Doing Business in Romania:

2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Romania

Market Overview

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Romania is a market with tremendous potential, a strategic location, and an increasingly solid business environment. While careful evaluation of the market is needed in order to seize business opportunities, exporting to or investing in Romania is less challenging than in previous years in terms of business and consumer confidence.

After 0.7% growth in GDP in 2012, last year Romania saw one of the most rapid growths among the EU member states (3.5%), driven by an increase in exports as well as agricultural production. Domestic demand and investment are expected to follow a gradual increase curve for the next two years. With a public budget deficit of 2.5% of GDP at the end of 2013, Romania is well under the EU-28 public budget deficit average of 3.5% of GDP and is part of the minority group of 11 EU member states not currently under the excessive deficit procedure. The macroeconomic outlook has improved in recent years and in April this year, Moody's improved the outlook for Romania's government bond rating from negative to stable, mainly on the expectation that the macroeconomic indicators from 2013 will remain sustainable and the risks to Romania's growth and external financing, strongly connected to the Euro zone, will decline.

In the context of historically low inflation, the National Bank of Romania relaxed monetary policy in order to support the economy. The Romanian currency was one of the least unstable over the last two years, not only within the region (Central & Eastern Europe in particular), but also compared with other large emerging markets such as Brazil, Turkey or South Africa. While Romania is increasingly attractive for trade and investment, a coherent tax policy, liberalization of the energy supply, and reform of the education and healthcare systems are needed to register further progress in the next period and improve Romania's business outlook.

Romania will be eligible to receive nearly €40 billion in Structural and Cohesion funds and Rural Development and Fisheries funds from the EU in the 2014-2020 programming period, with the possibility of an extension for an additional three years for funds usage. With EU funding to rise 20% in the 2014-2020 period compared to 2007-2013 and its own (co-financing) contributions, Romania will see total inflows of approximately €49 billion over the period.

Despite some still challenging economic conditions, there are opportunities for American businesses, particularly in areas such as Safety & Security, Cyber Security, Environmental Technology, Cosmetics, Healthcare, and Agricultural Equipment.

In addition, in the context of the reformed Cohesion Policy, an emphasis will be put on the competitive sectors where EU funding will be attracted: e.g., a series of sectors with noticeable growth potential (health / pharmaceutical products, energy, forestry and fisheries) as well as with a high added value, such as energy efficiency.

The government has struggled to increase the pace of implementation of infrastructure projects as Romania tries to absorb EU funds before they expire as well as to involve private financing sources. Openness to partial or complete privatization of some industrial assets in order to fulfill its commitments to the IMF is also apparent.

Successful entry into the Romanian market requires solid preparation, and market research is an important part of any business strategy. The balance of this report is intended to aid American companies in developing and executing new and increased sales to this important and promising – yet still transitional – EU market.

Market Challenges

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Romania removed its communist dictator more than twenty years ago, yet the Romanian government still plays an oversized role in the economy in terms of employment, ownership of assets, and influence on the business environment. The public sector includes thousands of entities authorized to spend public funds, and consequently most sizable businesses rely on public sector demand. U.S. exporters cannot escape this aspect of the economy. State-owned enterprises shape many industries as dominant customers, suppliers, or in some cases, competitors. The deployment of private sector management principles is incomplete or unknown in some cases, yet a legislation of selecting private managers for state-owned companies has been put in place with mixed results in several sectors.

The public sector is administered by a deep and inefficient bureaucracy, where few decisions can be made without several layers of approval. Even when fully authorized by their mandates, many Romanian government agencies seek a higher level of political approval, even informally, before making decisions. This phenomenon creates an environment in which fraud and corruption can occur. The Romanian government has sought to reduce these opportunities by moving some government processes to online platforms, replacing the human interaction with “e-government” in areas such as healthcare, government services and state-owned enterprise procurements. All procurement procedures, funded under EU programs or when involving private financing sources (such as in PPP / concession schemes) must comply with the public procurement law, which is harmonized with EU legislation in this area.

