susan Reid, Agricultural Attaché - Bulgaria, Romania, Moldova, Email: susan.reid@fas.usda.gov OR reidsj@state.gov

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Car (motor vehicles market)	2006	2007 (estimation) (USD Millions)	2008 (estimation)
A) Total Market Size	5,650	6,955	7,970
B) Total Local Production	2,320	2,750	4,060
C) Total Exports	730	1,595	2,610
D) Total Imports	4,065	5,940	6,520
E) of which: Imports from the US	70	50	65

The above statistics are unofficial estimates.

The Romanian market has taken the lead in Central and Eastern Europe in regards to the increase in the import of new vehicles. Imports have surged by 290% in 2004-2006

up from 95% in 2001-2003 (according to a study conducted by Unicredit Group). New car sales including commercial vehicles and buses went up 23 percent last year against the previous one, according to statistical data released by the Association of Car Producers and Importers (APIA).

New passenger car sales reached 315,621 units in 2007, rising 23.1 percent against the 256,364 units sold in 2006. Bus sales increased 28.8 percent last year, from 2,513 to 3,237 units. Commercial vehicles sales climbed 25.3 percent from 38,285 to 47,961 units.

A total of 366,819 units were sold on the Romanian market last year, rising by 23.4 percent against the 297,162 units sold in 2006. The total amount of sales of new cars increased to USD 6.9 billion in 2007, from USD 5.6 billion in 2006.

This development pace has left Bulgaria, Turkey and the Czech Republic trailing Romania.

The number of new car registrations in Romania increased by 26.3 per cent in 2007, at 312,532 units (from 247,518 units in 2006), with a 27.1 per cent increase rate in December 2007 (24,143 units) according to preliminary data published by the European Automobile Manufacturers' Association (ACEA). Thus, Romania ranks eighth in Europe by number of new vehicles registered in 2007. Germany (3.148 million vehicles), Italy (2.49 million) and France (2.06 million) are placed on the first three positions.

The boost in the automotive sector has led to an increase in foreign direct investment. According to Unicredit analysts, Romania ranked 5th as an automotive investment destination in 2005, thereby attracting 5% of the US\$31,92bn ploughed into the development of automotive production facilities.

The biggest share of the investment was attracted by Renault's activity at Automobile Dacia. By that measure Romania ranked top of the list according to the production appreciation rate that stood at an average of 30% in 2002-2006.

If we take into account the appreciation of the exporting pace within this area, Romania comes out on top with a 300% rate in 2004-2006. Over this period, automotive exports accounted for 5% of the US\$ 86.12bn worth in Central and Eastern European automotive exports.

Currently, only one company is producing passenger cars and commercial vehicles in Romania: S.C. Automobile Dacia Group Renault S.A. in Pitesti. SC Daewoo Automobile Romania SA in Craiova stopped its production in July 2007, and was privatized in October 2007, being bought by Ford Motors Co. In addition to the USD 82 million, paid to the Government of Romania for their 72.4% stake in Automotive Craiova, Ford has also committed to spending another USD 978 million to upgrade and modernize the plant. By 2012, the company expects to be spending around USD 1.4 billion a year in Romania to support the Craiova operations. The privatization is subject to EC approval.

Ford has stated its intent to manufacture more than 300,000 units per year at the Craiova factory. Combined with Renault-Dacia's production, the Romanian automobile industry could reach 650,000 units in 2010.

The number of Dacia automobiles registered in Europe increased in 2007 by 24.7 per cent up to 172,834 units, against 138,603 units in 2006. The market share of the Romanian brand increased from 0.9 per cent in 2006 to 1.1 percent in 2007. In Western Europe, the number of Dacia automobiles registered in 2007 rose by 96 per cent, to 68,815 units, against 35,101 units the year before.

Besides these two major vehicle manufacturers, there are more than 300 companies operating as manufacturers of auto parts, sub-assemblies and components, most of them SMEs, which have evolved as a result of the restructuring process, the privatization with external companies, or through the relocation from abroad of certain manufacturing units, as well as through green-field investments.

Most of the Romanian suppliers are not 100% local companies; they rather consist of joint venture partners, in which the Romanians provided the production halls, utilities and engineering services, whereas the major brands from the international car manufacturing industry brought in their know-how and raw materials. These JVs are producing for both the domestic market (mostly for Renault-Dacia) and the overseas markets.

According to market sources, Romanian manufacturers of auto parts will reach in 2007 a turnover of US\$ 5.44 billion with an increase of 53.3% compared to 2006. As consequence, the total automotive market, including motor vehicle sales, will reach US\$ 10 billion.

At the same time, the foreign investments in the sector reached about US\$ 3.99 billion in 2006 .

For 2007 – 2008, the Romanian Agency for Foreign Investment (ARIS) announced ten new projects which are still under a confidentiality agreement and whose value amounts to almost US\$ 39.68 million. Their social impact consists of 3500 potential jobs.

The main activity of these auto parts manufacturing companies is related to the manufacturing of metallic, plastic and rubber components, in addition to the electrical and electronic components production which, in most cases, is based on inward processing (labor force exclusively).

An overview of Romanian foreign trade in the auto parts area (components) over the nine months of 2007, shows a positive balance, as exports exceeded imports by US\$ 502.98 million. The figure is close to that registered in 2006 for the entire year (according to Eurostat). In regards to the balance of trade with the USA, last year the deficit was US\$ 3.25 million, for the first nine months of 2007, imports registered only US\$ 1.03 million while exports registered US\$ 8.72 million.

For the figures above, automotive parts, such as chassis, bodies and electrical parts were taken into account.

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The following are being identified as best prospects for the U.S. companies, exemplified by companies already active on the Romanian market:

- Electric and electronic systems
Lisa Draxlmaier (Germany), Delphi Packard (U.S.), Kromberg& Schubert (Germany), Alcatel (France), Lear Corporation (U.S.), Alcoa Fujikura Inc. (U.S.-Japan), Leoni Wiring Systems (Germany), Sumimoto Electric Wiring Systems, Yazaki Corporation (Japan), Valeo (France), Siemens Automotive (Germany), Ruwel AG (Germany); Schneider&Oechsler International (Germany); Marquardt Schaltsysteme (Germany)
- Heating /Air conditioning Systems
Continental (Germany), Valeo (France), Calsonic Kansei (Japan)
- Exhaust systems
Borla (U.S.), Cortubi, Honeywell Garrett (U.S.)
- Plastic and rubber components
Baumeister&Ouslet (Germany), Solvay-Inergy (Belgium), Phoenix AG (Germany), Dow Automotives, AD Plastik (Croatia), Simoldes Plasticos (Portugal), BOS Automotive; Hutchinson (France)
- Gear boxes
Daimler Chrysler (Germany), DCI Wallbridge (U.S.), Star Transmission (Germany)
- Chairs
Johnson Controls (U.S.), Faurecia (France)
- Tires, Steel Cables
Continental (Germany), Michelin (France), Pirelli (Italy)
- Steering Wheels
Takata Corporation (Japan), Eybl International AG (Germany), Momo (Italy)
- Wheels
Magneto Wheels (Italy)
- Bearings
Koyo Seiko (Japan), SNR Roulments (France), Ina Schaffer (Germany)
- Springs
Thyssen Krupp (Germany)
- Chassis
Auto Chassis International (France), Dura Automotive System (U.S.)
- Casting parts
Lomond Continental Castings (Scotland)

Forecasts for open/extended production facilities:

- Thermopol (UK) – silicon - rubber tubes
- Sil Met (Italy) – bodyworks and car ornaments for Audi, BMW, Bentley, Ferrari, Alfa Romeo
- BOS Automotive Products (Germany) – textiles for car interior for Renault, DaimlerChrysler, Ford, VW, BMW, Porsche, Opel, Audi, Toyota, Land Rover, Fiat.
- Plastic Engineering (UK) - plastic components
- Mapsa (Spain) - aluminum wheels
- Honsel (UK) - aluminum cylinder
- Wagon Automotive (UK) - car components
- Trelleborg Automotive (Sweden) - new production line for components for chassis and engine blocks

Application of the ISO 9000:2000, ISO TS 16949 and ISO 14000 related to the environmental and management systems is considered a plus for companies interested in penetrating the sector.

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The auto parts industry has a favorable outlook due to the growth of the domestic and external markets. The investments made by the multinational companies, as integrators of products, have fostered increased competition at the national level, stimulating improved quantities and quality of production allowing the overall Romanian automobile sector to become more competitive in the world market. An increasing tendency, towards the creation of clusters of companies has been reported as well as the addition of new Romanian companies to the networks of suppliers for multinationals.

To regulate the second hand vehicle market the Romanian Government levied a tax for first registration, which takes into account the age of the car, and the pollution it creates. The effect on the second hand car market was that all the imported cars were under 10 years old.

The European Commission called Romania's first-time registration tax a breach of the country's European Union accession treaty. The body has asked the government to modify the tax and eliminate discrepancies in the way it is applied, as it exempts used cars originating from Romania and taxes those brought from abroad.

Currently, this tax is subject to negotiation with the EC and could be modified in February 2008.

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Automotive Manufacturers and Importers Association: www.apia.ro

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USD billions	2006	2007	2008 (estimation)
A) Total Market Size	6.8	10.2	13.2
B) Total Local Production	4.4	6.9	9.3
C) Total Exports	0.45	0.6	0.8
D) Total Imports	2.4	3.2	10.4
E) of which: Imports from the US	0.3	0.4	0.6

The above statistics are unofficial estimates.

The Romanian construction market is currently focused on major infrastructure projects (highways, roads, bridges, railways) directly related to the so-called "European corridors IV and IX" projects. Significant opportunities are also expected in conjunction with the

development of much-needed residential and industrial buildings and logistic parks.

Romania has 384 houses (dwellings) per 1,000 inhabitants compared to 486 houses per 1,000 inhabitants in the EU. In terms of livable area per capita (14.6 square meters), Romania is far below the EU average.

To reach the minimum EU Standards, 820,000 houses are to be built (equivalent 90 millions sqm). According to the figures posted by the Romanian Association of Builders, in 2007 the value of domestic construction projects was approximately USD 14,5 billion.

The growth of the market is impressive especially in terms of real value, rather than volume, because of the rising cost of construction materials and manpower. Overall, the sector remains one of the most dynamic in the Romanian economy.

Competition remains fierce in a market where newcomers (generally, foreign companies) have gained significant market share, at the expense of smaller Romanian companies. Examples of such contractors are Bechtel (US), Strabag (Germany), and Vinci (France) – involved especially in large projects for road building and rehabilitation are Diekat (Greece), Astaldi (Italy), etc.

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Following the 2007 spate of floods the construction demand received a boost, which triggered an increase in the construction value. In 2008 the constructions market was estimated at USD 19.5 billion, up 30 % from 2007.

In 2007 relaxed credit conditions have led to a 40-50% increase in dwellings. In fact relaxed credits and massive investments have sparked a record boost to construction materials consumption, which went up to USD 10.2 billion, especially in logistic parks, business centers, hypermarkets and malls. Cement and brick producers have been overtaken by demand leading to a decision to put forward substantial investment in the production capacity and mark up prices by 15-20%.

The unit price per sqm is expected to increase by 20 – 25% compared with 2007, pushing companies to find new alternative energy and to save building materials in order to maintain their competitiveness on the market.

Romania is currently experiencing the highest growth rate in the construction sector across the EU. In September 2007 the growth rate hit 40% while the EU average only stood at 2,7%.

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The strongest areas of opportunity for U.S. exports and investment potential include construction of roads (there are 15 road priority programs), the modernization of the railway system and the upgrading of 17 regional and 3 international airports - the area where the EU has made a \$35 billion investment commitment.

Romanian Companies may need the support of American technology to produce alternative building materials, which reduce energy consumption and are environmentally friendly.

According to one forecast, more hypermarkets and cash & carry facilities are likely to be constructed in Bucharest and elsewhere in the country in 2008. Competition from such investors is also increasingly evident in the area of residential construction.

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Defense Industry

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Defense Industry Market estimation (USD millions):

	2006	2007	2008
Total Market Size	1,695.0	1,895.6	2,120.0
Total Local Production	1,355.0	1,517.6	1,699.7
Total Exports	60.0	66.0	72.6
Total Imports	400.0	444.0	492.9
Imports from the U.S.	40.0	45.0	73.9

Note: The above statistics are unofficial estimates based on SC ROMARM SA and CN ROMTEHNICA SA data

Based on past history and future potential, Romania's defense industry represents a complex and dynamic sector, which continues to be attractive for U.S. and foreign investors.

Following 15 years of post-Communist transition, Romania became a NATO member on March 29, 2004. The enormous task of reducing large, antiquated forces, a holdover from the Warsaw Pact days, and modernizing them to meet NATO requirements represent a top priority of the Romanian government Agenda and does not come without a price tag for Romania's economy.

Starting in 2003, Romania spent yearly in average 2.4% of its total GDP on defense, which was above NATO's guidelines of 2%. Starting in 2007, the Romanian Armed Forces consist exclusively of professionals and have a balanced budget in respect with the NATO commitments, of USD 2.5 billion.

Defense expenditure is expected to remain between 2.4% and 2.6% of GDP throughout the next period, as Romania steps up its efforts to meet NATO interoperability. It is likely that between 35-40% of the defense budget was allocated to upgrades and modernization during 2005 to 2007, with a large proportion of the remainder being used as personnel costs, pensions and redundancy packages. This trend is likely to continue into the foreseeable future.

Romania's defense industry is likely to increase in accordance with the armed forces restructuring process and the modernization programs of the defense technology and systems modernization programs.

At present, the Romanian defense industry is capable of producing equipment that meets NATO standards: artillery, avionics equipment, helicopters and large range of different caliber arms, communications systems, electro-optics and explosives.

Developing projects that cover the country needs and EU and NATO interest is something that the U.S. Embassy urges you to do and this creates room for companies ranging from consulting to high tech implementation.

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The current situation of Romania's Defense Industry and major trends indicate that the sector's major procurement opportunities in the foreseeable future will be related to the following projects:

- Establishing joint ventures with US partners, and other kinds of cooperation in terms of co-production and marketing of:
 - Armored vehicles on wheels and on tracks;
 - Infantry weapons and ammunition;
 - Artillery systems and ammunition;
 - Missiles systems and rockets;
 - Powders, explosives;
 - Equipment and subsystems;
 - Low and medium altitude radar systems;
 - Used US fighter aircraft upgrades
- Participating in several investment projects, such as in non-ferrous rolled goods and iron cast parts protection.
- Participating in the defense industry privatization process, where U.S. investors will be able to purchase stock.

The best potential sales opportunities for US firms can also be found in the major ongoing acquisition programs being carried out by the Romanian Armed Forces (Land, Air and Navy) as follows:

Major ongoing acquisition programs of the Romanian Land Forces:

- **Romanian Upgraded Tank TR-85M1 Program.** Goals: To improve mobility, protection, communication systems (using hopping frequency radio stations) and night operations (using thermal imaging); to increase firepower (especially using APFSD ammunition) and to improve the turret stabilization; to achieve modernization and assure logistic support in national industries.

- **Infantry Fighting Vehicle MLI – 84M Program.** Goals: To increase firepower by equipping with OWS-25R turret and antitank Spike missile launcher; to improve mobility through the use of a new type of engine, increase protection, implement new communication systems with hopping frequency radio stations and C2 system and night operation by using IR devices.
- **Multi Launcher Rocket System (LAROM – ACCS SYSTEM) Program.** Goals: To increase performance parameters (range, fire power, accuracy, mobility); to integrate a 45 km range rocket; to implement a fire control system (ACCS).
- **35 MM Air Defense Self-propelled System Program.** Goals: Production technology transfer to the National Company ROMARM of GEPARD system overhaul; to provide Romanian Armed Forces with two air defense battalions.
- **35 MM Air Defense Towed System Program.** Goals: Production technology transfer to the National Company ROMARM for the 35 mm air defense towed system; to assure the capability to engage light armored targets; to deliver three air defense battalions to the Land Forces for night and day operations.
- **UAV System Shadow–600 Program.** Goals: To assure the interoperability with NATO systems for Intelligence Surveillance Reconnaissance; to maintain operational two UAV squadrons (Shadow-600) capable of independent operations; to provide capabilities for reconnaissance missions, surveillance and target acquisition and sending video images in real time from tactical targets to ground stations within a range of 200 km; to provide the capability for search and rescue missions for military and civilian requirements in war or peace time (e.g. antiterrorist support, natural disaster)

Major ongoing acquisition programs of the **Romanian Air Force**:

- **C-130 Hercules Program.** Romania has made it a top priority to improve its airlift capabilities. In January 2004 the Romanian government reached agreement with the US government for the acquisition of an additional former USAF C-130 Hercules in addition to upgrading the four C-130s already in service. The US' willingness to provide funding is no doubt influenced both by Romania's participation in the US-led War on Terrorism and the possibility that the aircraft will be offered to NATO once upgraded. Romania reportedly wants to buy an additional five C-130s by 2012, with plans to maintain the fleet through a service center in Bucharest.
- **IAR–99 SOIM Program.** Goals: To integrate modern avionics and a weapons management system similar to the MIG-21 LANCER on the IAR-99 platform; to acquire one IAR-99 SOIM squadron and one prototype; to provide training for MIG-21 LANCER pilots; close air defense with highly accurate fly features; and training for military pilots in the second stage of preparation for IV generation fighters.
- **Helicopter IAR-330 Upgraded with SOCAT System Program.** Goals: To make Puma Helicopter NATO compatible; to provide two PUMA multi-role helicopter squadrons for achieving combat missions (antitank, reconnaissance and real time data transmission), SAR, troops and equipment transportation, day and night (including NVG) low level – “head out” flights, secure communications, EW protection and accurate navigation in adverse weather operation conditions; to provide one upgraded PUMA helicopter squadron earmarked for transportation in compliance with NATO standards.
- **Radar for Medium and Low Altitude Surveillance, Gap Filler Program.** Goals: To provide air surveillance together with radar system FPS 117 for altitudes less than 3000 m; to assure compatibility with SCCAN system for providing the Recognized Air

Picture for the national defense; to develop Romania's capacity to assemble and integrate the system for logistical support cost reduction.

- **National Air Command and Control System Program.** Goals: To assure the management of military and civilian air traffic and air police missions; to disseminate the Recognized Air Picture; automatic procession and dissemination of military and civilian flight plans; search and rescue missions in different areas; law enforcement (support of low altitude fight against illegal operations).
- **Identification Friend or FOE System Program.** Goals: To achieve a unique identification friend or foe system by using radars with the following features: identification of flying targets within Romanian airspace; provision of extra information on any kind of target; provision of this kind of equipment for all services.
- **Technical Ground Assistance System for Air Navigation Program.** Goals: To provide full support for three air bases equipped with ground navigation systems in order to assure the interoperability with similar systems used by NATO member countries; the most secure flight conditions for all kinds of aircraft under all types of weather conditions; at least five extremely secure landing procedures, achieve secure communication and obtain information with a secondary category precision; optical information for a secondary category landing operation; receive radar information protected against electronic countermeasures and able to provide the target identification friend or foe.

Major ongoing acquisition programs of the **Romanian Naval Forces**:

- **Preparation for the Phase II of Modernization of type 22 Frigates Program.** Goals: To increase the support necessary to participate in international missions: air defense capability and EW, combat system, ship to ship missiles, secured integrated communication systems, ASW.
- **Helicopter IAR-330 Upgrade for Naval Missions Program.** Goals: To convert the PUMA helicopter into an multi-role naval helicopter NATO compatible; to provide three PUMA naval helicopters for performing naval missions, ASW, ASuW, SAR, troops and equipment transportation, day and night including NVG, low level – “head out” flights, secure communications, EW protection and accurate navigation in adverse weather conditions.
- **The Black Sea Safety and Security Program (SCOMAR):** US consultant, Booz Allen Hamilton, has completed a preliminary feasibility study of the project.

Major ongoing acquisition programs for Common Defense Services Support:

- **RTP/STAR Program.** Goals: To assure the interoperability with NATO Systems; to achieve NATO compatible strategic communication system; to assure continuous, flexible, secure connection among military units inside national border in peace or wartime.
- **STAR-RADIO Program - Tactical Communication System.** Goals: To provide Romanian forces with hopping frequency radio stations capable of transmitting secure data, voice and video images; to improve the command and control process efficiency.

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Romania's defense industry is set to mature considerably as a result of active support from the government to privatize some of its sectors, but remains relatively small compared to its European counterparts.

In 2008/2009, will be launched a series of extremely generous programs aiming the military equipment endowment:

- Land Forces: Procurement of armored and light vehicles, armored conveyors for land forces troops-estimated budget USD 1.28 million
- Air Force: Future military expenditure is likely to focus on replacing its ageing fleet of MIG-21 aircraft. To comply with NATO standards, the Romanian air force has requested 48 fourth-generation multi-role aircraft. The Saab JAS 39 Gripen fighter aircraft, the Boeing F/A-18, the Lockheed Martin F-16 and refurbished Air Force F-16 multi-role fighter aircraft are under consideration – estimated budget over USD 3 billion. Procurement of a ground-to-air missile system is also a necessity. Total estimated budget is USD 5.76 million.
- Naval Forces: Procurement of mine hunter vessels and multifunctional corvettes – budget estimated at over USD 9 billion to be spent during the next ten years.

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Ministry of Defense: www.english.mapn.ro

Armaments Department: www.dpa.ro

National Company ROMTEHNICA SA: www.romtehnica.com.ro

Ministry of Economy and Commerce, Defense Industry Department: www.minind.ro

National Company ROMARM SA: www.romarm.ro

Romanian Civil Aeronautical Authority: www.caa.ro

National Agency for Controlling Exports of Strategic Products (ANCEX): www.ancex.ro

Association of Romanian Defense Producers (PATROMIL): www.patromil.ro

<http://www.bsda.ro>

<http://www.expomil.ro>

Electrical Power Equipment

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Million USD	2006	2007	2008 (estimation)
A) Total Market Size	650	682	700
B) Total Local Production	280	294	300
C) Total Exports	30	28	30

D) Total Imports	400	416	430
E) of which: Imports from the US	40	42	45

The above statistics are unofficial estimates.

According to the Ministry of Economy and Finance, the total investments in the energy sector, including the renewable one, will rise up to \$45 billion by 2020. The European Union has earmarked \$405 million for energy efficiency projects in Romania, out of which \$180 million are allotted to renewable energy projects over the period 2007-2013.

TERMOELECTRICA SA is the main Romanian power and heat producer. Thermal power generation is based on fossil fuels: lignite, hard coal, natural gas and liquid fuel. Termoelectrica is a joint-stock commercial company, state-owned, and under the authority of the Ministry of Economy and Finance. The company, with a total installed capacity (by December 31st, 2005) of 5520 MW, includes the following subsidiaries: Electrocentrale Bucuresti S.A. (2008 MW), Electrocentrale Deva S.A. (1260 MW) and Electrocentrale Galati S.A. (535 MW). The company also has 4 branches for electricity and heat generation, 1 branch for assets evaluation and 12 maintenance centers with each its own legal entity.

TURCENI SA, ROVINARI SA, CRAIOVA SA are the main coal-fed thermal power energy complexes. Mining exploitation was affected by the 2004 reorganization and reengineering of the power generation lignite-based sector.

HIDROELECTRICA SA is responsible for hydropower production, managing 350 hydropower plants and pumping stations with an installed capacity of 6,260 MW and with power generation in an average year of 17,298 GWh.

NUCLEARELECTRICA SA is responsible for nuclear power generation and nuclear fuel production and is the state-owned operator of the Cernavoda nuclear power complex. Cernavoda has a gross output of 706 MW. A consortium of Atomic Energy of Canada and Ansaldo of Italy, incorporating some American equipment, built the first unit, Cernavoda 1, a CANDU reactor with a capacity of 750 MW. Unit 2 became operational as of October 2007 and Cernavoda 1&2 now account for about 18% of electricity production in Romania.

TRANSELECTRICA SA, the electricity transmission company, has 8 transmission stations. Transelectrica is responsible for safe and efficient operation of the power system and the wholesale electricity market.

ELECTRICA SA, with 8 subsidiaries and 858 substations, is responsible for power distribution. The company has a portfolio of clients of about 8.5 million, out of which 7.9 million households and 0.6 million companies.

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Major rehabilitation and privatization programs of the Romanian energy sector scheduled to take place over the next years will lead to increased exports thereby stimulating the demand for increased energy products and services. The best prospects for U.S. companies are exports of electrical power systems and activities related to energy network design and construction, operation (including transportation,

transmission and distribution), maintenance and repair, installation and upgrading, wholesale customer activities (metering and billing, energy management), trading, brokering and sales activities, commodity and risk management, advisory activities, research and development, and bio fuel technologies.

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Major rehabilitation and privatization programs of the Romanian energy sector scheduled to take place over the next years will lead to increased exports thereby stimulating the demand for increased energy products and services. The best prospects for U.S. companies are exports of electrical power systems and activities related to energy network design and construction, operation (including transportation, transmission and distribution), maintenance and repair, installation and upgrading, wholesale customer activities (metering and billing, energy management), trading, brokering and sales activities, commodity and risk management, advisory activities, research and development, and bio fuel technologies.

Based on the objective of fully liberalizing the energy market during the next few years, several important developments have taken place in this sector such as the implementation of a deregulation process - based on the need of setting more market principles and free competition - as well as by promoting a sustained privatization and modernization process.

TERMOELECTRICA SA

According to the Romanian Government, "2008 has to be the privatization year for thermal power plants, or else some of them will have to be closed by 2010-2012 due to environmental non-compliance". The Romanian Government has decided to privatize the Craiova energy complex but it is pondering which of the Turceni and Rovinari complexes to include in the planned integrated state-owned power producer. In the case of the Braila, Doicesti and Borzesti power plants, the GOR has been opted for joint ventures where the state-owned companies would contribute their assets and the private investors would bring the cash. The Mintia and Paroseni power plants will remain state-owned for now.

HIDROELECTRICA SA

State owned electricity producer Hidroelectrica will hold three public tenders in February 2008, aimed at selling 16 micro hydropower plants, in batches, for a total amount of RON 24.29 million (EUR 6.9 M). Hidroelectrica intended to sell these 16 units since late 2006. The state-owned electric power producer also announced that during 2007-2008, it would sell over 100 micro hydropower units, having sold 48 such plants between 2004 and 2006.

NUCLEARELECTRICA SA

In 2007, Nuclearelectrica launched an international tender for building Units 3 and 4 of the Cernavoda nuclear power plant. Currently, the operator is negotiating with 6 selected investors that submitted binding offers: Electrabel Belgium, Enel Italy, Iberdola Spain, CEZ from the Czech Republic, Arcelor-Mittal from Romania and RWE from Germany.

The commissioning of Units 3 and 4 is expected for 2014 and respectively for 2015.

ELECTRICA SA

Privatization of the eight Electrica subsidiaries is estimated to yield more than \$1 billion. The first two, Banat and Dobrogea, were privatized in July 2004, followed by Oltenia and Moldova in 2005. In 2006, Enel SpA, Italy's biggest electricity utility, won the bid to acquire a majority stake in Romania's most profitable power distributor, Electrica Muntenia Sud SA, for \$1.06 billion. In 2008, the Romanian government is to embark upon the sale of another three distribution companies Transilvania Nord, Transilvania Sud and Muntenia Nord. No timeline has been announced.

RENEWABLE ENERGY

There are solid expectations that, over the next few years, Romania may become the main exporter of "green fuel" in Europe, with the Portuguese from Martifer, Germans from Ferrostaal, Argus Constanta and Rompetrol Group investing a total amount that exceeds 235 million Euros in the Romanian production of bio-diesel. According to the Ministry of Economy and Finance and the Ministry of Agriculture, in 2008, Romania will see a boom in its bio-diesel production. Based on experts' opinions, the Romanian bio-diesel production is estimated to be 400 thousand tones until 2008, mainly resulting from sunflower and from oilseed rape.

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- Ministry of Economy and Finance: <http://www.minind.ro>
- TERMoeLECTRICA SA: <http://www.termoelectrica.ro>
- HIDROELECTRICA SA: <http://www.hidroelectrica.ro>
- NUCLEARELECTRICA SA: <http://www.nuclearelectrica.ro>
- TRANSELECTRICA SA: <http://www.transelectrica.ro>
- EELECTRICA SA: <http://www.electrica.ro>
- Romanian Government: <http://www.guv.ro>

Franchising

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No. of Franchise Units in operation	2006	2007	2008 (estimated)
Total Market Size	240	280	300

Total Local Production	68	74	80
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	21	28	35

The above figures concern the franchises up and running with a developed network. The survey does not include the networks that have withdrawn from the market, such as CB Richard Ellis, which quit Romania after 6 years of operation. The survey also excludes the networks, which although operating like a franchise, have been developed by the mother company with a regional developer. This would be the case of Starbucks, whose operation does not rely on potential independent franchisees.

Franchise agreement term length: In Romania, the terms of the franchising agreements usually range between 2 to 6 years. Big franchisers tend to offer contracts with shorter terms in order to be able to adapt quickly to the changes of a developing market or still not established, like the Romanian market is. On the other hand, smaller franchisers, especially Romanian franchisers tend to offer longer-term franchise agreements thus, making sure on having the franchisees for a long time.

Profile of a Romanian franchisee: In Romania the number of male franchisees is smaller than female franchisees (47% men to 57% women). The age of the franchisees ranges between 36 and 46 years, but there's also a growing interest for franchising coming from young people with ages between 26 and 30 years old. Also, a significant number of franchisees have in their family circle another person that it is an entrepreneur (most of the times, the father).

Level of investments and entry fees: More than 50% of franchise systems in Romania require at least a \$50,000 initial investment, including the franchise fee. Around 25% of the franchise networks require more than \$ 100,000 for initial investment. In general, the medium overall sum invested by Romanian franchisees in their business is \$ 580,000. The smallest investment has been for Freaky Tattoos (Romania) - \$ 880, while the biggest has been over \$ 36 million – Ikea. The smallest franchise fee paid by a Romanian franchisee has been of \$60 for a CBA (Hungary) unit, while the biggest has been for Lush (UK) – \$ 300,000. The medium franchise fee is of \$ 29,000, yet over 50% franchise systems in Romania ask for a franchise fee smaller than \$ 15,000.

To analyze Romania's franchise market it is better to do a survey of the franchisors rather than relying on official data. The Romanian Chamber of Commerce and Industry, Trade Registry and the National Institute of Statistics do not specify for example, if a certain firm represents a franchisor or a franchisee. In the case of a franchisor, the statistical data does not breakdown into its activity as a franchisor, its activity as owner of its own franchise units and in certain cases, into the franchisor's extra activities in addition to the brand he owns and operates. With regard to the franchisee, no official data specifies the entity as a brand franchisee. Furthermore, the analyses, strictly based on the franchisor's informal statements, used to take into account even certain units, which had gone bankrupt the preceding year.

The Romanian Franchise Associations (just like in other countries, for eg. Brazil and Mexico) are inclined to exaggerate the real size of the local market in their assessment.

Unlike the optimistic analyses of the previous years, a recent survey shows that out of the approx. 450 brands present on the market, only 280 have opened up operational

franchise units, the remainder having set up just a franchising office in Romania or turn to a broker for assistance.

Furthermore, the optimism of the American brands that hoped to open up franchise units in 2007 was slightly unrealistic. Only 7 brands out of 46 opened proper networks.

The inflexibility of the American companies in maintaining the same franchising conditions in Romania as in the U.S. was detrimental to them and encouraged the emergence of the Romanian franchisors instead.

That would explain the delayed entrance of the US franchisors onto the Romanian niche market of the commercial and industrial cleaning services and the promotion of the Romanian companies in its place. The demand for this kind of services is continually increasing due to the exponential growth of the commercial space within shopping malls and supermarkets where the cleaning services are outsourced. In this niche market where Jani King or some other relevant US company would have become a market leader, a Romanian company is in the lead. One of them, Danymond Cleaning, and there are several other examples, franchised its operation at the beginning of 2007 by opening 15 units within a year – a unit every 24 days.

The Franchising Agreement

Master franchisee vs. Simple franchise

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80% of the contracts concluded by the US franchisors are of the Master franchisee type, whereas the European franchisors would go for such a contract only in 55% of the cases.

US franchisors also avoid the simple franchise. The rationale behind it concerns the remoteness of the franchisor's head office and the less rigorous European and Romanian legislation.

As concerns the development of the franchise network, 40% of the brands have developed a network of up to 3 units, and only 3.5% have more than 100 units within their network.

No. Of units	Franchise networks
1-3	40%
4-9	19%
10-60	17%
61-100	2%
Over 100	3,5%

The most expanded international franchise networks belong to Fornetti (Hungary) with 550 units, and ECDL (Ireland), with more than 400 units. These franchises are well adjusted to the local market with no need for large initial investments and based on relatively small operating costs (Fornetti) and as far as ECDL is concerned with contractual flexibility.

Investment Size	Franchises
<10000 USD	Galleria: 5 units, investment: USD 2,200 Dry Wall Team: 3 units, investment USD 5,870 Agentia Perfecta: 90 units, investment USD 7,334 Freaky Tattoos: 11 units, investment: USD 880 Placinte uriase Panayotis: 1 unit, investment: USD 2200

	<p>GS Bet: 31 units, investment: USD 2,933 Elvila: 18 units, investment: USD 2,933 Auguri: 40 units, investment: USD 5,134 Computer Troubleshooters: 13 units, investment: USD 5,867 ALO Canada: 6 units, investment: USD 7,334 Zile si Nopti: 18 units, investment: USD 7,334 Pronto Wash: 10 units, investment: USD 7,334 Family Motivation: 2 units, investment: USD 8,801 American Hot Dog: 6 units, investment: USD 9,534</p>
10001-20000 USD	<p>Agentia de Webdesign: 15 units, investment: USD 10,270 Danymond: 15 units, investment: USD 14,700 Credit Team: 5 units, investment: USD 11,735 Star Wash: 3 units, investment: USD 13,202 LMI: 5 units, investment: USD 13,202 Service Quality Institute (SQI): 40 units, investment: USD 13,202 Goldess: 2 units, investment: USD 14,667 Revital Saenciuc: 42 units, investment: USD 14,669 Safetec: 2 units, investment: USD 14,669 Alois Dallmayr: 100 units, investment: USD 14,669 Leonidas: 3 units, investment: USD 14,669 Bon Mariage: 5 units, investment: USD 14,669 Office 1 Superstore: 9 units, investment: USD 19,069</p>
20001-30000 USD	<p>SpaceArt Creations: 12 units, investment: USD 22,003 Pizza Corneto: 2 units, investment: USD 22,003 La Piadineria Dr Gusto: 7 units, investment: USD 22,003 Town & Country Hause: 3 units, investment: USD 22,003 Ticket Com: 10 units, investment: USD 22,003 Cartea Universitara: 5 units, investment: USD 25,084 Leonard Caffè: 3 units, investment: USD 29,338</p>
30001-60000 USD	<p>Volksbank: 60 units, investment: USD 34,472 Fun Science: 2 units, investment: USD 41,073 Expert Detailing: 3 units, investment: USD 57,209 Perfect Nails: 9 units, investment: USD 58,676 Hirsh Agentii Imobiliare: 6 units, investment: USD 58,676 Physiomins: 1 unit, investment: USD 58,676 Carpatica Dive Center: 1 unit, investment: USD 58,676</p>
60001-100000 USD	<p>Optinova: 2 units, investment: USD 70,412 ECCO: 2 units, investment: USD 73,346 Lemon Interior Design: 2 units, investment: USD 73,346 Mikit: 14 units, investment: USD 73,346 Balloide Photo: 1 unit, investment: USD 73,346 Coka Club: 1 unit, investment: USD 73,346 Caribu: 3 units, investment: USD 73,346 Ciufolici: 3 units, investment: USD 73,346 Gipo: 1 unit, investment: USD 80,680 Neoset: 15 units, investment: USD 88,015 AbOriginal: 7 units, investment: USD 95,349</p>
100001-200000 USD	<p>Broaster Chicken: 8 units, investment: USD 102,684 Wu Xing: 3 units, investment: USD 102,684 Bella Italia: 7 units, investment: USD 146,692</p>

	Premaman: 2 units, investment: USD 146,692 WSI: 1 unit, investment: USD 146,692 Pizza Nova: 2 units, investment: USD 146,692
200001-300000 USD	Silhouette: 4 units, investment: USD 220,038 CremCaffe: 2 units, investment: USD 220,038 Charanga: 1 unit, investment: USD 271,380 Oxette: 3 units, investment: USD 293,384 Comtesse du Barry: 1 unit, investment: USD 293,384 Tiffosi: 4 units, investment: USD 293,384
300001-500000 USD	Springfield: 3 units, investment: USD 440,076 Women'Secret: 2 units, investment: USD 440,076 BoConcept: 1 units, investment: USD 440,076
5000001-1000000 USD	Lush: 5 units, investment: USD 513,422 Terranova: 7 units, investment: USD 513,422 Calliope: 2 units, investment: USD 513,422 Esprit: 3 units, investment: USD 733,460 Sabion: 2 units, investment: USD 792,136 KFC: 18 units, investment: USD 500,000-1,000,000 Pizza Hut: 10 units, investment: USD 500,000-1,000,000 Mc Donald's: 51 units, investment: USD 580,000-806,000
> 1000000 USD	Ermenegildo Zegna: 1 unit, investment: USD 1,466,920 Debenhams: 1 unit, investment: USD 2,933,840 Ikea: 1 unit, investment: USD 36,673,000

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IMO Franchising Group- IMO Advertising
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Information Technology/Computer Software

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USD millions	2005	2006	2007
A) Total Market Size	146	168	195
B) Total Local Production	57	72	93
C) Total Exports	25	35	50
D) Total Imports	114	131	152
E) Imports from the US	85	98	119

Note: The above statistics are based on market research and advisory firms' (IDC, PAC, etc) reports, EITO publications and unofficial estimates.

The Romanian packaged software market continued to expand with annual growth rates of over 15%, reaching USD 168 millions in 2006 (+15%) and an estimated value of USD 195 millions in 2007 (+16%). Software represents only 12% of overall IT expenditure, and the market volume is still low when compared with other Central-Eastern European countries or with EU-27 average. However, the Romanian software market is one of the fastest growing in Europe, fuelled by a rapidly growing economy, high levels of foreign direct investment and modernization of infrastructure aimed at aligning the public sector with EU standards and norms.

Imports cover 70% of the local software market and more than 3/4 of all foreign software products in Romania are American. Practically all internationally well-known software producers are present on the Romanian market. At the same time, local software companies are increasingly involved in packaged software development, especially in ERP/EAS, antivirus, e-health and e-learning areas. A number of Romanian software products have gained success on the global market, generating substantial levels of sales or winning awards at an international level (BitDefender/Softwin security and antivirus product, Siveco's AeL eLearning platform, the Intuitext/Softwin e-learning suite or TotalSoft and Transart's ERP solutions).

In the last three years, multinational IT vendors and foreign investment funds made a number of acquisitions of, or investments in, Romanian companies. These include Siemens SBS' and Ness Technologies' acquisitions of IT service providers Forte and

Radix, investment by Intel Capital in Siveco Romania, TechTeam Global's purchase of offshore development specialist Akela Informatique, Adobe's acquisition of InterAKT, investments by American and European funds in TotalSoft, UTI or Romsys and many others. Recently announced are the acquisitions by groups of investment funds and angel investors of minority participation in Axigen/GeCAD and BitDefender/Softwin.

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Systems software and development tools market segment accounts for more than 50 % of overall local software expenditure and is dominated by US vendors Microsoft, Oracle and IBM. In December 2007 Microsoft announced more than 100.000 Windows Vista licenses sold in Romania.

The enterprise application solutions market is mainly represented by EAS (Enterprise Application Systems) with a value of USD 53 million in 2006 and a 17,5% year-on-year growth, according to IDC. The top three vendors (SAP, local player Siveco and Oracle) captured 65% of the Romanian EAS market. The large corporate and the government sectors are still the biggest spenders on EAS, but the market is progressively expanding into the small and medium-sized businesses segments. The top-selling EAS modules are the resources management and core functionalities, but an increasing demand is noted for more complex applications like customer relationship (CRM), supply chain (SCM), or business analytics, which are expected to grow rapidly in the next years. The largest vertical EAS spender in 2006 was the combined (process and discrete) manufacturing sector, followed by retail and utilities.

Spending on content and document management solutions (some USD 8 millions in 2007) is largely confined to the government and financial services sectors. The security software market (less than USD 15 millions in 2007), now dominated by Anti-Virus, and firewall/VPN software is changing with significant growth in the 3As (Authentication, Authorization, Administration) application sector. The market for applications related to technology management is still in an early stage of development.

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Higher spending on software applications is expected in the next two years, driven by economic growth and companies' efforts to improve business process efficiency and regulatory compliance and to compete in the EU marketplace. Another growth-generating factor will continue to be the government-supported implementation of such large IT projects as the development of information systems for public administration at both local and national levels and the expansion of e-government and e-commerce. Functional markets providing the best opportunities in the next period include EAS, BI, CRM, SCM, security, e-health and e-learning. Verticals like utilities, government, retail, manufacturing and telecommunications will continue to grow significantly.