There are signs, however, that the Romanian government is starting to take the EU’s concerns about corruption seriously. Former Prime Minister Adrian Nastase was sentenced to two years in prison in January 2012 for misuse of public funds while in office. Additionally, several of the country’s ex-ministers resigned or were forced to resign as their parties lost seats in local elections. With the EU’s criticism of lack of corruption law enforcement, the Romanian government has begun taking steps to improve the business environment.

IMF oversight has brought greater accountability and discipline to public spending. This discipline includes some settling of arrears owed by the Romanian government, which has demonstrated commitment to meeting the conditions of the IMF. The poor condition of Romania's physical infrastructure - including roads, rail, airports, and water and wastewater systems - affects business costs, productivity, public safety, and the country's ability to attract foreign investment. In many cases the national government owns the infrastructure (rail, as well as some airports), and in other cases (water utilities) county councils own the assets. The country's connections to the rest of the EU's transportation infrastructure are underdeveloped, still keeping Romania from realizing its full potential for new investment, trade, and tourism.

In the current economic environment, American exporters must be aware that selecting the proper partner - whether as a distributor, licensee, or franchisee - is extremely important. Adequate due diligence can make the difference between a successful investment or distribution agreement and a costly mistake.

Romania has not yet entered the "Euro Zone," and so most income is paid in the local currency, the RON. At the same time, many companies and consumers have debt denominated in euro, and most big-ticket consumer items (i.e., real estate, cars, and major appliances) are priced in EUR. In the last four years, most Romanian borrowers have been on the losing side of this exchange rate risk, with direct effects on their purchases and debt service.

Market Opportunities

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Despite the challenges, several underlying attributes of the economy allow it to keep a positive momentum. These elements also create medium-term business opportunities for American companies with experience and expertise in the areas in demand.

Romania's membership in the EU is one of its most persuasive advantages. As a member, Romania offers a sizable domestic market and a comparatively low-cost foothold for accessing the EU market as a whole. Most of the foreign investment in retail, and some manufacturing, have been based on these two elements. In addition to this larger market, Romania's membership makes it eligible for billions of euro in EU funding.

Romania's location in Southeast Europe shortens the distance for export sales to areas such as Turkey, the Balkans, the Middle East, and markets such as Ukraine and Russia. Practically speaking, its location on the Black Sea provides Romania with a view beyond Europe. Several foreign manufacturers have moved into Romania, despite its economic recession, for this reason. Romania's powerful concentration of high-end software development and services is almost entirely export driven, serving regional or global markets.

Romania's stage of development and its requirement to conform to the standards of the EU drive many of the business opportunities for U.S. firms. Whether in response to directives from Brussels, to simply "catch up" to the rest of Europe, or to meet market potential, the U.S. Commercial Service sees the best prospects for sales in the following sectors, each of which is developed in greater detail later in this report:

- Agricultural Machinery and Equipment
- Cosmetics
- Environmental Technologies (Water/Wastewater & Solid Waste Management)

- Healthcare / Medical Equipment
- Cybersecurity
- Safety & Security

The European Union and EU Funding

While the EU has already allocated approximately €33.5 billion to Romania for projects in areas ranging from transport and rural development, to energy and the environment (in the 2007-2013 programming period), Romania has not an impressive record of making full use of the funds, reaching an absorption level of approximately 34% at the end of 2013.

Among the problems are overly elaborate regulations regarding accessing EU funds, Romania's lack of administrative capacity, and a lack of money to "match" EU funds. Romanian authorities must improve their ability to design worthwhile projects meeting EU guidelines, as well as provide required co-financing. A continuing challenge has been a lack of adequate administrative capacity and project management skills to plan, budget, obligate, and spend these funds in an efficient, transparent, and effective manner. Internal project review and approval procedures implemented by Romanian authorities are also multi-layered and cumbersome. In fact, these problems have produced a business opportunity for specialized consultants and there are indications that performance in the absorption of EU funds will improve.