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Pharmaceuticals

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USD millions	2006	2007	2008
A) Total Market Size	2,300	2,800	3,200
B) Total Local Production	490	593	673
C) Total Exports	30	33	33
D) Total Imports	1840	2240	2560
E) Imports from the US	184	224	256

The above are unofficial statistics.

The Romanian market for pharmaceuticals is constantly expanding. From July 2006 to June 2007 the Romanian pharmaceutical market grew by 20 %, i.e. it reached \$24 billion as compared to the same period in 2005-2006. From the beginning of the year up to November 2007, the Romanian pharmaceutical market grew by 14.8%. Forecasts indicate that in 2008 the same market will expand by approx. 15%, thereby reaching \$ 3.3 billion. The Romanian Pharmaceutical market has confirmed recent developments. The retail market has seen a massive boost, by 22.7%, as compared to the hospital (wholesale) market that decreased by 13.9%.

The main foreign players active in Romania are: GSK (Glaxo-SmithKline), Roche-Switzerland, Sanofi-Aventis, Novartis, Servier, Sandoz, Schering Plough, Eli Lilly, Merck Sharp & Dohme, Pfizer etc. New and more effective products supported by aggressive advertising campaigns have helped the foreign producers take advantage and compete with the best selling domestic drugs.

Romania has parted with the low levels of funding and poor incentives for efficiency. Every year special funds are allocated from the national budget (through the Health Ministry) and from the health insurance budget in order to finance healthcare programs in some vital medical fields, like HIV/AIDS, diabetes, cancer, and psychiatry.

Previously financed from government revenues, the healthcare funds are now raised mainly through mandatory contributions from individuals and legal entities. Some funding will continue to flow from the state central budget for specific projects (national health programs) and investments in healthcare facilities.

The reference prices are based on the lowest-priced product within a cluster of medicines.

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The pharmaceutical market is expected to maintain its buoyancy and growth rate to approximately 15%. Analysts are also considering a slight reduction in the growth rate, standing at 10%, due to the Health Ministry's declared intention to change the computation algorithm for prescribed pharmaceuticals prices to rally to the prices in countries that are fiercely competitive in what concerns their price policy.

Throughout the year to November 2007 all therapeutic groups have seen a strong increase. The most important upward developments in sales were registered by the

respiratory system group (31%), the blood and blood-creation organs group (30.7%), and the muscle and skeleton group (28.9%). There is a growing necessity for new products and innovative therapy destined to: cardiovascular and respiratory diseases, oncology and hematology.

The receptivity score represents the end-user receptivity to U.S. products from a scale of 5 extremely receptive to 1 not receptive. U.S. products are known for their high quality on this market. Innovative hospital usage drugs from the U.S. are well known and would thus attain a receptivity score of 4.

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The Romanian pharmaceutical manufacturing industry possesses well-trained specialists and large capacities for increased manufacturing. The production costs are much lower than the ones in Western Europe providing potential investors an incentive to increase investments in this sector. The conditions for registration of drugs are set by the EU.

The market trend represents trade opportunities for U.S. drug producers or healthcare managers, as well as for those wishing to establish or acquire private hospitals, health centers, clinics or drug manufacturing capacities in Romania.

The activity of the wholesalers follows the GDP rules, as demanded by the new laws and regulations. Standardization and quality management become more and more important, especially for the state contractors. All Romanian political programs pay special attention to the development of the healthcare system and to the possible improvements of financing in this area.

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Pollution Control Equipment

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Million USD	2006	2007	2008 (estimation)
A) Total Market Size	90	126	150
B) Total Local Production	40	55	55
C) Total Exports	10	13	15
D) Total Imports	60	84	110
E) of which: Imports from the US	6	8	10

(Million USD; Unofficial statistics that relate only to water equipment).

As required by the European Union, Romania needs investments totaling \$44 billion to implement the environmental protection standards by 2018, when all transitional periods negotiated with the European Commission will expire. The highest costs will fall under the “heavy environment investments” related to water and wastewater, solid and hazardous waste management, and large combustion plant air quality control.

Water and Wastewater

According to the Romanian Government strategy, priorities in allocating the investments mentioned above must focus on waste and wastewater, for which adequate treatment facilities must be built, to prevent them from turning into a permanent pollution factor. The cost assessment for building such facilities is approximately \$14.25 billion, out of which \$ 8.55 billion is for wastewater treatment and \$5.7 billion is for sewage systems.

A snapshot of Romania’s water sector is shown below:

With an average of only 2,660m³ water/inhabitant/year, compared with the European average of 4,000 m³ water/inhabitant/year, Romania is one of the relatively poor countries in water resources;

79% of the wastewater is untreated or insufficiently treated and flows directly into natural receivers; the investigation carried out in 2005 showed that there is a total number of 1,310 wastewater treatment plants and storage installations (both municipal and industrial), out of which only 37.6% have operated adequately.

Only 52% of Romania’s population of approximately 21.5 million inhabitants is connected both to running water and sewage services; population benefiting of the water supply system but not of the sewage system is about 16%; population benefiting neither of water supply nor sewage system is about 32%; 67% of rural areas’ inhabitants do not have access to water supply and more than 90% are not connected to sewage systems.

There are 1,398 treatment plants for drinking water, out of which 797 are producing drinking water for a population between 50 and 5,000 inhabitants and 601 are producing for more than 5,000 inhabitants;

25% of the public systems supplying drinking water for areas of more than 50 persons and less than 5,000 are not in compliance with the limit values for bacteriological parameters, turbidity, ammonia, nitrates, and iron, while 10% of the public system supplying drinking water for areas of more than 5,000 persons do not comply with the limit values for: oxidisability, turbidity, ammonia, nitrates, iron, taste and smell.

The water and wastewater services in Romania are under a reengineering process, aiming to establish efficient regional water and wastewater operators.

Waste management

The Romanian Ministry of Environment and Sustainable Development must invest \$6 billion in waste management.

Data regarding the management of waste in Romania makes distinction between municipal and production waste; even though the mining industry produces high

quantities of waste, specific regulations are still to be elaborated in order to meet the European Union requirements;

About 40% of the municipal waste components represent recyclable materials, out of which 20% can be recovered; only 2% of the recyclable materials generated is currently recovered, the rest being land-filled;

In urban areas, municipal waste management is carried out through specialized services, covering about 90% of the population, while none are existent in rural areas;

There are 252 municipal landfills, out of which 234 are not compliant with environmental standards; there are approx. 2,686 small dumping sites in rural areas.

From the total amount of production waste, excluding mining, only 30% is recovered, the rest being disposed of by land filling or incineration. There are only seven incinerators for hazardous waste in Romania and seven cement kilns are authorized for the co-incineration of waste.

The total number of industrial landfills in Romania is 169 out of which only 15 are in accordance with EU standards. The rest will be gradually closed.

There are 20 non-complying power plants that must change their disposal technologies in order to comply with environmental standards.

Air quality control

The Romanian Ministry of Environment and Sustainable Development estimates investments amounting to \$7.5 Billion (EUR 5 billion) are required for air quality control and management.

Particulate matters are the main pollutants in Romania and the level of exceeding the maximum admissible concentration is significant. The main sources of pollution with particulate matter are the thermal power plants using solid fuels, metallurgic and steel industries, cement factories, road transport, waste dumps and waste storage.

The Large Combustion Plants (LCP), which produce power and heat represent the main source of air pollution in many municipalities. In 26 of the largest municipalities in Romania, LCPs are the most important source of thermal energy and household hot water. The main pollution source from the LCP's are the fossil fuels (coal, fuel oil) used by these installations. They emit high concentration of particulates, nitrogen and sulphur oxides, which cause acid rain and pose a significant health risk.

There are 174 LCP's inventoried in Romania, including power plants and thermal plants, which use mainly fossil fuels. Only 7 LCP's are in compliance with the European Union requirements, while 157 LCP are non-compliant and 10 LCP are closed or in a closing procedure.

The market demand for environmental technologies will be influenced in the next years by Romania's efforts focused on reaching the European Union standards on environment.

The main environment sectors that will benefit of most investments are water and wastewater, waste management, followed by integrated pollution control and risk assessment.

Best prospect areas for such products and services are related to projects managed by municipalities and local governments (water supply, waste water treatment, solid waste minimization, recycling and disposal, district heating, mining waste), projects handled by individual companies (emissions and effluent reduction and treatment, pollution prevention measures, hazardous waste disposal, energy utilization, and soil remediation), projects related to the construction, modernization, or extension of landfill sites for both cities and villages or construction of deposits for industrial wastes, the creation of secure centralized deposits for dangerous waste, the establishment of incinerators for dangerous and clinical waste, and waste recycling.

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As a new member state of the European Union, Romania is required to reduce the environment infrastructure gap that exists between itself and the European Union, both in terms of quantity and quality. The Romanian Government has developed a Sectoral Operational Program Environment closely linked to the National Development Plan 2007 – 2013, which outlines investments and projects that are to be developed in this sector. The Romanian Government also entered into negotiations with various international financing institutions such as the World Bank, and the European Bank for Reconstruction and Development, which all have granted their support to environmental projects. For example, the European Investment Bank will grant a \$62.25 million (EUR 41.5 million) loan for the upgrade of the water system network and the treatment of the sewage water in five major cities: Baia Mare, Bistrita, Drobeta Turnu Severin, Pitesti and Ramnicu Valcea.

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Ministry of Environment and Sustainable Development: <http://www.mmediu.ro>

Romanian Water Association: <http://www.ara.ro>

European Union: <http://europa.eu.int>

World Bank: <http://www.worldbank.org>

European Bank for Reconstruction and Development: <http://www.ebrd.com>

United States Export Import Bank (US EXIM Bank): <http://www.exim.gov>

The Showcase Europe program run by the U.S. Department of Commerce's offices throughout Europe provides U.S. exporters a broader perspective on the European market. It is organized around eight leading sectors (listed alphabetically): aerospace & defense, automotive, energy, environmental, information & communications

technologies, medical & pharmaceutical, safety & security and travel & tourism. For more information on how to receive an assessment of your company's product potential in Europe, please visit: <http://www.buyusa.gov/quicktake>.

Safety & Security

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Safety & Security Market Estimation (USD millions):

	2006	2007	2008
Total Market Size	360.0	432.0	527.4
Total Local Production	112.5	157.5	204.8
Total Exports	49.0	68.5	89.0
Total Imports	296.5	343.0	411.6
Imports from the U.S.	178.0	198.0	210.0

Note: The above statistics are unofficial estimates. Statistics and reports are either non-existent or not reliable. The local production mainly represents spare parts assembling and integration in complex systems. Starting with 2007, the local market increased due to the maintenance and repairs market share development.

The fact that Romania recently became a NATO member increased its strategic importance in the Black Sea region and provided better cooperation with the U.S. This coupled with its recent accession to the EU, as well as possible resulting effects (e.g. increased risk of terrorist attacks) will undoubtedly spurn growth in the airport/port and border security market resulting in significant opportunities for much needed U.S. security technology and know-how. The market size for the airport & port security market can be estimated at a minimum USD 250 million in 2007 and with projections maintaining this trend for 2008 to 2009.

The Romanian market for safety and security equipment continues to be a promising market for U.S. suppliers. Industrial safety awareness is also on the rise, providing opportunities for U.S. producers of safety products. U.S. companies are present in the market, but do not hold a leading position. They share the security market with German and Israeli firms as follows: The perimeter security systems market is 80% dominated by Israeli companies, the trans-border systems market is 90% controlled by German companies, and the navigation systems market is 75% covered by US companies.

Romanian end-users consider the U.S. security equipment industry to be the world leader in the global marketplace. U.S. producers have and will continue to have a competitive advantage in Romania because U.S. technology overall is considered technologically advanced and sophisticated. The weak dollar may also be considered a determining factor in the selection process.

Products and services offering the best potential for U.S. sales are:

- Cargo Risk Analysis Systems and Software;
- Non-intrusive X-ray inspection (fixed and mobile);
- Seals and locks for cargo containers including railroad, trucking and ocean transportation;
- Sea and Airport Security Systems and Equipment;
- Supply Chain Security;
- Night Time Surveillance and Infrared Technology;
- Access Control Equipment;
- Sensing and detection Equipment;
- Imaging Equipment;
- Surveillance Equipment (Closed Circuit Television (CCTV) Systems);
- Biometric Identifiers;
- Contact and non-contact electronic access control systems;
- Electronic shop lifting prevention equipment;
- Wireless alarm systems;
- Anti-intrusion systems;
- Automated home protection solutions;
- Regulations within the Private Security Industry;
- Forensic equipment;
- Bomb disposal equipment;
- Personal Protective Equipment;
- Fire detection/suppression products;
- Security Services;
- Training Services.

Opportunities

In Romania, as in other markets, a strong emphasis has been placed on homeland security, transportation and critical infrastructure protection. Key sales opportunities will include nuclear power plants, energy facilities, defense installations, airports and other high-risk facilities. Opportunities will continue to present themselves in the aviation, maritime, supply chain and rail security areas, as a result of mandatory security measures put in place by regulatory bodies. Potential opportunities for the introduction of new products have to meet the need for system upgrades and replacements.

Areas of opportunity are varied and include biometric applications, particularly with the introduction of biometric identifiers into the uniform format of visas, residence permits for third country nationals and eventually EU citizen's passports. A variety of other applications are foreseen in both the public and private sectors. Forecasts on the increase of these applications show a market in rapid expansion that is expected to quadruple in the next several years.

Other areas of expansion that may offer the greatest growth prospects include market segments such as RFID (Radio Frequency ID) technology, airport passenger and baggage screening equipment, port container scanning equipment, electronic article surveillance (EAS), explosives and metal detectors. Other areas that have seen rapid expansion and that will continue to grow include CCTV systems and access control in

general, perimeter protection systems, residential alarms, other advanced electronic systems and security services, including guard and alarm monitoring services. The segments that may provide opportunities also include fire-fighting equipment and systems and personal protection equipment.

The niche sectors that offer the best potential for U.S. sales in addition to airports, ports and ground transportation include; defense, police and Special Forces units, nuclear power plants and nuclear-related industries (heavy water production, uranium enrichment, nuclear transport monitoring, pollution/radiation monitoring) utilities (production, transport of gas, electricity), refineries, and other industrial units.

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National Agency for Controlling Exports of Strategic Products (ANCEX): www.ancex.ro
Association of Romanian Defense Producers (PATROMIL): www.patromil.ro
Ministry of Interior and Administrative Reform: www.mira.gov.ro
Security Companies Employers' Association: www.patrosec.ro
Romanian Security Technology Association: www.arts.org.ro

<http://www.bsda.ro>
<http://www.expomil.ro>
<http://www.exposecurity.ro>

Telecommunications

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Telecommunications Market Estimation (USD millions):

	2006	2007	2008
Total Market Size	4,053.6	4,945.4	6,033.4
Total Local Production	1,013.4	1,335.3	1,749.7
Total Exports	283.8	346.2	422.3
Total Imports	3,324.0	3,956.3	4,706.0
Imports from the U.S.	365.6	435.2	564.7

Note: The above statistics are unofficial estimates

The telecommunications market is estimated to increase from \$4,053.6 million in 2006 to \$4,945.4 million in 2007 despite declining tariffs for international telephony, mobile services and Internet access, indicating a substantial increase in consumption. The mobile telephony sector accounts for around 62% of the total market in 2007, fixed telephony accounts for about 34%, while Internet and data transmission services have

reached 4.8%. The main mobile telephony operators are Orange and Vodafone, and the main fixed telephony operator is Romtelecom. Although faced with strong competition coming mostly from Western European companies, US firms are well represented on the Romanian telecommunications market, especially in wireless, cable, and mobile communications, through UPC.

The business telecom market is estimated to rise up to \$6,033.4 million in 2008, a 22% increase over 2007. This will include from classic telephone services to equipment for audio-video conferences.

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Best prospects for US exports include wireless communications equipment, cable communications equipment and services, 3G mobile communications equipment and services, and Internet services, VoIP included.

Opportunities

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The current situation of the telecommunications market and its main trends indicate that the sector's major procurement efforts during the next years will be related to the following projects:

- Launching of wired-telephony networks following market deregulation;
- Building of four UMTS/3G networks;
- Expansion of the CDMA 450Mhz network;
- Expansion of the SDH network of the National Radio-communications Company (SNR);
- Development of SNR's wireless point-multipoint network in the 26GHz band;
- Modernization of SNR's long, medium, and short-wave transmitters network;
- Upgrading of infrastructure for national TV channels;
- Upgrading cable communication networks to allow the supply of broadband Internet, VoIP, and digital TV;
- Modernization of the infrastructure used by major ISPs;
- Expansion of pilot projects related to the development of e-government (e-procurement, e-tax, e-invoice, e-referendum, e-post, info-kiosk, etc.);
- Implementation of IT&C projects in public administration, education and health sectors.

State-of-the-art equipment for these projects will be mostly imported.

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Ministry of Information Technology and Communications: <http://www.mcti.ro>
National Regulatory Authority for Communications and Information Technology:
<http://www.anrc.ro/index.aspx>

Agricultural Sectors

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The Romanian agriculture sector still represents a significant part of GDP -- 7.5 percent - compared to more developed countries, where the percentage does not exceed 5 percent. Severe drought and flooding in 2007 reduced domestic agricultural production, and consequently reduced GDP growth by about 1.2 percentage points. In December 2007, food products were 9 percent more expensive than a year ago. The trade deficit in agricultural products continues to grow due to rising consumption, domestic production problems, and global price increases for agricultural products.

Crops were badly hit by the adverse weather conditions in 2007, namely drought and excessive heat. Production shortfalls in grains and oilseeds complexes should continue to be covered by imports, especially during the first half of 2008. Production of Romania's primary crops -- wheat, corn, sunflowers -- was 30-65 percent below normal levels. The Romanian Government allocated funds to cover some farm losses and to buy inputs for the new planting season.

For all of 2007, the trade deficit in agricultural and food products is expected to increase by about 50 percent. European Union Member States continue to be Romania's main trading partners, counting for more than 70 percent of total agri-food trade.

With EU accession, the value of U.S. agri-food exports to Romania declined significantly during the first nine months of 2007, to one-third of the value registered a year before. This drop is primarily due to the loss of the poultry and red meat markets.

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Oilseeds

- Sunflower seeds

Sunflower seed production in Romania suffered from the severe drought and extreme heat, with the result that production was only one-third of the normal level of 1.5 million MT. Romania is usually a significant exporter of sunflower seeds, with a volume of around half a million MT per year. Since total 2007 production was around that figure, domestic processing industry needs will be only partially covered. Raw materials and crude sunoil imports had already begun in advance of the harvest (Table 1). As a consequence of low domestic output and tight supplies in neighboring countries, the retail price of sunflower oil has risen by 45 percent in 2007.

Table 1. Sunflower seeds and related products imports into Romania (January-September, 2005-2007)

Imports into Romania (9 months)	2005		2006		2007	
	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)

Sunflower seeds	35,350	21,447,198	17,304	19,244,072	55,602	35,915,036
Sunflower oil	7,249	5,902,036	15,545	9,518,732	35,243	28,995,030
Sunflower meal	0	0	1	1,883	151	64,295

Source: *Global Trade Atlas*

- Soybeans

In Romania the situation has changed radically since EU accession last year. In 2006, farmers planted about 190,000 ha with soybeans, of which about 70 percent were Roundup Ready. With EU accession, biotech soybeans were no longer planted, and in 2007, the area under soybeans declined to 123,000 ha, generating an output of 95,000 MT conventional soybeans. Bad weather conditions in 2007 have had less effect on soybeans than on other oilseeds, as soybeans are grown mainly on larger farms that can afford to irrigate. However the extra costs for soybean production have been high this year, and biotech varieties are still prohibited, so that farmers are facing disincentives to planting.

Insufficient domestic production has generated high demand for imports, which continue to grow. Thus, soybean meal imports more than doubled during the first nine months of 2007 compared to the prior year, reaching almost 140,000 MT (Table 2).

Table 2. Soybeans and soybean meal imports into Romania (January-September, 2005-2007)

Imports into Romania (9 months)	2005		2006		2007	
	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)
Soybeans	1,062	968,944	9,491	3,696,219	9,248	5,728,116
Soybean meal	65,051	18,100,545	65,967	17,149,268	139,680	42,648,711

Source: *Global Trade Atlas*

Distilled Spirits

The total spirits market is estimated at about \$ 1.7 billion, including home-made drinks (38 percent). As shown in Table 3, imported spirits reached \$36 million during the first nine months of 2007, with whiskey imports capturing more than 60 percent of all distilled spirits imports (\$22 million). Total volume increased by 24 percent, from 1.8 million liters in 2006 to 2.3 million liters in 2007, as a result of EU accession and the consequent elimination of tariffs in January 2007. The upward trend is expected to continue in 2008, as disposable income rises and a larger range of products becomes available on the market.

The United States is the second spirits exporter to the Romanian market, after the United Kingdom. Bourbon whiskey accounted for 85 percent of U.S. exports.

Table 3. Distilled spirits imports into Romania

(January-September, 2005-2007)

Imports into Romania (9 months)	2005		2006		2007	
	Quantity (litters)	Value (USD)	Quantity (litters)	Value (USD)	Quantity (litters)	Value (USD)
Distilled spirits	1,392,650	31,227,123	1,831,165	39,135,100	2,274,835	36,311,745
Of which, Whiskey	837,183	18,694,616	1,102,742	26,002,454	1,175,646	22,189,974

Source: Global Trade Atlas

Other Opportunities

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- Biofuels

The energy crops used as feedstocks for biofuel production (rapeseeds and soybeans for biodiesel, and corn for bioethanol) have very good prospects in coming years. In 2007, Romanian farmers tripled the area planted to rapeseeds, while acreage under corn is expected to increase by 10-15 percent.

Romania has developed a plan of gradual substitution of conventional fuel with fuel obtained from renewable sources. According to this plan, starting in January 2008, 3 percent of diesel should be blended with biodiesel, the percentage rising to 4 percent in mid-2008. Considering the annual diesel consumption at the national level and the current capacity for biodiesel production, Romania may be able to export biodiesel in the future. There has been substantial foreign investment in biodiesel production (Portugal, Switzerland, Germany). None of the large U.S. biofuels producers has invested so far in renewable energy in Romania (Cargill, ADM/Toepfer, Bunge).

- Animal feeds

Despite huge price increases for grains and animal feeds, the livestock industry has a bright future. As EU regulatory (food safety) requirements are implemented, production will move from the subsistence farms level to larger-scale commercial facilities. Therefore, given the current and expected continued feed ingredients shortage in the EU, forecasts indicate that grains, protein meals, and fodder miscellaneous imports will rise significantly during 2008.

- Dried fruits and nuts

At the consumer level, dried fruits and nuts imports have been on an upward trend over the last several years, triggered by a higher consumption, either as an intermediate product for further processing or ready for retail.

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www.fas.usda.gov click on Attache Reports

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Import Tariffs

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According to international standards, the Romanian market is open, requiring no special conditions for access or operation on the part of foreign companies.

Romania adopted an 8-digit customs tariff code in May 1993. The first six numbers indicate the position and subposition of the commodity from the Harmonized System and the last two numbers show the description of Combined Nomenclature. Since January 1st, 2007, Romania applies the common EU tariff system. Tariffs are particularly high for items as cigarettes.

Notable provisions of the VAT and profit tax laws include:

The standard rate of value-added tax is to equal 19% and is to apply to the base of taxation for any taxable operation that is not exempt from the value-added tax or that is not subject to the reduced rate of value-added tax. A reduced rate of 9% applies for the several supplies of services and/or deliveries of goods, such as prostheses of any type and accessories to them, with the exception of dental prostheses, deliveries of orthopedic products, medicines for human use and veterinarian use, accommodations within the hotel sector or within sectors with a similar function, including the rental of land prepared for camping. According to art. 140 (2) b), c), d), e) a reduced rate of 9% applies for deliveries of school working books, books, newspapers and tabloids, except those which are used for advertising, deliveries of goods, such as prostheses of any type and accessories to them, with the exception of dental prostheses, deliveries of orthopedic products, medicines for human use and veterinarian use. The other deliveries or supplies of services which have been mentioned in the text (at art. 140(2) a) and f) are not the subject to customs operations.

Possibility for SMEs to carry forward the fiscal loss during the following 5 years from the taxable profit;

Exemption from paying VAT for: imported goods that are introduced into one of the six free trade zones for the sole purpose of being stored in the free trade zone, trade operation inside the free trade zone or between merchants inside and outside the free trade zone, exit of imported goods from the free trade zone, services in connection with the above activities.

Amounts deposited in reserve accounts, which represent fiscal incentives cannot be used for increasing capitalization or covering losses;

In cases of activities such as nightclubs, discotheques and casinos, the profit tax cannot be lower than 5% of the revenues obtained from such activities;

Interest expenses are deductible in cases where the degree of capital indebtedness is less than 1%;

Investment in a depreciable fixed asset or in depreciable patents which are destined for activities for which they are authorized and which do not apply the regime of accelerated depreciation may deduct a depreciation expense equal to 20% of the entry value of such asset, on the date that the fixed asset or patent is put into operation;

Loss carry-forwards are allowed for up to 5 years after showing a taxable profit;

Romania has signed a significant number of bilateral Double Tax Agreements (DTAs). Most of these agreements follow the OECD model. The Double Tax Agreements prevail over domestic legislation, provided that a certificate confirming the foreign fiscal residency of the taxpayer is presented to the Romanian tax authorities. The DTAs also contain provisions related to withholding taxes. Companies based in countries with which Romania has signed DTAs benefit from a reduced level of withholding taxes.

A revised Fiscal Code The Law no. 571/2003 with several amendments has been revised and the last revision has been made by Law no. 343/2006 starting with 01.01.2007 and a Fiscal Procedure Code entered into force in January 2007. The Fiscal Code provides for a significant simplification of taxation procedures as well as for harmonization with European Union fiscal practices.

Trade Barriers

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For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website:

http://www.ustr.gov/Document_Library/Reports_Publications/2007/2007_NTE_Report/Section_Index.html?ht= .

Information on agricultural trade barriers can be found at the following website:

<http://www.useu.usmission.gov/agri/usda.html>.

To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at <http://www.trade.gov/tcc> or the U.S. Mission to the European Union at <http://www.buyusa.gov/europeanunion>.

The Customs Office requires standard documents for release for free circulation. The import SAD (Single Administrative Document) which also applies to exports, must be submitted for acceptance and registration to the Customs Authority, supported by the following documents: According to Article 218 of Regulation (CE) No 2454/93 and its last amendments,

1. The following documents shall accompany the customs declaration for release for free circulation:

(a) the invoice on the basis of which the customs value of the goods is declared, as required under Article 181;

(b) where it is required under Article 178, the declaration of particulars for the assessment of the customs value of the goods declared, drawn up in accordance with the conditions laid down in the said Article;

(c) the documents required for the application of preferential tariff arrangements or other measures derogating from the legal rules applicable to the goods declared;

(d) all other documents required for the application of the provisions governing the release for free circulation of the goods declared.

2. The customs authorities may require transport documents or documents relating to the previous customs procedure, as appropriate, to be produced when the declaration is lodged.

Where a single item is presented in two or more packages, they may also require the production of a packing list or equivalent document indicating the contents of each package.

3. However, where goods qualify for duties under Article 81 of the Code, the documents referred to in paragraph 1 (b) and (c) need not be required.

In addition, where goods qualify for relief from import duty, the documents referred to in paragraph 1 (a), (b) and (c) need not be required unless the customs authorities consider it necessary for the purposes of applying the provisions governing the release of the goods in question for free circulation.

Goods under duty suspension require the authorization of the Customs Authority, and relevant contracts should also be presented for clearance purposes.

At the re-export, the Customs Authority may require documents relating to the previous customs procedure, as appropriate, to be produced when the declaration is lodged. The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily.

Many EU Member States maintain their own list of goods subject to import licensing. For example, Germany's "Import List" (Einfuhrliste) includes goods for which licenses are required, their code numbers, any applicable restrictions, and the agency that will

issue the relevant license. The Import List also indicates whether the license is required under German or EU law. For information relevant to Member State import licenses, please consult the relevant Member State Country Commercial Guide.

Key Link: http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm

Import Documentation

Non-agricultural Documentation

The official model for written declarations to customs is the Single Administrative Document (SAD). European Free Trade Association (EFTA) countries including Norway, Iceland, Switzerland, and Liechtenstein also use the SAD. However, other forms may be used for this purpose. Information on import/export forms is contained in Title VII, of Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (Articles 205 through 221). Articles 222 through 224 provide for computerized customs declarations and Articles 225 through 229 provide for oral declarations.

Additional information on import/export documentation can be found in Title III, of Council Regulation (EEC) No. 2913/92 of October 12, 1992, establishing the Community Customs Code (Articles 37 through 57). Goods brought into the customs territory of the Community are, from the time of their entry, subject to customs supervision until customs formalities are completed.

Goods presented to customs are covered by a summary declaration, which is lodged once the goods have been presented to customs. The customs authorities may, however, allow a period for lodging the declaration, which cannot be extended beyond the first working day following the day on which the goods are presented to customs. The summary declaration can be made on a form corresponding to the model prescribed by the customs authorities. However, the customs authorities may permit the use, as a summary declaration, of any commercial or official document that contains the particulars necessary for identification of the goods. It is encouraged that the summary declaration be made in computerized form.

The summary declaration is to be lodged by:

- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

Non-EU goods presented to customs must be assigned a customs-approved treatment or use authorized for such non-Community goods. Where goods are covered by a summary declaration, the formalities for them to be assigned a customs-approved treatment or use must be carried out:

- 45 days from the date on which the summary declaration is lodged in the case of goods carried by sea;
- 20 days from the date on which the summary declaration is lodged in the case of goods carried other than by sea.

Where circumstances so warrant, the customs authorities may set a shorter period or authorize an extension of the period.

The Modernized Customs Code (MCC) of the European Union is expected to be passed into law in the first half of 2008. The MCC will replace the existing Regulation 2913/92 and simplify various procedures such as introducing a paperless environment, centralized clearance, and more. Check the EU's Customs website periodically for updates:

http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm.

Batteries

EU battery rules changed in September 2006 following the publication of the Directive on batteries and accumulators and waste batteries and accumulators (Directive 2006/66). This Directive replaces the original Battery Directive of 1991 (Directive 91/157). The updated Directive applies to all batteries and accumulators put on the EU market including automotive, industrial and portable batteries. It aims to protect the environment by restricting the sale of batteries and accumulators that contain mercury or cadmium (with an exemption for emergency and alarm systems, medical equipment and cordless power tools) and by promoting a high level of collection and recycling. It places the responsibility on producers to finance the costs associated with the collection, treatment, and recycling of used batteries and accumulators. The Directive also includes provisions on the labeling of batteries and their removability from equipment. EU Member States must implement the EU Directive into their national law by September 26, 2008. For more information, see our market research report:

http://www.buyusainfo.net/docs/x_8086174.pdf

REACH

REACH is a major reform of EU chemicals policy that was adopted in December 2006 and became national law in the 27 EU Member States in June 2007. Virtually every industrial sector, from automobiles to textiles, could be affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization of Chemicals." As of June 1 2008, REACH will require all chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central European Chemicals Agency (ECHA), including information on their properties, uses and safe ways of handling them. Most chemicals currently imported into the EU are eligible for pre-registration which provides ECHA with basic information on the substance and allows the continued imports until a later registration deadline. ECHA will accept pre-registrations from 1 June 2008 until 1 December 2008. US companies should take advantage of the pre-registration period if possible. The full registration period for chemicals which are pre-registered ranges from three to eleven years depending on the volume of the substance and its hazard properties. Substances not pre-registered must be registered to stay on the market. Chemicals of very high concern, like carcinogens, will need an authorization for use in the EU. U.S. exporters to Europe should carefully consider this piece of EU environmental legislation. For more information, see the CSEU REACH webpage at: <http://www.buyusa.gov/europeanunion/reach.html>.

WEEE & RoHS

EU rules on waste electrical and electronic equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. They require U.S. exporters to register the products with a national WEEE authority, or arrange for this to be done by a local partner. Similarly, related rules for EEE restricting the use of the hazardous substances (RoHS) lead, cadmium, mercury, hexavalent chromium, PBBs, and PBDEs, do not entail customs or importation paperwork. However, U.S. exporters may be asked by a European RoHS enforcement authority or by a customer to provide evidence of due diligence in compliance with the substance bans on a case-by-case basis. U.S. exporters seeking more information on WEEE and RoHS regulations should visit:
<http://www.buyusa.gov/europeanunion/weee.html>

Agricultural Documentation

Phytosanitary Certificates: Phytosanitary certificates are required for most fresh fruits, vegetables, and other plant materials.

Sanitary Certificates: For commodities composed of animal products or by-products, EU countries require that shipments be accompanied by a certificate issued by the competent authority of the exporting country. This applies regardless of whether the product is for human consumption, for pharmaceutical use, or strictly for non-human use (e.g., veterinary biologicals, animal feeds, fertilizers, research). Many of these certificates are uniform throughout the EU, but the harmonization process has not been finalized yet. During this transition period, certain Member State import requirements continue to apply. In addition to the legally required EU health certificates, a number of other certificates are used in international trade. These certificates, which may also be harmonized in EU legislation, certify origin for customs purposes and certain quality attributes. Up-to-date information on harmonized import requirements can be found at the following website: <http://useu.usmission.gov/agri/certificates-overview.html>.

Sanitary Certificates (Fisheries): In April 2006, the European Union declared the U.S. seafood inspection system as equivalent to the European one. Consequently, a specific public health certificate must accompany U.S. seafood shipments. Commission Decision 2006/199/EC places specific conditions on imports of fishery products from the U.S. Sanitary certificates for live shellfish are covered by Commission Regulation (EC) 1664/2006 and must be used for gastropods, bivalve mollusks, tunicates and echinoderms. The two competent Authorities for issuing sanitary certificates are the FDA and the U.S. Department of Commerce, National Marine Fisheries Service (NMFS/NOAA/USDC).

Since May 1, 2007, with the implementation of the second Hygiene Package, aquaculture products coming from the United States must be accompanied by a public health certificate according to Commission Decision 2006/199/EC and the animal health attestation included in the new fishery products certificate covered by Regulation (EC) 1664/2006. This animal health attestation is not required in the case of live bivalve mollusks intended for immediate human consumption (retail).

For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU (stephane.vrignaud@mail.doc.gov) or visit the following FDA dedicated web site: <http://www.cfsan.fda.gov/>.

U.S. Export Controls

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Exports of goods and services are currently not subject to customs duties or VAT, and for the majority of goods, no export license is required. Authorizations are, however, required for exports of unfinished wood products.

Temporary Entry

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According to art 137 from Community Customs Code, the temporary importation procedure shall allow the use in the customs territory of the Community, with total or partial relief from import duties and without their being subject to commercial policy measures, of non-Community goods intended for re-export without having undergone any change except normal depreciation due to the use made of them.

In cases qualifying for partial exemption of customs duties, the duties are levied at 3% of the amount due had the goods been imported. The duty is calculated for every month or partial month in which the goods are under temporary admission but the amount cannot exceed the total due had the goods been imported. In cases qualifying for total exemption of import duties, but which are subsequently imported, the taxation rate will be the one in force at the registration date of the import customs declaration.

Outward processing enables the temporary exportation of Romanian goods in order to be subjected to transformation or processing operations, and, subsequent importation of the resulting products with a total or partial exemption of import duties. Inward processing means to do, on Romanian territory, one or more processing operations of the foreign good meant for re-exportation outside the Romanian customs territory. In this case, import duties are not levied and no trade measures are imposed. The levying of import duties, and their restitution after re-exportation carries out inward processing.

Labeling and Marking Requirements

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Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes. Manufacturers are advised to take note that all labels require metric units, although dual labeling is also acceptable until the end of 2009. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the freedom of member states to require the use of language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 80/232/EC provides permissible ranges of nominal quantities, container capacities and volumes of a variety of products: http://europa.eu.int/eurlex/en/consleg/main/1980/en_1980L0232_index.html.

The EU adopted legislation in 1992, revised in 2000, to distinguish environmentally friendly production through a labeling scheme called the Eco-label. The symbol, a green flower, is a voluntary mark. The Eco-label is awarded to producers who can show that

their product is less harmful to the environment than similar such products. This “green label” also aims to encourage consumers to buy green products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and regulations.

There are concerns in the United States that the EU Eco-labeling program may become a de facto trade barrier; may not enhance environmental protection in a transparent, scientifically sound manner; may not be open to meaningful participation by U.S. firms; and may discriminate unfairly against U.S. businesses. The EU Eco-label is a costly scheme (up to EUR 1,300 for registration and up to EUR 25,000/ year for the use of the label, with a reduction of 25 percent for SMEs) and has therefore not been widely used so far. However, the Eco-label can be a good marketing tool and, given the growing demand for green products in Europe, it is likely that the Eco-label will become more and more a reference for green consumers.

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at:
http://www.buyusainfo.net/docs/x_4171929.pdf.

The subject has also been covered in the section about standards (see below).

Prohibited and Restricted Imports

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Prohibited imports include products such as firearms, ammunition, illegal drugs and other similar items that can affect national security, public health or “good morals.”

The TARIC is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a product is prohibited or subject to restriction, check the TARIC for that product for the following codes:

CITES	Convention on International Trade of Endangered Species
PROHI	Import Suspension
RSTR	Import Restriction

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Key Link: http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm

Customs Regulations and Contact Information

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An important objective of the European Community is the protection of the Member States companies from imported goods being dumped or subsidized. Accordingly, EU has introduced anti-dumping duties for goods imported at very low or dumping prices and countervailing duties for goods that have received subsidies. Safeguard measures

can also be implemented to assist domestic producers adversely affected by imports, and may consist of additional customs duties or quantitative restrictions (quotas).

In Romania at the moment of importation goods are valued on the basis of the WTO Customs Valuation Agreement (Law no. 133/1994 – for the ratification of the Agreement on Implementation of Article VII of the GATT 1994, Official Journal of Romania no. 360/27.12.1994) and COUNCIL REGULATION (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code and COMMISSION REGULATION (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code. According to art. 29 of the Council Regulation (EEC) No 2913/92 the customs value of imported goods shall be the transaction value, that is, the price actually paid or payable for the goods when sold for export to the customs territory of the Community, adjusted, where necessary, in accordance with articles 32 and 33. To the price actually paid or payable shall be added, where necessary the cost of transport and insurance of the imported goods, and loading and handling charges associated with the transport of the imported goods to the place of introduction into the customs territory of the Community.

Where the customs value cannot be determined under the provisions of Article 29 of the Council Regulation (EEC) No 2913/92, it is to be determined under the provisions of articles 30 and 31 of the Council Regulation (EEC) No 2913/92.

When the customs office has reason to doubt the accuracy of the information supplied or documents presented for the purpose of customs valuation, it can require the importer to submit additional documents or evidence.

If such documents fail to prove the declared value, the Customs Authority may decline to apply the transaction value method, providing the importer with a written decision upon request. In such cases, provisional customs clearance may be granted on condition that the importer submits a guarantee for the maximum amount that the customs debt could be. If, within 30 days of such provisional clearance, the importer fails to present the requested documents to Customs, the clearance is deemed final.

Regulation 648/2005 is the "Security Amendment" to the Customs Code (Regulation 2913/92) and outlines the implementing provisions for Authorized Economic Operators, risk management procedures, pre-departure declarations, and improved export controls.

Tariffs and Import Taxes: Information on customs valuation is contained in Title II, Chapter Three, of Council Regulation (EEC) 2913/92, establishing the Community Customs Code, titled, "Value of Goods for Customs Purposes" (Articles 28 through 36). The primary basis for determining customs value set out in Article 29 is: "... the transaction value, that is, the price actually paid or payable for the goods when sold for export to the customs territory of the Community..." Article 29 lists the following conditions, which must be met in determining customs value:

- There are no restrictions as to the disposal or use of the goods by the buyer, other than restrictions which are imposed or required by a law or by the public authorities in the community, limit the geographical area in which the goods may be resold, or do not substantially affect the value of the goods;
- The sale or price is not subject to some conditional consideration for which a value cannot be determined with respect to the goods being valued;

- No part of the proceeds of any subsequent resale disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with Article 32; and
- The buyer and seller are not related, or, where the buyer and seller are related, that the transaction value is acceptable for customs purposes.

The "price actually paid or payable" in Article 29 refers to the price for the imported goods. Thus the flow of dividends or other payments from the buyer to the seller that do not relate to the imported goods are not part of the customs value.

Articles 32 and 33 provide for adjustments to the value for customs purposes. Article 32 lists charges that are added to the customs value, such as, commissions and brokerage, costs of containers, packing, royalties and license fees, and the value of goods and services supplied directly or indirectly by the buyer in connection with the production and sale for export of the imported goods. Article 33 lists charges that are not included in the customs value, such as, charges for transport, charges incurred after importation, charges for interest under a financing arrangement for the purchase of the goods, charges for the right to reproduce imported goods in the Community, and buying commissions.

Effective July 1, 1995, the Commission amended Article 147(1) of Regulation 2454/93 of the Customs Code which affects valuation in the case of successive sales. This amendment "defaults" valuation to the last sale, but allows the value of an earlier sale if it can be demonstrated that such a sale took place for export to the EU. The evidentiary requirements to support the bona fides of any earlier sales will be based upon commercial documents such as purchase orders, sales contracts, commercial invoices, and shipping documents.