There are always more needs and projects than available funding in Romania. American companies should examine the reliability of a buyer's financing arrangements. One method for exploiting business opportunities is to find where one of the best prospect sectors intersects with the buyer's ability to access EU funding and arrange co-financing.

U.S. exporters should monitor other recent developments in the European Union:

The border-free EU Schengen area now covers 26 countries, including some non-EU members, and greatly eases the movement of goods and people across air, land, and sea borders. Romania's membership in the Schengen area has not yet been approved by all members.

Discussions on a range of existing and proposed trade irritants are ongoing, including transparency in developing regulatory procedures and standards. To ensure that U.S. companies get the full benefits of the trade agreements the United States has negotiated, the U.S. Government has developed a trade compliance initiative that includes the establishment of the Interagency Trade Enforcement Center (ITEC). U.S. trade agencies work closely and diligently with the business community to ensure that the EU and its member states comply with their bilateral and multilateral trade obligations, and to minimize market access problems affecting U.S. firms.

Market Entry Strategy

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A local business presence is essential to success in the Romanian market, and this can take the form of a distributor agreement, subsidiary, joint venture, or acquisition.

Regardless of the form of investment or entry strategy, American businesses considering the Romanian market should research their specific prospects thoroughly, perform due diligence, and be prepared to adapt their business models as necessary. Retaining legal and financial counsel with solid knowledge of Romanian law is extremely important, and relationships with other service providers, such as banks and accountants, can provide excellent value as well. Selling through a local Romanian partner is a standard element of most entry strategies. Therefore, a U.S. company's success can hinge on identifying, qualifying, and selecting a partner with the resources and expertise to help accomplish its objectives.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment in Romania, 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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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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Local agents, distributors and joint venture partners can contribute significantly to the success of an American company by bringing knowledge of the market, industry experience, access to key contacts, and other resources. Selecting a distributor is a serious strategic decision, with long-term business and legal implications. When establishing a contract with a distributor or joint venture partner, American companies are advised to seek legal advice to draft a distribution agreement that is compliant with local regulations and standard business practices.

U.S. Commercial Service Romania advises against relying on internet searches, association lists, or other passive methods for finding a partner. Through its matchmaking services, CS Romania helps U.S. companies find and qualify prospective agents, distributors or representatives, and can perform background checks on Romanian companies.

Romanian Civil Code regulates thoroughly the agency agreement, such as the parties' rights and obligations, specific requirements for unilateral termination of the agreement, certain conditions entitling the agent to receive a commission for the execution of the agreement, the agent's right to receive an indemnity (separate from the commission) upon termination of the agency agreement, etc. Romanian Civil Code favors the agent's contractual position, by setting forth the impossibility to derogate by convention from certain provisions.

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of "vertical agreements."

U.S. small- and medium-sized companies (SMEs) are exempt from these regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of impacting 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. The EU has additionally indicated that agreements that affect less than 10% of a particular market are generally exempted (Commission Notice 2001/C 368/07).

Key Link: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2001:368:0013:0015:EN:PDF

The EU also looks to combat payment delays. The new Directive 2011/7/EU, which replaced the current law in March 2013, 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. Directive 2011/7/EU entitles a seller who does not receive payment for goods and/or services within 30 days of the payment deadline to collect interest (at a rate of 8% above the European Central Bank rate) as well as €40 as compensation for recovery of costs. For business-to-business transactions, a 60-day period may be negotiated subject to conditions. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs. The new Directive was transposed in Romania by Law 72/2013, which entered into force on April 5, 2013, and implemented the provisions of the new Directive as presented below.

Key Link: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:048:0001:0010:EN:PDF

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. In addition, SOLVIT, a network of national centers, offers online assistance to citizens and businesses who encounter problems with transactions within the borders of the single market.

Key Links:
www.ombudsman.europa.eu/home/en/default.htm
http://ec.europa.eu/solvit/site/about/index_en.htm

Establishing an Office Return to top

Opening a local office in Romania involves several steps:

1. Choose the type of company

General Partnership (SNC): A general partnership is an *intuitu personae* company (in consideration of the shareholders' quality) and can be set up by at least two shareholders. 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. Like with the four other types of companies (briefly described below), the shareholders must register their partnership with the National Trade Register Office of the Ministry of Justice. The shareholders in a general partnership have unlimited and joint liability towards the company's debts and obligations.

Limited Partnership (SCS): As with other jurisdictions, a limited partnership consists of one or more general shareholders, who manage the company's business, and one or more limited shareholders who contribute capital (money or other property) to the partnership, but do not participate to its management. Limited shareholders are not liable for the debts and obligations of the partnership beyond their contribution to the registered capital, while the other shareholders (who also manage the company) have unlimited and joint liability towards the company debts and obligations.

Joint-Stock Company (SA): A joint stock company is a limited liability corporation with registered share capital of at least $28,125 (at an exchange rate of $1 = 3.2 RON) and with at least two 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. At the time of the company's registration, each shareholder must pay at least 30% of his/her portion of the subscribed share capital, with the remaining 70% to be paid within a maximum of 12 months (in case of shares issued following a cash contribution to the share capital) or 2 years (in case of shares issued following a contribution in kind to the share capital).

Limited Partnership by Shares (SCA): This type of company has the same legal regime as a limited partnership, except for the fact that the share capital is divided into shares. Thus, the company's obligations are guaranteed by the capital and by the unlimited and joint liability of the general partners. The limited partners are liable only within the limit of the subscribed share capital. Similar to the joint stock company, the SCA's share capital cannot be less than $28,125 (RON 90,000 at an exchange rate of $1 = 3.2 RON).

Limited Liability Company (SRL): A limited liability company is a company set up by at least one shareholder and cannot have more than 50 shareholders. An individual or a legal entity can act as sole shareholder in only one SRL. At the same time, an SRL cannot have as sole shareholder another company that is owned in its turn by a sole shareholder. The subscribed share capital of an SRL is at least $62.50 (RON 200 at an exchange rate of $1 = 3.2 RON) and is divided into shares with a nominal value of at least 10 RON each. Shares can be freely traded between shareholders. The transfer of shares to third parties must be approved by the shareholders holding at least ¾ of the company's share capital.

Representative Offices: Foreign companies may open representative offices in Romania following registration with the Department of Foreign Trade in the Ministry of Economy. Representative offices cannot carry out commercial activities on their own behalf, but are entitled to promote and supervise the business of their parent organizations.

Branches: Foreign companies may establish branches in Romania. These entities have no legal capacity and can carry on only the activities within the object of activity of the parent company. They must be registered with the relevant trade registry office.

2. <u>Determine location of headquarters</u>

Foreign companies are required to have as a headquarters a physical location (not a postal address, as is possible in the United States) and are required to demonstrate that the company's premises are fully operational, i.e., the company fulfills the conditions to carry on the activities authorized at the said location (necessary equipment, computer(s), personnel allocated at the company's premises, etc.) Such conditions are strictly verified by the fiscal administration, upon control on site, in order to approve the company's fiscal registration with the relevant local authority.

3. <u>Register the name of the company</u>

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

4. <u>Constitutive documents</u>

Usually, general partnerships and limited partnerships are set up by their founders through by-laws. Joint-stock companies, limited partnerships by shares and limited liability companies are set up through by-laws and articles of incorporation. By-laws and articles of incorporation may be concluded under a single document or Constitutive Deed. The Constitutive Deed sets forth the rights and obligations of the shareholders, the company's object of activity, the quorum required for the adoption of different resolutions, the management and organization of the company's activity, the dissolution procedure, and so forth.

5. <u>Company account</u>

A company account is opened in the registered name of the company in order to deposit the share capital. The amount depends on the form of business organization, but as an example, a limited liability company has a minimum starting capital of RON 200 (approximately $62.50 at an exchange rate of $1 = 3.2 RON).