Key Link: http://ec.europa.eu/taxation_customs/customs/index_en.htm

For contact information at national customs authorities, please visit:
http://ec.europa.eu/taxation_customs/common/links/customs/index_en.htm

Standards

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Overview

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Organized standardization activity, covering the whole of the national economy, began in 1948 with the creation of the Standardization Commission of the Council of Ministers of Romania. From 1970, the national standards body was the Romanian Standards

Institute (IRS), a specialized agency of the central public administration. As of October 31, 1998, the Romanian Standards Association (ASRO) has taken over this position as a specialized private body of public interest in the standardization area, a non-profit association authorized by the Government, replacing in this respect the former Romanian Standards Institute. ASRO is the only standards body in Romania recognized as such by the Governmental Decision no. 985/2004. The principal responsibilities of ASRO are: to carry out standardization policy; to coordinate and guide standardization activity; to coordinate and approve standardization program; to approve and publish Romanian standards; to represent Romanian interests in international, European and regional standards organizations; to organize the data bank of standards and technical normative regulations; to certify conformities to Romanian standards and to promote standardization in the economy.

Romania is a full Member of the European standards organizations, CEN and CENELEC and as a result, all Romanian standards are voluntary. All products tested and certified in the U.S. to American standards are likely to have to be retested and re-certified to European Union requirements as a result of the EU's particular approach to the protection of the health and safety of consumers and the environment. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive as well as to possible additional national requirements. (http://europa.eu.int/comm/consumers/cons_safe/prod_safe/index_en.htm).

European Union standards created under the New Approach are harmonized across the 27 EU Member States and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that Regulations and technical standards might also function as barriers to trade if U.S. standards are different from those of the European Union.

The European Union is currently undertaking a major revision of the New Approach that will enhance some aspects, especially in the areas of market surveillance. To follow the revision, please visit: http://ec.europa.eu/enterprise/regulation/internal_market_package/index_en.htm

Agricultural Standards

The establishment of harmonized EU rules and standards in the food sector has been ongoing for several decades, but it took until January 2002 for the publication of a general food law establishing the general principles of EU food law. This Regulation introduced mandatory traceability throughout the feed and food chain as of Jan 1, 2005. For specific information on agricultural standards, please refer to the Foreign Agricultural Service's website at: <http://useu.usmission.gov/agri/>.

Standards Organizations

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EU standards setting is a process based on consensus initiated by industry or mandated by the European Commission and carried out by independent standards bodies, acting at the national, European or international level. There is strong encouragement for non-

governmental organizations, such as environmental and consumer groups, to actively participate in European standardization.

Many standards in the EU are adopted from international standards bodies such as the International Standards Organization (ISO). The drafting of specific EU standards is handled by three European standards organizations:

- CENELEC, European Committee for Electrotechnical Standardization (<http://www.cenelec.org/Cenelec/Homepage.htm>)
- ETSI, European Telecommunications Standards Institute (<http://www.etsi.org/>)
- CEN, European Committee for Standardization, handling all other standards (<http://www.cen.eu/cenorm/homepage.htm>)

Standards are created or modified by experts in Technical Committees or Working Groups. The members of CEN and CENELEC are the national standards bodies of the Member States, which have "mirror committees" that monitor and participate in ongoing European standardization. CEN and CENELEC standards are sold by the individual Member States standards bodies. ETSI is different in that it allows direct participation in its technical committees from non-EU companies that have interests in Europe and gives away its individual standards at no charge on its website. In addition to the three standards developing organizations, the European Commission plays an important role in standardization through its funding of the participation in the standardization process of small- and medium-sized companies and non-governmental organizations, such as environmental and consumer groups. The Commission also provides money to the standards bodies when it mandates standards development to the European Standards Organization for harmonized standards that will be linked to EU technical Regulations. In the last year, the Commission began listing their mandates on line and they can be seen at http://ec.europa.eu/enterprise/standards_policy/mandates/. All the EU harmonized standards, which provide the basis for CE marking, can be found on <http://www.newapproach.org/>.

Due to the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its business development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members (countries which are hopeful of becoming full members in the future) such as Albania, Croatia, FYR of Macedonia, and Turkey. Another category, called "partner standardization bodies" includes the standards organizations of Bosnia and Herzegovina, Republic of Moldova, Egypt, Serbia, the Russian Federation, Tunisia, the Ukraine, Armenia and Australia, which are not likely to join the EU or CEN any time soon, but have an interest in participating in specific CEN technical committees. They agree to pay a fee for full participation in certain technical committees and agree to implement the committee's adopted standards as national standards. Many other countries are targets of the EU's extensive technical assistance program, which is aimed at exporting EU standards and technical Regulations to developing countries, especially in the Mediterranean and Balkan countries, Africa, as well as programs for China and Latin America.

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. CEN's "business domain" page provides an overview by

sector and/or technical committee whereas CENELEC offers the possibility to search its database. ETSI's portal (http://portal.etsi.org/Portal_Common/home.asp) leads to ongoing activities.

With the need to adapt more quickly to market needs, European standards organizations have been looking for "new deliverables" which are standard-like products delivered in a shorter timeframe. While few of these "new deliverables" have been linked to EU Regulations, expectations are that they will eventually serve as the basis for EU-wide standards.

Key Link: <http://www.cenorm.be/cenorm/workarea/sectorfora/index.asp>.

Conformity Assessment

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Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages of the production process to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. You can find conformity assessment bodies in individual Member State country in this list by the European Commission.

Key Link: <http://ec.europa.eu/enterprise/newapproach/nando/>

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and the European Standard Agreement Group. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

Product Certification

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To sell products on the EU market of 27 Member States as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. There is no easy way for U.S. exporters to understand and go through the process of CE marking, but hopefully this section provides some background and clarification.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and

issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the Member States, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by Member State inspectors, the consumer may well perceive it as a quality mark.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity, the certificate of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

Accreditation

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Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under U.S.-EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EU specifications, and vice versa. The costs are significantly lower which results in U.S. products becoming more competitive. At this time, the U.S.-EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (on hold), recreational craft (in force) and marine equipment (in force). The U.S. Department of Commerce, National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement.

Key Link: <http://ts.nist.gov/Standards/Global/mra.cfm>

Accreditation is handled at Member State level. "European Accreditation" (http://www.european-accreditation.org/default_flash.htm) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58.

Publication of Technical Regulations

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The Official Journal is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, questions from the European Parliament, studies by committees, and more (<http://europa.eu.int/eur-lex/lex/JOIndex.do?ihmlang=en>). It lists the standards reference numbers linked to legislation (<http://www.newapproach.org/Directives/DirectiveList.asp>). National technical Regulations are published on the Commission's website <http://ec.europa.eu/comm/enterprise/tris/> to allow other countries and interested parties to comment.

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT) Agreement to report to the WTO all proposed technical Regulations that could affect trade with other member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical Regulations that can affect your access to international markets. Register online at Internet URL: <http://tsapps.nist.gov/notifyus/data/index/index.cfm>

Labeling and Marking

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Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable until end of December 2009. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of Member States to require the use of language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC, to replace 80/232/EC in April 2009, harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key Link: http://ec.europa.eu/enterprise/prepack/packsize/packsiz_en.htm

The Eco-label

EU legislation in 1992, revised in 2000, distinguishes environmentally friendly products and services through a voluntary labeling scheme called the Eco-label. Currently, the scheme applies to 7 product groups: cleaning products, appliances, paper products, clothing, lubricants, home and garden products and tourism services. The symbol, a green flower, is a voluntary mark. The Eco-label is awarded to producers who can show that their product is less harmful to the environment than similar products. This "green label" also aims to encourage consumers to buy green products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and Regulations.

The EU Eco-label is a costly scheme (up to EUR 1,300 for registration and up to EUR 25,000/year for the use of the label, with a reduction of 25% for SMEs) and has therefore not been widely used so far. However, the Eco-label can be a good marketing tool and, given the growing demand for green products in Europe, it is likely that the Eco-label will become more and more a reference for green consumers.

Key Links: http://buyusainfo.net/docs/x_4284752.pdf
http://ec.europa.eu/comm/environment/ecolabel/index_en.htm
<http://www.eco-label.com/>

Trade Agreements

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For a list of trade agreements with the EU and its Member States, as well as concise explanations, please see http://tcc.export.gov/Trade_Agreements/index.asp

Web Resources

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National Customs Authority

http://www.customs.ro/vami_en/Main

National Agency for Exports Control

<http://www.ancex.ro>

European Commission, DG Health and Consumer Protection, Consumer Affairs

http://europa.eu.int/comm/consumers/cons_safe/prod_safe/index_en.htm

European Committee for Electro-technical Standardization

<http://www.cenelec.org>

<http://www.cenelec.org/Cenelec/Homepage.htm>

European Telecommunications Standards Institute

<http://www.etsi.org>

European Committee for Standardization

<http://www.cenorm.be>

American National Standards Institute

<http://www.ansi.org>

New Approach Standardization in Europe

<http://www.newapproach.org>

ETSI Collaborative Portal

http://portal.etsi.org/Portal_Common/home.asp

The CEN Information Society Standardization System

[http://www.cenorm.be/cenorm/workarea/sectorfora/iss\(ict\)/index.asp](http://www.cenorm.be/cenorm/workarea/sectorfora/iss(ict)/index.asp)

European Commission, Enterprise, Single Market, NANDO INFORMATION SYSTEM

<http://europa.eu.int/comm/enterprise/nando-is/home/index.cfm>

Government-to-Government Mutual Recognition Agreement Information

<http://ts.nist.gov/ts/htdocs/210/gsig/mra.htm>

European Cooperation for Accreditation

<http://www.european-accreditation.org>

The Portal to European Union Law

<http://europa.eu.int/eur-lex/en/index.html>

New Approach Standardization in the Internal Market

<http://www.newapproach.org/Directives/DirectiveList.asp>
European Commission, Enterprise, Technical Regulations Information Systems
<http://europa.eu.int/comm/enterprise/tris>

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Encouraging Investment

Romania actively seeks direct foreign investment. In 2004, the government created the Agency for Foreign Investment (ARIS) and took other actions to advertise the country as an attractive investment destination and to improve aspects of the business climate. Romania's marketplace of 21.6 million consumers, a well-educated workforce, geographic location and abundant natural resources make it an increasingly attractive destination for investment. To date, favored areas for American investment include IT and telecommunications, services, manufacturing, and consumer products.

Romania has taken steps to strengthen tax administration, enhance transparency, and create legal means to resolve contract disputes expeditiously. Romania's accession to the European Union on January 1, 2007 has helped solidify institutional reform. However, judicial and legislative unpredictability continues to affect the investment climate. Prospective U.S. investors should exercise careful due diligence, including consultation with competent legal counsel, when considering any investment.

Successful U.S. companies tend to establish a local presence to familiarize themselves with the business climate. Using this expertise, firms develop longer-term strategies and commitments necessary for building lasting partnerships with the government of Romania, local government authorities, labor unions, and local partners.

Investments that involve the public authorities (central government ministries, county and city administrations) are generally more complicated than greenfield investments or joint ventures with private Romanian companies. Large deals involving the government - particularly public-private-partnerships and privatizations of key state-owned enterprises - can become stymied by vested political and economic interests and bogged down by inaction within and lack of coordination among governmental ministries. Investors have generally encountered greater success with less complex deals involving small- to medium-sized private and state enterprises.

EU Accession

Romania became a member of the European Union on January 1, 2007. Romania has worked to create a legal framework consistent with a market economy and investment promotion, and has largely concluded its efforts to enact EU-compatible legislation. Implementation lags, however. The U.S. Department of Commerce recognized Romania as a market economy for anti-dumping investigation purposes beginning in March 2003.

Legal Framework

Romania's legal framework for foreign investment is encompassed under a substantial body of law, largely enacted in the late 1990s and subject to frequent revision since. Investors are strongly encouraged to engage local counsel to navigate through the various laws, decrees, and regulations.

This body of legislation and regulation provides national treatment for foreign investors, guarantees free access to domestic markets, and allows foreign investors to participate in privatizations. There is no limit on foreign participation in commercial enterprises. Foreign investors are entitled to establish wholly foreign-owned enterprises in Romania (although joint ventures are more typical) and to convert and repatriate 100% of after-tax profits. Foreign firms are allowed to participate in the management and administration of the investment, as well as to assign their contractual obligations and rights to other Romanian or foreign investors.

Foreign investors may engage in business activities in Romania by any of the following methods:

- Setting up new commercial companies, subsidiaries or branches, either wholly owned or in partnership with Romanian natural or legal persons;
- Participating in the increase of capital of an existing company or the acquisition of shares, bonds, or other securities of such companies,
- Acquiring concessions, leases or agreements to manage economic activities, public services, or the production of subsidiaries belonging to commercial companies or state-owned public corporations;
- Acquiring ownership rights over non-residential real estate improvements, including land, via establishment of a Romanian company;
- Acquiring industrial or other intellectual property rights;
- Concluding exploration and production-sharing agreements related to the development of natural resources.

Foreign investor participation can take the form of: foreign capital, equipment, means of transport, spare parts and other goods, services, intellectual property rights, technical know-how and management expertise, or proceeds and profits from other businesses carried out in Romania. Foreign investment must comply with environmental protection, national security, defense interests, public order, and public health regulations.

Privatization

The State Asset Resolution Authority (AVAS) is charged with privatizing state-owned industrial and energy assets and managing these assets in the interim period before a privatization is finalized. The Government of Romania (GOR) has stated its intention to continue energy privatization by divesting as-yet-unidentified energy assets, including some energy producers, in 2008. The law on privatization permits the responsible authority to hire an agent to handle the entire privatization process, though ultimate decision-making authority remains with the government.

Prospective investors are strongly advised to conduct thorough due diligence before any acquisition. Some firms have found it advantageous to purchase industrial assets through AVAS' budget arrears recovery process rather than through direct privatization. When utilized, this method may avoid assuming historical debt or encumbering labor agreements. As a member of the European Union, Romania is required to notify the European Commission's General Directorate for Competition regarding significant privatizations and related state aid. Prospective investors should ascertain whether such an obligation exists, and ensure compliance by relevant government entities. GOR failure to notify European Commission authorities properly has resulted in delays and complications in some past privatizations.

Romanian law allows for the inclusion of confidential clauses in privatization and public-private partnership contracts to protect business proprietary and other information. However, in certain high-profile privatizations, Parliamentary action has compelled the opening up of such provisions.

Property and Contractual Rights

Property and contractual rights are recognized, but enforcement through the judicial process can be difficult, costly and lengthy. Foreign companies engaged in trade or investment in Romania often-express concern regarding the lack of expertise of Romanian courts in commercial issues. Judges generally have little experience in the functioning of a market economy, international business methods, intellectual property rights, or the application of new Romanian commercial law.

Conversion and Transfer Policies

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Romanian legislation does not restrict the conversion or transfer of funds associated with direct investment. All profits made by foreign investors in Romania may be converted into hard currency and transferred abroad at the market exchange rate after payment of taxes.

Romania's national currency, the Leu, is freely convertible on current-account transactions, in accordance with the IMF's Article VII. Proceeds from the sale of shares,

bonds, or other securities, as well as from the conclusion of an investment, can also be repatriated. There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital gains, returns on intellectual property or imported inputs.

In 1997, the Romanian government implemented new regulations that liberalized foreign exchange markets. The inter-bank electronic settlement system became fully operational in 2006, eliminating past procedural delays in processing capital outflows. Commission fees for real-time electronic banking settlements have gradually been reduced.

Capital inflows are free from restraint. Previous restrictions on the opening of Leu deposits by non-residents have been lifted. Romania concluded capital account liberalization in September 2006 with the decision to permit non-residents and residents abroad to purchase derivatives, T-bills and other monetary instruments. The Leu is a fully convertible currency.

Expropriation and Compensation

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The law on direct investment includes a guarantee against nationalization and expropriation or other equivalent actions. The law allows investors to select the court or arbitration body of their choice to settle potential litigation. Five cases against Romania are pending with the International Center for Settlement of Investment Disputes (ICSID). Several cases involving property nationalized during the communist era also remain unresolved.

Dispute Settlement

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Arbitration

Romania recognizes the importance of arbitration in the settlement of commercial disputes. Many agreements involving international companies and Romanian counterparts provide for the resolution of disputes through third-party arbitration. Romania is a signatory to the New York Convention of 1958 regarding the recognition and execution of foreign arbitration awards. Romania is also a party to the European convention on international commercial arbitration concluded in Geneva in 1961 and a member of the International Center for the Settlement of Investment Disputes (ICSID).

Romanian law and practice recognize applications to other internationally known arbitration institutions, such as the ICC Paris Court of Arbitration and the Vienna United Nations Commission on International Trade Law (UNCITRAL). Romania also has an International Commerce Arbitration Court administered by the Chamber of Commerce and Industry of Romania. Arbitration awards are enforceable through Romanian courts under circumstances similar to those in other Western countries, although legal proceedings can be protracted.

Bankruptcy

Romania's bankruptcy law contains provisions for liquidation and reorganization that are generally consistent with Western legal standards. These laws usually emphasize enterprise restructuring and job preservation. Legal and economic education and the

training of judges and lawyers lag behind law-making, which often results in inconsistent outcomes. To mitigate the time and financial costs of bankruptcies, Romanian legislation provides for administrative liquidation as an alternative to bankruptcy. However, investors and creditors have complained that the liquidators lack the competence and incentive to expedite liquidation proceedings, and that in some cases their decisions have served vested outside interests. Both state-owned and private companies tend to opt for judicial reorganization to avoid bankruptcy.

Performance Requirements and Incentives

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Incentives

Currently, customs and tax incentives are available for investors in six free trade zones and thirty-six regions of the country designated as economically disadvantaged. State aid is available for investments in free trade zones under EU regional development assistance rules. Large companies may receive aid equivalent to up to 50% of their eligible costs, while small- and medium-sized enterprises (SMEs) may receive assistance up to 65% of their eligible costs. Prospective investors are advised to investigate thoroughly the current status of fiscal incentives.

In 2007 Romania adopted European Union regulations on regional investment aid. Companies that invest at least the equivalent of 30 million euros and create at least 300 new jobs could qualify for state aid under this program. Investors can receive up to 22.5 million euros in assistance for investments in the Bucharest-Ifov region, and up to 28.125 million euros in the rest of the country. The recipient must secure financing for at least 25% of the eligible costs, either through its own resources or by external financing, in a form which is free of any public support. The state aid program is valid for 5 years, from 2007 to 2011, with the possibility of being extended. The total amount budgeted by the GOR for this program is 500 million euros.

To reduce initial startup costs, a system of industrial parks and technological parks is being created. Tax incentives are available under the law solely for the industrial park operator, while companies that establish themselves in the park benefit from access to utility hookups and infrastructure, and potential local tax rebates under regional development aid schemes. According to the Agency for Foreign Investment, there were 40 industrial parks throughout Romania as of October 2007.

As a member of the European Union, Romania must get European Commission approval for state aid it grants. The Romanian Competition Council acts as the contact point between the Romanian authorities and the European Commission. Specifically, the Council screens the state aid notifications to be submitted to the Commission. Unlike before accession, the state aid grantor can, however, request that the Council submit an individual notification for EC decision even if the Council believes it is inconsistent with the EU directives and regulations on state aid. The Council retains decision powers on competition and antitrust matters. Failure of state aid grantors to notify the Commission properly on aid associated with privatizations has resulted in the Commission launching formal investigations into several privatizations. Investors should ensure that government entities with which they work fulfill their duty to notify competition authorities. Investors may wish to consult with EU and Romanian

competition authorities in advance to ensure a proper understanding of notification requirements.

Tax System

Since 1999, Romania has revised its tax system to bring it closer both to EU models and to the recommendations of the World Bank and IMF. In 2004, Romania adopted a flat tax of 16% on personal income and corporate profits, and simplified the tax code. The government has also reformed the tax code to encourage economic growth and foreign investment. It reduced employers' payroll taxes by 2% in 2007, and will reduce them by an additional 6% in three stages in 2008. However, even after these cuts, Romania's aggregate 39.5% payroll tax (by the end of 2008) remains a burden. Romania has a 19% value added tax (VAT). Romania is fully integrated into EU customs and excise tax systems, and is scheduled to be fully integrated into EU VAT transfer systems by 2009.

Tariff Preferences

Upon EU accession, Romania implemented the EU Common Customs Tariff, the Generalized Preference Scheme, EU commercial safeguards, preference agreements and cooperation agreements concluded by the EU with third countries, as well as other EU commercial commitments vis-à-vis the WTO.

Right to Private Ownership and Establishment

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The Romanian Constitution, adopted in December 1991 and revised in 2003, guarantees the right to ownership of private property. Mineral, air rights, and similar rights are excluded from private ownership. Under the revised Constitution, foreign citizens can gain land ownership through inheritance. With EU accession, citizens of EU member states can now own land in Romania subject to reciprocity in their home country.

Companies having foreign capital may acquire land or property necessary for fulfilling or developing the company's corporate goals. If the company is dissolved or liquidated, the land must be sold within one year of the company's closure and may only be legally sold to a buyer(s) with the legal right to purchase such assets. For a transition period of seven years after Romania's accession to the EU, foreign investors cannot purchase agricultural land or forests and forestry land (except for farmers acting as commercial entities). Investors can purchase shares in agricultural companies that can lease land in the public domain from the State Land Agency.

Protection of Property Rights

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Mortgages

In early 2006, the Parliament passed a legislative package that regulates the establishment of specialized mortgage banks, including the possibility of transforming

existing non-banking mortgage credit institutions into specialized mortgage banks. The law also makes possible a secondary mortgage market by regulating mortgage bond issuance mechanisms. Currently, mortgage lending is offered by commercial banks, specialized mortgage banks, and non-bank mortgage credit institutions. With the 2006 privatization of the Romanian Commercial Bank (BCR), Romania's mortgage market is almost entirely private (the state-owned National Savings Bank, or CEC, also issues mortgages). The market has demonstrated robust growth. Standard bank loans charge an average 5.8 to 7.2 percent interest on EURO loans for an initially fixed term. Variable loans are pegged to six-month EURIBOR rate plus a fixed spread.

Intellectual Property Rights

Romania is a signatory to international conventions concerning intellectual property rights (IPR), including TRIPS, and has enacted legislation protecting patents, trademarks, and copyrights. Romania signed the Internet Convention to protect on-line authorship. While the IPR legal framework is generally good, enforcement in some areas remains weak and ineffectual. The flagrant trade of retail pirated goods has largely been eliminated, but personal use of pirated products and software remains high. The recording industry has expressed concerns over increasing levels of Internet-based piracy of electronic media. Romania has passed border IPR control enforcement provisions as required under the WTO, yet judicial enforcement is lax.

Patents

Romania is a party to the Paris Convention for the protection of industrial property and subscribes to all of its amendments and Romanian patent law meets international standards. Foreign investors are therefore entitled to the same treatment as Romanian citizens. Patents are valid for 20 years. Romania has been a member of the European Patent Protection Convention since 2002.

Trademarks

In 1998, Romania passed a law on trademarks and geographic indicators which generally is consistent with international standards. Areas that require improvement are administrative procedures and sanctions. Romania is a signatory to the Madrid Agreement relating to the international registration of trademarks and the Geneva Treaty on Trademarks. Trademark registrations are valid for ten years from the date of application and renewable for similar periods. In 2007, Romania ratified the Singapore Treaty on trademarks registration.

Copyrights

Romania is a member of the Bern Convention on Copyrights. Its 1996 law on protection of copyrights and neighboring rights is among the most modern in this field. The Romanian parliament ratified the latest versions of the Bern and Rome conventions. The Romanian Copyright Office (ORDA) was established in 1997 and ostensibly oversees copyright enforcement. However, copyright law enforcement is a low priority for Romanian prosecutors, judges, police officers, and customs officers. Some tend to view copyright piracy as a "victimless crime." This attitude, coupled with a lack of resources, has resulted in weak enforcement of copyright law. Copyright infringement in software, music, and video is pervasive throughout Romania. Although they have

declined over the past few years, piracy rates remain high. The latest industry estimates of piracy rates by sector are: 69% of business software, 74% of entertainment software, 60% of music, and 55% of video.

Semiconductor Chip Layout Design

Romanian law protects semiconductor chip layout design. In order to benefit, designs must be registered with the Romanian Trademark Office. Romania is a signatory to the Washington Treaty.

Transparency of Regulatory System

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Cumbersome and non-transparent bureaucratic procedures are a major problem in Romania. Foreign investors point to the excessive time it takes to secure necessary zoning permits, environmental approvals, property titles, licenses, and utility hook-ups. Romania enacted a "Silent Approval" Law in 2003 to reduce bureaucratic delays, but it has yet to be universally enforced or recognized. Furthermore, regulations change frequently, often without advance notice. These changes, which can significantly add to the costs of doing business, can complicate investors' business plans.

Romanian law requires consultations and a 30-day comment period on legislation affecting the business environment (the Sunshine Law). However, not all ministries adhere to this requirement.

State aid legislation and EU state aid regulations (directly applicable to Romania after January 1, 2007) aim to limit state aid of any form, such as direct state subsidies, debt rescheduling schemes, debt for equity swaps, or discounted land prices. As noted above, the European Commission must approve state aid granted by Romania above a certain monetary threshold that does not correspond to pre-approved categories of aid.

Efficient Capital Markets and Portfolio Investment

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Capital Markets

Romania seeks to develop efficient capital markets. The National Securities Commission (CNVM) is charged with regulating the securities market in order to protect investors. The process provides for the registration and licensing of brokers and financial intermediaries, filing and approval of prospectuses, and approval of market mechanisms.

On November 20, 1995, the Bucharest Stock Exchange (BSE) conducted its first transactions after a hiatus of 50 years. The BSE operates a three-tier system that, at present, lists a total of 59 companies, with 20 companies in the highest tier. The official index, BET, is based on a basket of the 10 most active stocks listed on the first tier. The BSE also trades corporate and municipal bonds, as well as international bonds. Beginning in 2007, the Bucharest Stock Exchange has opened derivatives trading. The BSE has a home page at <http://www.bvb.ro>

Tight competition has brought trading fees down, but the relative lack of liquidity among listed companies makes it difficult to place large purchase orders, which tends to discourage large institutional investors. Country funds, hedge funds and venture capital funds continue to participate actively in the capital markets.

Responding to complaints by U.S. investment funds regarding the abuse of minority shareholder rights, the GOR included some new protections in a 2002 government ordinance on securities, financial investments and regulated markets. The reforms allow shareholders owning more than 10% of a stock to request a general shareholders meeting. Dividend payments must now remain in effect six months after an announcement at the general shareholders meeting. An extraordinary shareholders' meeting must approve purchase or sale/rent/lease of fixed assets worth over 20% of the company's total assets. Annual reports must be distributed to shareholders within four months of the end of the reporting period, while semester reports must be distributed within two months. A minority shareholder has the right to request shareholders with more than 95% of the company to buy out their shares at fair prices. Minority shareholders have the right to participate in any capital increase. The Romanian capital market regulation is now EU-consistent, with accounting regulations reflecting EC Directives IV and VII.

Banking Sector

In 2006, the GOR concluded the privatization of Romania's largest bank, Romanian Commercial Bank (BCR), with assets close to \$12 billion and deposits standing at around \$1.2 billion. Austria's Erste Bank paid Euro 3.7 billion for 61.9 percent of BCR's stock, of which Euro 2.2 billion went to the Romanian state and the rest to minority shareholders EBRD and IFC. The price per share paid was six times the face value. Erste Bank is currently trying to buy out all other private minority shareholders. After BCR, of the nearly 40 banks operating in Romania, the French-owned Romanian Bank for Development (BRD-Societe Generale) is the second largest bank with a market share of 16.3%, followed by Austrian owned Raiffeisen Bank (8.0%). Other large banks include Greek-owned Alpha Bank, domestically-owned Banca Transilvania, and UniCredit Tiriac.

Removing non-performing assets from the banking sector cost Romania \$2.2 billion in the late 1990's, almost 7% of the annual GDP at the time. According to the Romanian Central Bank, overdue and legally disputed loans now amount to 0.25% of total attracted and borrowed sources, accounting for only 0.22% of total assets and 2.65% of banks' own capital.

The Romanian government actively encourages foreign investment in the banking sector, and there are no restrictions on mergers and acquisitions. The only remaining state-owned bank is the National Savings Bank (CEC), with a market share of 4%. After an unsuccessful bid to sell the bank in 2006, no current timetable exists for CEC's privatization.

Few potentially hostile take-over attempts have been reported in Romania, with the result being that Romanian law has not focused on limiting potential mergers or acquisitions. There are no Romanian laws prohibiting or restricting private firms' free association with foreign investments. Capital account liberalization was completed in

2006, with the exception of land purchase by non-residents, for which Romania was granted a seven-year phase-in period by the EU.

While Romania's Central Bank must approve operation of all new non-EU banking entities that wish to operate in the country, those banks with existing operating approval in other EU countries need merely notify the Central Bank of plans to provide local services.

Political Violence

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There have been no incidents in Romania involving politically motivated damage to foreign investments (projects and/or installations). Major civil disturbances are not expected to occur in Romania in the near future.

Corruption

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Despite some improvements, corruption remains a serious problem. Romania had the lowest ranking of any EU member state in Transparency International's (TI) 2007 Corruption Perception Index. TI's 2007 report on judicial corruption pointed to poor judicial decision making and weak ethical values.

Some U.S. investors have complained of government and business corruption in Romania, with the customs service, municipal zoning offices and local financial authorities most frequently named. In some cases, demands for payoffs by low- to mid-level officials reach the point of harassment.

Romanian law and regulations contain provisions intended to prevent corruption, but enforcement is generally weak. Corruption is currently punishable under a variety of statutes in the penal code. Prison sentences are sometimes imposed, but powerful and influential individuals have often evaded prosecution or conviction. Under pressure from the European Union, the Government of Romania is currently prosecuting several high-level political officials from the current and previous governments, including a former Prime Minister.

The government announced a National Anti-Corruption Plan in spring 2003 and passed an anti-corruption law in April 2003. The plan contains an impressive list of measures and commitments that constitute key benchmarks for judging the government's commitment to combat corruption. However, the implementation of these measures and commitments has lagged.

A money laundering law was passed in February 1999 and a new criminal code came into effect in 2003. With U.S. help, the Romanian government established in September 2002 a new institution - the National Anti-Corruption Prosecutors' Office (DNA) - staffed by prosecutors and police to combat corruption.

Romania is a member country of the Southeast European Cooperation Initiative (SECI), and it has signed and ratified the Agreement on Cooperation to Prevent and Combat Trans-border Crime of May 1999. Bucharest hosts the SECI Regional Center for

Combating Corruption and Organized Crime, and Romania is one of the three members of the Joint Cooperation Committee.

In March 2002, to reduce corrupt practices in public procurement, the GOR inaugurated a web-based e-procurement system which can be accessed at <http://www.e-licitatie.ro/>. Initiated with seed money from USAID, the system is a transparent listing of ongoing auctions and closed auctions, with the name of the winners and the closing prices made available to the public. The use of "e-licitatie" has increased government efficiency, reduced government vulnerability to corruption, and improved fiscal responsibility in government procurement. E-procurement has increased from 159 government clients and 600 suppliers in its initial months to 708 state entities and 9,000 suppliers. With a turnover of 300 million euros in 2003, the system resulted in an average 22% savings rate, lowering procurement costs to the state budget by 100 million euros in two years. Initially used solely for basic, standard products, the program is now applied to complex projects (e.g. state-financed sports halls for public schools), with larger projects still reviewed by appraisal committees. However, pre-qualification criteria for prospective bidders and contract follow up by the end-user may still leave room for corruption.

In June 2006, the government passed new public procurement legislation establishing ex-ante controls on public procurement processes, new and stricter rules on eligible participants, and an appeals mechanism for complaints against the process. The legislation went into effect in June 2006 with the establishment of the National Agency for Public Procurement.

Court System

The Romanian judicial system suffers from corruption, inefficiency, lack of expertise and excessive workloads. Divergent and often contradictory rulings are not uncommon, and can complicate normal commercial activities. Companies routinely complain that commercial disputes take too long to resolve through the court system and, once a verdict is reached, court orders may not be enforced. Errors in court procedures, whether peripheral to the outcome or not, may result in complete retrials, further delaying verdicts. Courts are overburdened and the number of magistrates and judges is too small. Litigants in virtually all cases have a right to two appeals, contributing to clogs in court dockets throughout the system and lengthy delays. Final judgments are not binding until all appeals are exhausted. Clerks, attorneys and judges reportedly remain susceptible to bribes or other "extra-judicial" payments, most commonly to "speed up" litigation, to assure a particular judge is assigned to a case, or to create intentional procedural errors leading to retrial.

Cyber Crime

Romania is a major source of internet fraud targeting North American and European victims. The problem is illustrated by a growing stream of complaints, some of which involve U.S. companies being defrauded of millions of dollars. The most common problems result from the use of stolen credit card numbers for the purchase of goods online, as well as sophisticated phishing schemes to defraud customers of legitimate e-commerce companies.

Romanian hackers also have gained notoriety for hacking into U.S. companies' servers and stealing proprietary information, including customer credit card data. There have

been cases where Romanian hackers have offered to sell to the victimized U.S. company the means by which they hacked the company's server. On other occasions, hackers have attempted blackmail by threatening to release the sensitive data or the means to hack the system unless a specific amount of money is paid.

An e-commerce law that defines and punishes cyber crime came into force in July 2002. Law enforcement efforts have increased but remain inadequate given the scale of the problem. Several recent investigations into and arrests of cyber crime by Romanian authorities may serve as a deterrent to new hackers.

Bilateral Investment Agreements

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The U.S.-Romanian Treaty on the reciprocal encouragement and protection of investment (signed May 1992, ratified by the U.S. in 1994) guarantees national treatment for U.S. and Romanian investors. It provides a dispute resolution mechanism, liberal capital transfer, prompt and adequate compensation in the event of an expropriation, and avoidance of trade-distorting performance requirements. In response to EU pressure on acceding countries to abrogate their bilateral investment treaties (BITs) with the U.S., the U.S. government negotiated an agreement with the EU and eight accession countries, including Romania, to cover any possible inconsistencies between the BITs and the countries' future EU obligations. After two years of negotiations, the U.S. and EC signed a political understanding in Brussels, which preserved, in slightly amended form, the BITs with the Czech Republic, Estonia, Latvia, Lithuania, Poland, the Slovak Republic, Romania, and Bulgaria. The U.S. Senate and Romanian Parliament ratified the new BITs in 2004. The revised BIT went into effect upon the exchange of instruments of ratification on February 9, 2007.

Romania has concluded bilateral investment protection agreements or treaties with the following countries: Albania, Algeria, Argentina, Armenia, Australia, Austria, Bangladesh, Belarus, Belgium, Luxembourg, Bolivia, Bulgaria, Cameroon, Canada, Chile, China, Croatia, Cuba, Czech Republic, Cyprus, Denmark, Egypt, Finland, France, Gabon, Germany, Ghana, Greece, Hungary, Indonesia, Israel, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Lithuania, Malaysia, Moldova, Mauritania, Mongolia, Morocco, Nigeria, Norway, Netherlands, Pakistan, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Russia, Senegal, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sri Lanka, Sudan, Switzerland, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, USA, Uruguay, and Uzbekistan.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) began operation in Romania in late 1992, following the signing of an investment incentive agreement in June 1992. Romania has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992.

Labor

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Romania has traditionally offered a large, skilled labor force at comparatively low wage rates in most sectors, although the labor pool is tightening. The university system is regarded as high quality, particularly in technical fields, though foreign and Romanian business leaders have urged reform of outdated higher education curricula to better meet the needs of a modern, innovation-driven market.

The quality of work of Romanian craftsmen, engineers, and software designers is well regarded by foreign managers. With appropriate on-the-job training, local labor performs well with new technologies and more exacting quality requirements. However, a labor shortage, especially in construction, hospitality industry, textiles, and even the IT sector, is starting to be felt, resulting in strong upward pressure on wages. Analysts estimate that as many as 300,000 additional skilled workers are needed in the construction industry alone. Outward labor migration and the number of students graduating without the practical skills needed in the modern workplace are considered the main causes for this trend, which is expected to worsen in the future.

Since the revolution of December 1989, labor-management relations have occasionally been tense as a result of economic restructuring efforts and personnel layoffs. In September 2007, unemployment officially stood at 3.9%, down from 5.2% at the end of 2006. Trade unions, much better organized than employers' associations, are vocal defenders of their prerogatives. The national minimum wage was recently set at RON 500 per month (about \$208) after extensive negotiations between unions, employers associations, and government representatives, with a possible increase to RON 540 (\$225) after the first half of 2008, pending favorable economic indicators. The government adhered to the ILO convention protecting worker rights.

The Labor Code passed in 2003 was considered by many employer associations and foreign companies to be overly rigid and not suitable for a market economy. The Code made it harder for employers to dismiss employees for poor performance, and foreign investors often encountered labor problems when they tried to trim the workforce. In June 2005, the Romanian Government approved several amendments to the Labor Code in an attempt to ensure more labor market flexibility. Although the Romanian Government admitted that this amendment still tilts in favor of trade unions, many foreign investors consider it an improvement, though some important provisions which restrict labor flexibility remain.

Payroll taxes remain steep despite minor reductions enacted by the government. As a result, an estimated 25-30 percent of the labor force works in the "underground economy" as "independent contractors" where their salaries are neither recorded nor taxed. Even for registered workers, under-reporting of actual salaries is common.

Current law makes it very costly to locate expatriate staff in Romania. Foreign companies often resort to expensive staff rotations, special consulting contracts, and non-cash benefits. Work permits are now issued for a maximum one- year period (except for seasonal work) for a fee of 200 euros. These permits are automatically renewable with a valid individual work contract. Starting in 2008, 14 county offices of the Romanian Immigration Authority will be authorized to issue work permits for foreign citizens in an attempt to decentralize this activity. After January 1, 2007, foreigners from EU countries that did not impose restrictions on Romanian citizens can work in Romania without work permits. Although several companies began importing workers, mainly

from Turkey, China, India, Pakistan or Moldova, most Romanian businesses are still reluctant to bring in foreign workers, preferring students or pensioners.

Foreign-Trade Zones/Free Ports

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Free Trade Zones (FTZs) received legal authority in Romania in 1992. General provisions include unrestricted entry and re-export of goods, and an exemption from customs duties. The law further permits the leasing or transfer of buildings or lands for terms of up to 50 years to corporations or natural persons, Romanian and non-Romanian.

Currently there are six FTZs: Sulina (located at the mouth of the Danube); Constanta-Sud Agigea (located close to the port of Constanta, at the entrance to the Black Sea-Danube Canal); Galati (located about 100 km from the Danube mouth); Braila (located 30 km up the Danube from Galati); Curtici-Arad (located about 30 km from the border with Hungary); and Giurgiu (located on the Danube, 60 km south of Bucharest).

The Administrator of each FTZ is responsible for all commercial activities performed within the zone. FTZs are under the authority of the Ministry of Transportation.

Foreign Direct Investment Statistics

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Romania is an increasingly attractive destination for foreign direct investment (FDI), and is currently the number one destination in Southeastern Europe. However, Romania did not become a significant target of FDI until the start of the decade due to earlier delays in economic reforms. According to data provided by the Romanian Trade Registry, the cumulative net stock of FDI for the period from January 1990 through September 2007 totaled \$22.2 billion, representing 13.2% of GDP. 2006 FDI amounted to \$2.3 billion (1.4% of GDP). Since Romanian capital exports were largely prohibited prior to the completion of the capital account liberalization in 2006, the total January-September 2007 Romanian direct investments abroad were only \$297 million. The most significant privatization launched in 2007 was Automobile Craiova, with Ford Motor Company the winning bidder. The privatization is expected to be concluded in 2008.

Major sectors for foreign investment include:

- Automobile and automotive components (Renault, Daimler Benz, Ford, Siemens, Continental, Alcoa, Delphi Packard, Johnson Controls, Honeywell Garrett, Michelin, Pirelli);
- Banking and finance (Citibank, Société Générale, ABN Amro Bank, AIG, ING Barings, Generali, Volksbank, Raiffeisen, Banca di Roma, Erste Bank, Unicredit, National Bank of Greece);
- Information Technology (Hewlett Packard, Microsoft, Oracle, IBM)
- Telecommunications (France Telecom, OTE, Telesystem International Wireless Services, Airtouch-Vodafone);

- Hotels (Hilton, Marriott, Best Western, Howard Johnson, Sofitel, Crowne Plaza, Accor, Ramada, Intercontinental);
- Manufacturing (Timken, General Electric, LNM, Flextronics, Holcim, Lafarge, Heidelberg);
- Consumer products (Procter and Gamble, Unilever, Henkel, Colgate Palmolive, Kraft, Coca-Cola, Parmalat, Danone);
- Retail chains (Metro, Delhaize, Carrefour, Cora, Billa, Selgros).