6. <u>Other required legal documents</u>

Other documents are required to be filed with the local Trade Registry Office under the setting-up file, such as the decision of the competent body of the company's shareholders (in case such shareholders are legal entities), statement(s) of the company's director(s), statements of the company's shareholders that they fulfill the legal requirements to be shareholders in a Romanian company, powers of attorney, as the case may be, fiscal records etc.

7. <u>Submission of the complete dossier to the One Stop Office</u>

Once the application, or *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. Representative offices are often used as a market entry tactic, allowing a company to assess opportunities before making a more substantial investment.

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 the parties, and must contain clauses with regard to the following elements: object of the contract, rights and obligations of the parties involved, financial clauses, duration of the contract, clauses related to amendment, extension, and cancellation of the agreement. The franchisor has the possibility to impose the beneficiary non-competing and confidentiality obligations, especially to prevent the alienation of know-how during the franchising agreement.

When franchising in Romania, a franchisor must be the holder of the relevant intellectual or industrial property rights, and must register it with the Romanian State Office for Inventions and Trademarks.

The dramatic growth of franchises between 2000 and 2007 reflected the pent-up consumer demand, while the severe retrenchment between 2009 and 2010 in the face of a recession shows the importance of choosing the right franchise partner. The Romanian Franchise Association believes that Romanian investors have become more cautious in deciding how to spend money, in the context of a generalized lack of liquidity. On the other hand, franchisors themselves have become more conciliatory and more willing to negotiate certain clauses in franchise contracts.

American Franchises in Romania

According to a survey by the Romanian Franchise Association, Romanian investors see opportunities in the following franchising sectors: services, retail, fast-food, restaurants/cafes, and beauty & spa. Depending on the investment amounts, U.S. franchises lead in terms of market share by country of origin, representing over 60% of the Romanian franchise market, and EU and domestic franchises account for the remaining 40%.

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

- Curves (as FitCurves)
- Domino's Pizza
- Jerry's Pizza
- Hertz
- Budget
- Pizza Hut
- American Life Insurance Company

- Ethan Allen
- Howard Johnson
- Four Star Pizza
- Daylight Donuts
- Ruby Tuesday's
- Pizza Inn
- Candy Bouquet
- Computer Troubleshooters
- Fastrackids
- Ramada
- Quiznos
- Starbucks
- Subway
- Arthur Murray Dance Studio

With regard to the level of trust across countries of origin, Romanian customers and investors have a good appetite for U.S. franchises due to their good reputation, and high degree of competitiveness. They appreciate the U.S. franchise law, which imposes quality standards and requirements on franchisees. The franchises from the EU come second in the ranking and Romanian franchises enjoy a lesser popularity.

Long-term prospects for American franchises in Romania are positive. However, realizing success in the Romanian market usually requires the American franchise to modify its "standard" franchise agreement to reflect local market conditions. Timetables, minimum numbers of units, and fees and royalties should all be evaluated against local market data. Even more important is finding the right local partner who understands the business concept and can execute it well. Finding local entrepreneurs with the capital to pay a franchisee fee is not as difficult as identifying those with the expertise and acumen to introduce and grow a new franchise successfully. Competition for the attention of this latter group is keen, and American franchises are evaluated against European rivals.

Direct Marketing

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

ARMAD has 20 members - direct marketing companies and four academic members. The direct marketing industry is just developing, but has been growing among Romanian companies for whom the methods offer a business marketing solution. Romania does not have a national "do-not-call list", but in 2007 ARMAD implemented a "do-not-mail" list.

ARMAD also elaborated a Code of Conduct for the processing of personal data in the direct marketing sector which regulates strict obligations to be observed by its members. The Code of Conduct mentions that the processor of personal data must observe the principles of preference service, as soon as such principles were adopted by ARMAD and to use the Mail Preference Service (MPS) list (an opt-out list of people who do not wish to receive marketing transmissions) in accordance with the Global Conventions on Preference Services.