Officially, the value of U.S. direct investment in Romania as of September 2007 was \$892.1 million. The U.S. is the sixth-ranked foreign investor nation after the Netherlands, Austria, France, Germany and Italy. U.S.-source FDI represented 4.0% of Romania's total. However, official statistics do not count U.S. firms investing through foreign, especially European-based, subsidiaries, so the U.S. total is actually higher. Romanian statistics also over-emphasize physical capital-intensive investments, such as brownfield investments, deemphasizing the impact of American investment in services and technology. American investment has mainly been in the telecommunications, mechanized agricultural, and consumer product sectors. Significant U.S. direct investors (or with branch or representative offices) include:

- Advent Central and Eastern Europe - investment fund
- AIG - general insurance
- AIG Life - life insurance
- AIG New Europe Fund - investment fund
- Alcoa - automotive, aluminum processing
- Bunge - food
- Citibank - banking
- Coca-Cola - beverage, food
- Colgate Palmolive - consumer products
- Cooper Cameron - gas field equipment manufacturer
- Delphi Packard - automotive
- General Electric - aircraft components
- GE Money - non-banking financial services
- Hewlett Packard - IT&C equipment, services
- Hoeganaes - iron powder for automotive
- Honeywell Garrett - automotive
- IBM - IT equipment
- Johnson Controls - automotive
- Kodak - film processing
- Kraft - food
- McDonald's - food
- Microsoft - software services
- New Century Holding - investment fund
- Office Depot - office and business supplies
- Oracle - IT services, consulting
- Philip Morris - tobacco products
- Procter and Gamble - consumer products
- Romanian-American Enterprise Fund - investment fund
- Sigma Bleyzer - investment fund
- Flextronics - contract manufacturing (ICT)
- Timken - industrial bearings
- UPC - cable television operator

- Visa - financial services
- Washington International Group - engineering

In addition to these companies, the European Bank for Reconstruction and Development (EBRD) remains the single largest investor (debt plus equity) in Romania with some \$4.8 billion invested. The U.S. is a 10% shareholder in the EBRD.

Romania's biggest investors are:

- Holland - \$4.19 billion (18.9% of total FDI): ICT, banking, insurance, consumer products, food;
- Austria - \$2.93 billion (13.2% of total FDI): banking, insurance, construction materials, etc.
- France - \$2.36 billion (10.6%): food, ICT, automotive, manufacturing, cement, agriculture, banking, hypermarkets;
- Germany - \$2.31 billion (10.4%): insurance, food, machine construction, chemicals, cement, banking;
- Italy: - \$1.07 billion (4.8%): footwear, textiles, food, banking, insurance;
- U.S. - \$892.06 million (4.0%): ICT, automotive, banking, hospitality, manufacturing, consumer products.

Web Resources

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Romanian Government

<http://www.guv.ro>

Romanian Agency for Foreign Investments

<http://www.arisinvest.ro>

The Authority for State Assets Recovery

<http://www.avas.gov.ro>

Ministry of Economy and Finance

<http://www.mefromania.ro/wps/portal>

International Centre for Settlement of Investment Disputes

<http://www.worldbank.org/icsid>

National Housing Agency

<http://www.anl.ro>

Romanian Copyright Office

<https://www.orda.ro>

Ministry of Communications and Information Technology

<http://www.mcti.ro>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The most widely accepted method of payment is by confirmed, irrevocable letter of credit, as it provides the greatest protection to the seller against payment delays. Of the other arrangements available, unconfirmed letter of credit terms are preferable to cash-against-documents or open-account terms. Contracts should stipulate interest payments in case the importers are unable to meet their obligations on time.

Barter and counter-trade, co-production arrangements, deferred payment plans, and self-financing packages are also used to facilitate exports.

How Does the Banking System Operate

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Romania made tremendous progress in strengthening its banking sector from virtual collapse in 1995-99 to its current strong position. The number of foreign banks in Romania has increased from five (1990) to 32 (2006), and the quality of local banking has improved greatly. Commercial banks are authorized to engage in a full range of traditional banking functions.

While cleaning up the Romanian banking system was costly – about 7% of Romania's GDP – the risk of a banking collapse has, for all intents and purposes, disappeared.

All commercial banks now operating in Romania have international correspondent relationships, and all are members of the NBR's domestic inter-bank payment system. Although this system has reduced float and payment clearance delays, businesses may still experience delays. The implementation of the inter-bank electronic settlement system began in 2005.

Foreign-Exchange Controls

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In early 1997, the Romanian government lifted all FOREX restrictions. The LEU is fully convertible for business (current account) purposes, with the central bank applying a managed float to reduce currency fluctuations. Foreign investors may freely repatriate profits and dividends in hard currency.

U.S. Banks and Local Correspondent Banks

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Major Romanian banks have correspondent banks in the United States. Foreign banks with offices in Bucharest also have correspondent U.S. banking arrangements. Citibank is the most well known U.S. financial company in Romania.

Project Financing

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The cost of borrowing locally remains high. As of September 2007, the commercial banks' average LEU lending rate for non-banking customers decreased to approximately 10% per annum, from 25.2% in September 2004, whereas the commercial banks' average deposit interest dropped to approximately 5% in September 2006, from 11.16% in September 2004.

The European Union provides cohesion funds to member states and sub-state regions whose level of development is below the EU average. Now that Romania is a member of the EU it will benefit from approximately \$44 billion in structural and cohesion funds. A US company can avail itself of this funding through a EU member company. Beginning in July 2007, the European Commission approved the Regional Operational Program for Romania, \$ 6.57 billion of which have been earmarked to date. It is worth mentioning that Romania also benefited from the several EU pre-accession funds, including money from the PHARE, ISPA and SAPARD funds.

The Central Bank has fought high inflation (from 17.8% in 2002 to 6.57% in December 2007) by cutting liquidity in the banking system. The effect of the Central Bank's tight monetary policy has severely hit small and medium-sized enterprises. Most foreign companies find that small and medium enterprises in Romania have limited access to capital. Preferential credits are no longer granted for seasonal agriculture.

Romania's Export Import Bank grants short and medium term loans and guarantees to exporting SMEs, in RON, USD and EUR. Export credits are granted during pre-delivery or post-delivery stages. Romania's Export-Import Bank also grants revolving credit lines targeting production for export.

The U.S. Ex-Im Bank provides guarantees and direct loans for U.S. exports to Romania. Since opening for business in 1972, it has provided more than \$1 billion in financing. Although most of the credit has been for exports to the Romanian government, private sector and sub-sovereign financing is available as well.

To promote U.S. agricultural exports to Romania, the **U.S. Department of Agriculture (USDA)** makes exports guarantees available to Romania.

The GSM-102 program helps ensure that credit is available to finance commercial exports of U.S. agricultural products to developing countries, while providing competitive credit terms in these countries. Under this program, the Commodity Credit Corporation (CCC) reduces the financial risk to lenders by guaranteeing payments due from approved foreign banks to exporters or financial institutions in the United States.

U.S. Department of Agriculture announced on January 11, 2008, the availability of \$5 million in credit guarantees for sales of U.S. agricultural commodities to the Southeast Balkan region under the Commodity Credit Corporation's Export Credit Guarantee Program (GSM-102) for fiscal year 2008. The Southeast Balkan region includes Albania, Bulgaria, Macedonia, Moldova and Romania.

Starting with January 14, exporters may apply for credit guarantees on a first-come, first-served basis. These guarantees are to cover sales of any of the commodities specified in the GSM list of commodities. The latest commodity list can be obtained by accessing the Foreign Agricultural Service (FAS) Web page at:

<http://www.fas.usda.gov/excredits/gsmcommodities.html>.

The allocation does not assign dollar amounts to any of the commodities specified in the GSM list of commodities, providing buyers and sellers maximum flexibility in arranging the size of their transactions within the scope of the overall allocation.

For a complete list of eligible banks, refer to the CCC "GSM Program Foreign Bank Obligors" Web page located at: <http://www.fas.usda.gov/excredits/foreignbanks.html>.

Exporters are advised to obtain from their foreign buyer the name of the CCC-approved foreign bank that will be opening the letter of credit.

Insurance - Ex-Im Bank issues short-term (180 days) coverage for exports to Romania. Medium- and long-term coverage is only available for public sector transactions. Ex-Im Bank provides insurance through its affiliated agent, the Foreign Credit Insurance Association.

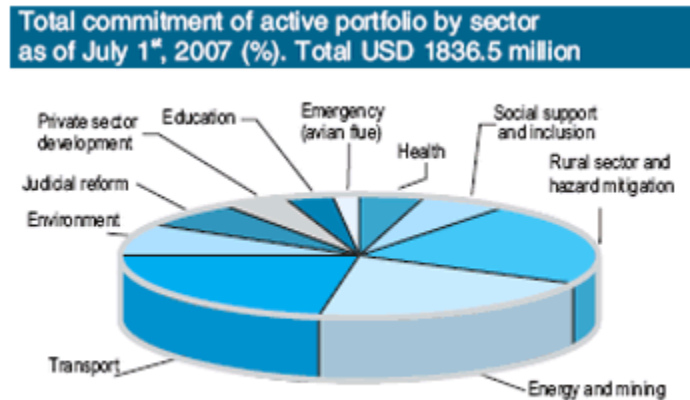
Financing packages for Romanian projects generally include one or more multilateral lenders – the World Bank (or its International Finance Corporation), EBRD, the European Investment Bank – plus foreign and Romanian commercial banks. Priority projects supported by multilateral institutions are usually related to infrastructure modernization in transportation, power generation, telecommunications, and environmental protection.

World Bank - The World Bank's assistance covers practically all areas of the economy. The Bank's portfolio focuses on three broad areas:

- Promoting the private sector and the growth of efficient markets:
This includes completing the privatization agenda, improving infrastructure services, establishing a business environment conducive to investment and growth, and enhancing labor market efficiency.
- Accelerating structural and institutional reforms to support sustainable growth:
Reforming the civil service, improving public expenditure management and accountability, implementing the anticorruption strategy and reforming the judiciary will accomplish this.
- Targeting poverty reduction and promoting social inclusion:
This will be done by enhancing the delivery of social services in health and education and improving the pension system. Rural development and poverty alleviation programs

aim at improving, through a participatory process, the rural infrastructure (including irrigation systems) and the rural finance system. World Bank operations also aim to enhance agricultural productivity and to improve the living conditions for disadvantaged and vulnerable groups.

At the end of the 2007 Fiscal Year (FY 07), World Bank commitments for active projects amounted USD 1836.5 million.



Source: The World Bank Office Romania

European Bank for Reconstruction and Development (EBRD) – At the end of 2007, the European Bank for Reconstruction and Development (EBRD) has signed 248 projects in Romania, totaling over USD 5 billion. This has helped to generate an additional USD 9.3 billion from other sources. A total of 70% of investment is in the private sector.

The objective of the Bank, as stated in its latest strategy approved in December 2005, is to deepen and broaden the role of the private sector in the Romanian economy. EBRD's sectors of investment are:

- Energy (energy efficiency, natural resources, power and energy)
- Financial institutions (bank equity, bank tending, equity funds, non-bank financial institutions)
- Manufacturing (general industry)
- Infrastructure (municipal and environmental infrastructure, transport)
- Other sectors (agribusiness, property and tourism, telecommunications)

EBRD donors are also involved in multi-donor funds and/or special funds administrated by EBRD.

United States Agency for International Development (USAID) - USAID, which operated in Romania for 17 years, concluded its activities in 2007.

U.S. Overseas Private Investment Corporation (OPIC) - OPIC offers U.S. project financing and insurance through direct loans, loan guarantees, and political risk insurance, as well as equity financing through OPIC-supported investment funds. OPIC began operations in Romania in 1992. OPIC can co-finance with other bilateral and multilateral development finance institutions, such as the EBRD and IFC.

U.S. Trade and Development Agency (USTDA) - Romania became eligible for U.S. Trade and Development Agency (TDA) program funding in November 1991. Since then TDA has provided non-reimbursable funds for feasibility studies, pilot projects and orientation visits covering many sectors of the Romanian economy. Romania was TDA's "Country of the Year" for 2003.

United Nations Development Program (UNDP) - Established in 1971, the UNDP Country Office in Bucharest was the first UNDP field office in a former Warsaw Pact member state. UNDP is currently implementing its 2005-2009 Country Program.

The Ministry of Public Finances issues Romanian government guarantees for projects up to \$30 million. The Ministry of Public Finances must submit guarantees for larger projects to an inter-ministry committee and the cabinet for approval. Government guarantees are approved on the basis of feasibility studies, which must contain a clear description of the financial package for the project. The government and IFIs may jointly support viable private sector projects.

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Export-Import Bank of the United States

<http://www.exim.gov>

Country Limitation Schedule

http://www.exim.gov/tools/country/country_limits.html

OPIC

<http://www.opic.gov>

Trade and Development Agency

<http://www.tda.gov/>

SBA's Office of International Trade

<http://www.sba.gov/oit/>

USDA Commodity Credit Corporation

<http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development

<http://www.usaid.gov>

World Bank, Multilateral Development Bank

<http://www.worldbank.org>

International Financial Corporation

<http://www.ifc.org>

International Monetary Fund

<http://www.imf.org>

European Bank for Reconstruction and Development

<http://www.ebrd.com>

U.S. Department of Agriculture, Foreign Agricultural Service

<http://www.fas.usda.gov>

Commodity Credit Corporation's (CCC) Export Credit Guarantee Program (GSM)
"Program Foreign Bank Obligors"

<http://www.fas.usda.gov/excredits/foreignbanks.html>

Chapter 7: Trade and Project Financing – Special Considerations for EU Member Countries

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Project Financing

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EU financial assistance programs provide a wide array of grants, loans, loan guarantees and co-financing for feasibility studies and infrastructure projects in a number of key sectors (e.g., environmental, transportation, energy, telecommunications, tourism, public health). From a commercial perspective, these initiatives create significant market opportunities for U.S. businesses, U.S.-based suppliers, and subcontractors.

The EU supports projects within its Member States, as well as EU-wide "economic integration" projects that cross both internal and external EU borders. In addition, the EU provides assistance to accession countries in Eastern and Southern Europe and Turkey, as well as some of the former Soviet republics.

The European Union provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural Funds are distributed through the Member States' national and regional authorities, and are only available for projects in the 27 EU Member States. All grants for projects in non-EU countries are managed through the EuropeAid Cooperation agency in conjunction with various European Commission departments, called "Directorates-General."

The CSEU Tenders Database

The U.S. Commercial Service at the U.S. Mission to the European Union offers a tool on its website to help U.S.-based companies identify European public procurement opportunities. The database features all current public procurement tenders issued by all national and regional public authorities in the 27 Member States of the European Union, plus four other European countries, and that are open to U.S.-based firms under the terms of the Government Procurement Agreement (GPA) implemented in 1995. The database is updated twice weekly and is easy to use with a range of search options, including approximately 20 industry sectors. The database also contains tenders for public procurement contracts relating to structural funds. Readers may access the database at http://www.buyusa.gov/europeanunion/eu_tenders.html.

EU Structural Funds

The EU Structural Funds, including the European Regional Development Fund, were created in 1975 to assist economically depressed regions of the European Union that required industrial restructuring. The EU earmarked EUR 308 billion for projects under the Structural Funds and the Cohesion Fund programs for the 2007-2013 period for the

EU-27. In addition to funding economic development projects proposed by Member States or local authorities, EU Structural Funds also support specialized projects promoting EU socioeconomic objectives. Member States negotiate regional and “sectoral” programs with officials from the regional policy Directorate-General at the European Commission. For information on approved programs that will result in future project proposals, please visit:

http://ec.europa.eu/regional_policy/atlas2007/fiche_index_en.htm.

For projects financed through the Structural Funds, Member State officials are the key decision-makers. They assess the needs of their country; investigate projects; evaluate bids; and award contracts. To become familiar with available financial support programs in the Member States, it is advisable for would-be contractors to meet with local officials to discuss local needs.

Tenders issued by Member States’ public contracting authorities for projects supported by EU grants are subject to EU public procurement legislation if they meet the EU minimum contract value requirement for the eligible sector. Below this threshold, tender procedures are subject to national procurement legislation. There are no overt prohibitions against the participation of U.S. companies, either as developers or concessionaires of projects supported partially by the Structural Funds, or as bidders on subsequent public tenders related to such projects, but it is advisable to team up with a local partner. All Structural Fund projects are co-financed by national authorities and most may also qualify for a loan from the European Investment Bank. The private sector is also involved in project financing. For more information on these programs, please see the market research section on the website of the US Mission to the EU:

<http://www.buyusa.gov/europeanunion/mrr.html>

The Cohesion Fund

The Cohesion Fund is another instrument of EU structural policy. Its EUR 61.5 billion (2007-2013) budget seeks to improve cohesion within the EU by funding transport infrastructure and environmental projects in Portugal, Spain, Greece and the twelve new (since 2004) EU Member States from Central and Eastern Europe. These projects are generally co-financed by national authorities, the European Investment Bank, and the private sector.

Key Link: http://ec.europa.eu/regional_policy/funds/cf/index_en.htm

The Trans-European Networks

The European Union also provides financial support to the Trans-European Networks (TENs) to develop infrastructure, strengthen cohesion and increase employment across greater Europe. Launched at the Essen Council (Germany) in 1994, the TENs are a series of transport, telecommunications and energy projects that are continually being expanded and upgraded. The TENs are largely financed by private sector and non-EU sources. The EU does, however, provide grants from the Cohesion Fund, loans from the European Investment Bank (and loan guarantees from the European Investment Fund), and partial feasibility study grants for the TENs. There are no overt EU restrictions on the participation of U.S. firms in the TENs.

Key Link: http://ec.europa.eu/ten/transport/index_en.htm

Other EU Grants for Member States

Another set of sector-specific grants offers assistance to EU Member States in the fields of science, technology, communications, energy, environmental protection, education, training and research. Tenders related to these grants are posted on the various websites of the directorates-generals of the European Commission. Conditions for participation are strict and participation is usually restricted to EU firms or tied to EU content. Information pertaining to each of these programs can be found at:

http://europa.eu.int/grants/index_en.htm

External Assistance Grants

The EuropeAid Cooperation Office is the European Commission agency in charge of managing the EU's external aid programs. This Agency is responsible for the management of the entire project cycle, from identification to evaluation, while the Directorates-General in charge of External Relations and Development, are responsible for the drafting of multi-annual programs. The EuropeAid website offers extensive information on the range of grant programs, the kind of projects that are eligible, as well as manuals to help interested parties understand the relevant contract law. However, participation to calls for tender for contracts financed by EuropeAid is reserved for enterprises located in the EU Member States and require that the products used to respond to these projects are manufactured in the EU or in the aid recipient country. European subsidiaries of U.S. firms are eligible to participate in these calls for tender.

Key Link: http://europa.eu.int/comm/europeaid/index_en.htm

All tenders related to EU-funded programs outside the territory of the European Union (including the accession countries) are located on the EuropeAid Cooperation Office website: http://europa.eu.int/comm/europeaid/tender/index_en.htm.

Two new sets of programs have been approved for the financing period 2007-2013. As of January 2007, the EU will provide specific Pre-Accession financial assistance to the accession candidate countries that seek to join the EU through a new instrument called the Instrument for Pre-accession Assistance (IPA). Also, the European Neighborhood and Partnership Instrument (ENPI) will provide assistance to countries that are the Southern Mediterranean and Eastern neighbors of the EU.

- IPA replaces the following programs: PHARE (Poland and Hungary Assistance for Restructuring of the Economy), ISPA (Instrument for Structural Pre-Accession financing transport and environment projects), SAPARD (projects in the agriculture sector), CARDS (aid to southern Balkans) and the Turkey Facility Fund. IPA focuses on priorities linked to the adoption of the *acquis communautaire* (the body of European Union law that must be adopted by accession candidate countries as a precondition to accession), i.e., building up the administrative and institutional capacities and financing investments designed to help them comply with European Commission law. IPA will also finance projects destined to countries that are

potential candidate countries, especially in the Balkans. The budget of IPA for 2007-2013 is EUR 11.4 billion.

Key Link: http://ec.europa.eu/enlargement/financial_assistance/ipa/index_en.htm

- ENPI: replaces the former TACIS and MEDA programs. The European Neighborhood Policy program covers the EU's neighbors to the east and along the southern and eastern shores of the Mediterranean i.e. Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine. ENPI budget is € 11,9 billion for 2007-2013.

Loans from the European Investment Bank

Headquartered in Luxembourg, the European Investment Bank (EIB) is the financing arm of the European Union. Since its creation in 1958, the EIB has been a key player in building Europe. As the EIB's lending practices evolved over the years, it became highly competent in assessing, reviewing and monitoring projects. As a non-profit banking institution, the EIB offers cost-competitive, long-term lending in Europe. Best known for its project financial and economic analysis, the Bank makes loans to both private and public EU-based borrowers for projects in all sectors of the economy, such as telecommunications, transport, energy infrastructure and environment.

While the EIB mostly funds projects within the EU, it lends outside the EU as well (e.g., in Central, Eastern and Southeastern Europe; Latin America; and Pacific and Caribbean states). In 2006, the EIB approved loans for projects worth EUR 53.3 billion, of which around 14% was lent outside the EU. The EIB also plays a key role in supporting EU enlargement with loans used to finance improvements in infrastructure, research and industrial manufacturing to help those countries prepare for eventual EU membership.

Projects financed by the EIB must contribute to the socioeconomic objectives set out by the European Union, such as fostering the development of less favored regions; improving European transport and telecommunication infrastructure; protecting the environment; supporting the activities of SMEs; assisting urban renewal; and, generally promoting growth, competitiveness and employment in Europe. Last year, the EIB created a list of projects to be considered for approval and posted the list on its website. As such, the EIB website is a source of intelligence on upcoming tenders related to EIB-financed projects: <http://www.eib.org/projects/>.

The EIB presents attractive business opportunities to U.S. businesses. EIB lending rates are lower than most other commercial rates. Like all EIB customers, however, U.S. firms must apply the loan proceeds to a project that contributes to the European objectives cited above.

The EIB's i2i (Innovation 2010 Initiative) is designed to highlight projects that support innovative technology in the European Union, in particular by financing broadband and multimedia networks; the physical or virtual infrastructure providing local access to these networks; and research and development infrastructures, especially in the less developed regions of the European Union. i2i will also finance projects to computerize

schools and universities and to provide information technology training in conjunction with public authorities.

Key Link: http://www.eib.org/Attachments/thematic/innovation_2010_initiative_en.pdf

The US Mission to the European Union in Brussels has developed a database to help US-based companies bid on EIB public procurement contracts in non-EU countries in particular. The EIB-financed contracts that are open to US-based companies are featured in this database. All the tenders in this database are extracted from the EU's Official Journal. The EIB database contains on average 50 to 100 tenders and is updated twice per week.

Key Link: http://www.buyusa.gov/europeanunion/eu_tenders.html

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EU websites:

EuropeAid Co-operation Office: http://europa.eu.int/comm/europeaid/index_en.htm

EU Grants and Loans index: http://ec.europa.eu/grants/index_en.htm

The European Investment Bank: <http://www.eib.org/>

The EU regional policies, the EU Structural and Cohesion Funds:
http://ec.europa.eu/regional_policy/index_en.htm

U.S. websites:

European Union Tenders Database:
<http://www.buyusa.gov/europeanunion/euopportunities.html>

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Business Customs

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Special customs do not figure significantly in business dealings in Romania; Western business standards apply. Romanians have genuine regard and admiration for Americans. The quality of U.S. products and services, the efficiency of American management practices, and the reliability of U.S. business partners are widely recognized.

Romanian nationals are friendly, and foreigners are usually made very welcome. Shaking hands is the normal form of greeting (although, as in other eastern-European cultures, a man may kiss the hand of a woman in greeting); normal courtesies are observed when visiting people's homes. It is important to take business cards to meetings and to give a card to each person present.

Flowers are very popular in Romanian culture, and are given for almost every occasion, including name day celebrations, weddings, and visits to Romanian homes. Casual wear is the most suitable form of dress for most social occasions, but attire may be more formal when specified for entertaining in the evening or in a restaurant or theater. The Romanians use the formal addresses of "domnul" (sir) and "doamna" (madam) when addressing one another, although first names are used among younger people and in business with English-speaking partners. It is customary to say "pofta buna" (bon appetit) before eating, and "noroc" (cheers) before drinking.

Travel Advisory

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General and country-specific travel information can be found on the U.S. Department of State's web site: http://travel.state.gov/travel/warnings_consular.html.

Visa Requirements

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American citizens (whether tourists or business people) do not need Romanian visas for visits of up to 90 days per half year. An extension of stay (or stay permit) can be requested from the local offices of the Authority for Aliens. In Bucharest, the Authority for Aliens (Autoritatea pentru straini) is located at Str. Luigi Cazzavillan no. 11 (behind Cismigiu Park). Foreigners who overstay are subject to heavy fines and may not be allowed to leave unless they obtain an exit permit.

Americans who lose their passports may contact the U.S. Embassy in Bucharest and request a temporary one. Issuance of this passport may take more than one day. Americans who receive a replacement passport must obtain an exit permit from the Authority for Aliens.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links:

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

<http://bucharest.usembassy.gov/main.html>

Telecommunications

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Local wired-telephony service is dependable. There are four mobile telephony operators, two of which (Vodafone and Orange) have extensive coverage of the country and also offer roaming services in a large number of countries, the United States included. International telephone connections via fixed or mobile telephony are generally good. Romania is seven time zones ahead of U.S.-Eastern standard time. Internet service is widely available in hotels and Internet cafes. Zapp Mobile, a subsidiary of Qualcomm, offers high-speed wireless Internet service.

Transportation

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TAROM, the Romanian national airline, serves major points in Romania and Europe. International carriers currently serving Romania include Aeroflot (Russia), Air France, Alitalia, Austrian Airlines, Bulgaria Air (Bulgaria), British Airways, CSA (Czech Republic), Delta Airlines (USA), El Al (Israel), KLM (The Netherlands), LOT (Poland), Lufthansa (Germany), MALEV (Hungary), Swissair and Turkish Airlines. Delta Airlines entered the Romanian market in 2007 with a direct flight to New York.

Most major cities of Romania have airline service nearby and are connected to the Bucharest hub. In addition to Henri Coanda, Bucharest's main international airport,

Bucharest-Baneasa, Timisoara, Constanta-Kogalniceanu, Cluj-Napoca, Sibiu, and Targu Mures airports are also ports of entry.

In Bucharest, hotels such as Marriott, Hilton, Sofitel and Crowne Plaza provide scheduled shuttle bus service to and from the Henri Coanda Airport; rental car service is also available. Pick-up for major hotels can be provided by the Sky Services company at the Henri Coanda Airport. In addition, taxis are readily available at Henri Coanda Airport for \$10-15 to downtown Bucharest. Most taxis have meters, but to be safe, price should be agreed upon prior to hiring a taxi.

Romania is well served by an international and domestic rail system, though the country's rail infrastructure is in need of update. The domestic motorway network is extensive, but the road quality is poor. Roads in Bucharest are in a near-constant state of being upgraded. Winter driving in Romania often requires navigating sometimes-hazardous mountain passes. Driving after dark at any time of year requires care because of pedestrians, animals, or slow-moving vehicles often encountered on the roadway.

Language

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The official language of Romania is Romanian. This language, which uses the Latin alphabet and is a Romance language, evolved from the Latin used in the Roman colony of Dacia. English, French and German are also widely spoken.

Health

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At present, the medical system is very much lagging behind reforms made in other sectors of society. For this reason, it has not contributed to improvements in the quality of health care and of people's access to these services nor has it lead to decreases of mortality and morbidity rates.

Budgetary allocations to the health-care sector as well as the per capita expenditures made on health care ranks Romania last among the candidate countries recently entering the European Union. Because of this severe lack of financing, the public medical system and institutions are poorly managed which has dramatic effects upon the inefficient way citizen's public health contributions are utilized.

However, more private clinics are opening each year. Major hotels have doctors on call. In case of an emergency, travelers in Bucharest should go to an Emergency Hospital (Spital de Urgenta). Address in Bucharest: Calea Floreasca 8 (tel: 40-21 317 01 21) For emergency service (like 911) call 112.

Local Time, Business Hours, and Holidays

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Local time is Standard GTM + 2 hours.

Business hours are usually between 9 a.m. and 5 p.m.

Holidays:

January 1-2 (New Year)
April 27-28 (Orthodox Easter)
May 1 (Labor Day)
December 1 (Romanian National Day)
December 25-26 (Christmas)

Temporary Entry of Materials and Personal Belongings

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Articles exempted from duty include: personal effects and medicine required, in rational amounts, for the duration of the trip, personal jewelry, personal laptops, books, publications and recordings of all types, slides and other similar items for personal use, articles received as prizes or distinctions at official events.

According to the Government Ordinance no. 59/2003 published in the Official Gazette no. 615 of 29.08.2003, approved and modified by the Law no. 545 of 18.12.2003, published in the Official Journal of Romania no. 915 of 20.12.2003, article 45 (1) are exempted from the import duties, under the reserve of the article 46-49, the goods contained in the travellers luggage which are from a third country, on the condition that these are not introduced for commercial aims.

Art. 45 (2) it is on record that: In application of the provisions of the paragraph (1) shall mean:

- a) Personal luggage – the set of luggage which the traveller is able to produce at the custom checkpoint upon entrance into the country, and also luggage produced to the same authority on a subsequent date, with the condition that it can be shown that the luggage was registered on the moment of his or her departure, as accompanied luggage to the traveler which is transported to Romania from a third country.
- b) Goods which are not introduced for commercial purposes, the goods introduced in luggage which are of occasional nature and are goods destined exclusively to the personal use of the traveller or his family or goods destined to be offered as gifts and which by its nature or quantity have no commercial character.

Art. 46 it is on record that: The exemption provided at the article 45 for the goods mentioned bellow, would be applied in the following quantitative limits on the traveller:

1. Tobacco products: 100 cigarettes or 200 leaves cigarettes (cigarettes having a maxim weight of 3 grams/piece) or leaves cigarettes or 250 grams tobacco for smoking or proportional combination of these products;
2. Alcohol and alcoholic beverages:
 - a) Distilled beverages and spirituous with an alcohol contain which exceed 22% per volume; non-treated ethylic alcohol of 80% of volume and over: 1 litre; or

- b) Distilled beverages and spirituous and bitters on the basis of wine or alcohol, tafia, sake or similar beverages with an alcoholic content which do not exceed 22% per volume; frothy wines, liqueurs: 2 litre or a proportional combination of these products; and
- c) Light wines: 2 litres
- 3. Perfumes: 50 ml and toilet water 250 ml.
- 4. Medications: the necessary quantity in order to satisfy the personal needs of the travellers.

Travellers under 18 years of age are not able to benefit by any relief for the goods referred to at points 1 and 2 above.

Art. 47 it is on record that: The exemption mentioned at article 45 will be granted up to a total value of 175 EURO/traveller for other goods than those mentioned at article 46. For travellers under 15 years of age the exemption will be granted up to a value of 90 EURO/traveller

In addition to the 175 Euro limit mentioned above, travelers may bring into Romania goods, in accompanied or non-accompanied luggage, with payment of duty.

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U.S. Department of State

http://travel.state.gov/travel/warnings_consular.html

Authority for Aliens

<http://aps.mai.gov.ro>

State Department Visa Website

<http://travel.state.gov/visa/index.html>

United States Visas.gov

<http://www.unitedstatesvisas.gov>

U.S. Embassy in Bucharest

<http://bucharest.usembassy.gov/main.html>

Ministry of Communications and Information Technology

<http://www.mcti.ro>

Ministry of Transports, Constructions and Tourism

<http://www.mt.ro>

Ministry of Public Health

<http://www.ms.ro>

National Customs Authority

http://www.customs.ro/vami_en/Main

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- [Trade Events](#)

Contacts

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US Commercial Service

Office of International Operations - Europe

John Breidenstine, Regional Director
Molly Costa, Deputy Regional Director
John Fay, Country Manager
US Department of Commerce - Room 3130
14th and Constitution Avenue, N.W.
Washington, DC 20230
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Website: http://www.export.gov/comm_svc/index.html

Market Access and Compliance

Central and Eastern Europe Division

Kristin Najdi, Romania Desk Officer
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US Department of Commerce
14th and Constitution Avenue, N.W.
Washington, DC 20230
Website: <http://www.mac.doc.gov>

U.S. Department of State

Aaron Jensen, Country Officer for Romania
U.S. Department of State - Room 5228
2201 C St., N.W.
Washington D.C. 20520
Tel. (202) 647-4272; Fax: (202) 736-4853
Website: <http://www.state.gov>

U.S. Department of Agriculture

Foreign Agricultural Service
Trade Assistance and Promotion Office
Tel. (202) 720-7420
Website: <http://www.usda.gov>

U.S. Trade and Development Agency

Dan Stein, Regional Director, Europe
Jamie Merriman, Country Director
U.S. Trade and Development Agency
Washington, D.C. 20523-1602

Tel. (703) 875-4357; Fax: (703) 875-4009
Website: <http://www.tda.gov>

Export-Import Bank of the United States

Craig O'Connor, Southeast Europe Business Development Officer
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel. (202) 565-3924; Fax (202) 565-3628
Website: <http://www.exim.gov>

Overseas Private Investment Corporation

1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel. (202) 336-8629; Fax (202) 408-5145
Website: <http://www.opic.gov>

U.S. Chamber of Commerce

1615 H Street, N.W.
Washington, D.C. 20062-2000
Tel. (202) 463-5460; Fax: (202) 463-3114
Website: <http://www.uschamber.com>

Embassy of Romania

Adrian Vierita, Ambassador
1607 23rd St., N.W.
Washington, D.C. 20008
Tel. (202) 232-4747; Fax: (202) 332-4858
Website: <http://www.roembus.org>

Consulate General of Romania

Pietro Lucian PAVONI, Consul General
New York, NY 10016
Tel. (212) 682-9120; Fax: (212) 972-8463
Website: <http://www.romconsny.org>

Consulate General of Romania

Mircea Cătălin GHENEA, Consul General
11766 Wilshire Blvd., Suite 1230
Los Angeles, CA 90025
Tel. (310) 444-0043; Fax: (310) 445-0043

U.S. Embassy in Romania

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Mark A. Taplin, Deputy Chief of Mission
Judith A. Moon, Counselor for Press and Culture
Bryan W. Dalton, Consul General
Theodore Tanoue, Political Officer
Paul Oglesby, Press & Information Officer
Kathleen Kavalec, Cultural Officer
Blair LaBarge, Economic Officer
Jennifer Bonner, Management Counselor

Col. Barbara Kuennecke, Defense Attaché
Col. John Ingham, Chief, Office of Defense Cooperation
Cynthia Biggs, Commercial Attaché
Susan Reid, Agricultural Attaché (resident in Sofia)
Debra Mosel, Acting Mission Director, USAID
Ken Goodson, Country Director, Peace Corps
William Moore, Counselor for Regional Affairs
Timothy Ohms, Resident Legal Advisor
Gary Dickson, Legal Attaché
Brian Lutz, Attaché, U.S. Secret Service
Robert Weitzel, Regional Security Officer

The United States Embassy

7-9, Tudor Arghezi
Tel: (40-21) 200-3300
Fax: (40-21) 316-0395
Website: <http://bucharest.usembassy.gov>

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Email: Bucharest.Office.Box@mail.doc.gov
Website: <http://www.buyusa.gov/romania>

American Chamber of Commerce

Anca Harasim, Executive Director
Str. Ion Campineanu 11, Union Business Center, Bucharest
Tel. (40-21) 312-4834; Fax: (40-21) 312-4851
E-mail: amcham@amcham.ro
Website: <http://www.amcham.ro>

Romanian Presidency

Traian Basescu, Romanian President
Cotroceni Palace, Bucharest
Tel. (+40-21) 410 05 81
Website: <http://www.presidency.ro>

Government of Romania

Calin Popescu Tariceanu, Prime Minister
Piata Victoriei 1, Bucharest
Tel/Fax: (40-21) 313-34 00/230-36 00
Website: <http://www.gov.ro>

Agency for Foreign Investment

22 Blvd. Primaverii, Bucharest
Tel: (40-21) 233.91.03; Fax: (40-21) 233.91.04
E-mail: aris@arisinvest.ro
Website: <http://www.arisinvest.ro>

The Authority for Privatization and Management of State Assets

Teodor Atanasiu, President
50 Av. Alexandru Serbanescu str., Elvila Building
Tel: (40-21) 303-6650; Fax: (40-21) 233-3272
Website: <http://www.apaps.ro>

Ministry of Foreign Affairs

Adrian Cioroianu, Minister
Aleea Alexandru 33, sector 1, Bucharest
Tel: (40-21) 319.21.08; 319.21.25 Fax: (40-21) 319.21.73
E-mail: mae@mae.ro
Website: <http://www.mae.ro>

Ministry of Economy and Finance

Varujan Vosganian, Minister
Calea Victoriei 152, Bucharest
Tel: (40-21) 202-5140; 202-5141; Fax: (40-21) 202-5177
Website: <http://www.minind.ro>

Ministry of Defense

Teodor Melescanu, Minister
Str. Izvor 13-15, Bucharest
Tel: (40-21) 410-4000; Fax: (40-21) 312 0863
Website: <http://www.mapn.ro>

Ministry of Communications and Information Technology

Karoly Borbely, Minister
Blvd. Libertatii 14, Bucharest
Tel. (40-21) 400-1190; Fax: (40-21) 336-5887
Website: <http://www.mcti.ro>

Ministry of Interior and Administrative Reform

Cristian David, Minister
Mihai Vodă St. nr.6-8, sector 5 București
Tel. (40-21) 303 70 80 (operator)
Website: <http://www.mai.gov.ro>

Ministry of Labor, the Family and Equal Opportunities

Paul Pacurararu, Minister
St. Dem I Dobrescu nr. 2-4 sector 1, Bucuresti
Tel. (40-21) 313 62 67, 315 85 56
Website: <http://www.mmssf.ro>

Ministry of Transport

Ludovic Orban, Minister
Blvd. Dinicu Golescu 38, Bucharest

Tel: (40-21) 222-3636; Fax: (40-21) 312-0772
Website: <http://www.mt.ro>

Ministry of Environment and Sustainable Development

Attila Korodi, Minister
Bd. Libertatii 12, sector 5, Bucharest
Tel. (40-21) 316 24 07; Fax: (40-21) 319 46 09
Website: <http://www.mmediu.ro>

Ministry of Agriculture and Rural Development

Dacian Ciolos, Minister
Blvd. Carol I No. 24, Bucharest
Tel. 0040 21 307.23.00; 0040 21 307.23.45; 0040 21 307.85.00
Website: <http://www.mapam.ro>

Ministry of Health

Eugen Nicolaescu, Minister
Str. Cristian Popisteanu 1-3, Bucharest
Tel: (40-21) 307-2500; (40-21) 307-2600 Fax: (40-21) 314-1526
Website: <http://www.ms.ro>

Ministry of Justice

Str. Alpolodor 17, sector 5
Tel: (40-21) 314 44 00 (operator)
Website: <http://www.just.ro>

Ministry of Education, Research and Youth

Cristian Adomnitei, Minister
Str. Gen Berthelot 28-30, sector 1
Tel: (40-21) 310 4320; Fax: (40-21) 314 2680
Website: <http://www.edu.ro>

Ministry of Culture and Cults

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Sos Kiseleff no. 30
Tel: (40-21) 224-2510/224-3723 Fax: (40-21) 223-4951
Website: <http://www.cultura.ro>

National Authority of Romanian Customs

Address: 13, Matei Millo Street, sector 1, Bucharest
Phone: 4021 315 58 58; 4021 315 58 59; 40723 565 101; 40723 565 102; 40723 565 103; Fax: 4021 313 82 51
E-mail: vama@customs.ro
Website: <http://www.customs.ro>

National Institute for Statistics

Blvd. Libertatii 16, Bucharest
Tel: (40-21) 312-4875/336-8421; Fax: (40-21) 312-4873
E-mail: romstat@insse.ro
Website: <http://www.insse.ro>

Chamber of Commerce and Industry of Romania

Blvd. Octavian Goga 2, Bucharest

Tel: (40-21) 322-9500/1; Fax: (40-21) 322-9502

E-mail: ccir@ccir.ro

Mihaela Goj, General Secretary

Tel.: (40-21) 319-0152; Fax: (40-21) 319-0159

Liliana Deac, Director, Foreign Relations Division

Tel: (40-21) 322-9518/322-9516; Fax: (40-21) 322-9517

Website: <http://www.ccir.ro>

National Trade Registry Office

Blvd. Unirii nr. 74, Bl. J3b. Tr. II+III, Sector 3, Bucharest

E-mail: onrc@onrc.ro

Tel. (40-21) 316-0804; Fax: (40-21) 316-0803

Website: <http://www.onrc.ro>

State Office for Inventions and Trademarks (OSIM)

Str. Ion Ghica 5, Sector 3, Bucharest

Tel. (40-21) 315-9066; Fax: (40-21) 312-3819

Email: office@osim.ro

Website: <http://www.osim.ro>

The Fairs and Exhibition Company (ROMEXPO)

Blvd. Marasti 65-67, Sector 1, Bucharest

Tel. (40-21) 224.37.46; Fax: (40-21) 224.35.45

e-mail: secretariat@romexpo.org

Website: <http://www.romexpo.org>

Market Research[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

<http://www.bsda.ro>

<http://www.expomil.ro>

<http://www.exposecurity.ro>

<http://www.romexpo.org>
<http://www.buyusa.gov/romania>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/romania>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.