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.

Distance Selling Rules
The EU's Directive on Distance Selling to Consumers (97/7/EC and amendments) sets out a number of obligations for companies doing business over 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 Selling 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.

In 2011, the EU overhauled its consumer protection legislation and merged several existing rules into a single rulebook - "the Consumer Rights Directive". The provisions of this Directive will apply to contracts concluded after June 13, 2014, and will replace current EU rules on distance selling to consumers and doorstep selling along with unfair contract terms and consumer goods and associated guarantees. The Directive contains provisions on core information to be provided by traders prior to the conclusion of consumer contracts. It also regulates the right of withdrawal, includes rules on the costs for the use of means of payment and bans pre-ticked boxes.

In 2013, the EU adopted rules on Alternative Dispute Resolution which provide consumers the right to turn to quality alternative dispute resolution entities for all types of contractual disputes including purchases made online or offline, domestically or across borders. A specific Online Dispute Resolution Regulation will set up an EU-wide online platform to handle consumer disputes that arise from online transactions. The platform will be operational at the end of 2015.

Key Links:
Consumer Affairs Homepage: http://ec.europa.eu/consumers/index_en.htm
Consumer Rights: http://ec.europa.eu/justice/consumer-marketing/rights-contracts/directive/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 amended three prior existing Directives and is designed to ensure that consumers are appropriately protected with 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. The Directive was transposed into Romanian legislation by Government Ordinance no. 85/2004 on consumer protection upon the conclusion and execution of distance contracts concerning financial services, as republished on May 13, 2008, and further amended.

Key Link: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0065:EN:NOT

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 VAT. The Directive was transposed into Romanian legislation by Law no. 365/2002 on electronic commerce, as republished on November 29, 2006, and further amended.

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 through the knowledge, relationships, and existing capacities of the local partner. Joint ventures are also exempted from registration formalities with local authorities (such as Trade Registry, Register of Associations and Foundations, etc.). The association has no legal capacity; therefore, the assets of the joint ventures remain in the associates' property. The potential disadvantages of joint ventures include the loss of complete control, the failure of anticipated synergies, and the costs and difficulties of integration.

Selling to the Government

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The Romanian Government adopted the public procurement law, Emergency Ordinance 34/2006, in order to align its legislation with EU standards. This ordinance has been amended repeatedly. The most recent update shortened the deadlines for contesting procurement procedures. The Government maintains an electronic system for public acquisitions in an effort to provide a fully transparent procurement process. A government decision passed in March 2010 requires public authorities to use the e-procurement system for at least 40% of their procurements but compliance is uneven.

The public procurement market in the EU is currently regulated by three Directives and in 2014, the EU adopted new legislation in this area. New EU Directives were adopted for the general and utilities sectors as well as one on concession contracts:

- Directive 2004/18 on Coordination of Procedures for the Award of Public Works, Services and Supplies Contracts;
- Directive 2004/17 on Coordination of Procedures of Entities Operating in the Utilities Sector, which covers water, energy, transport and postal services; and
- Directive 2009/81 on Coordination of Procedures for the Award of Certain Works, Supply and Service Contracts by contracting authorities in the fields of defense and security.

There is a separate Directive addressing the procurement of defense and sensitive security equipment.

The main amendments brought by these directives address some of the situations frequently encountered at the national level as well, such as simplification of award procedures, strategic use of public procurement policies, through the introduction of new environmental protection and social responsibility issues, facilitation of SME participation in award procedures, etc.

The U.S. and the EC are signatories to the WTO Government Procurement Agreement (GPA), which grants access to most public supplies and services and some work contracts published by national procurement 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 and services contracts from European public contracting authorities above the agreed thresholds:
Key Link: http://ec.europa.eu/internal_market/publicprocurement/rules/gpa-wto/index_en.htm

However, there are restrictions for U.S. suppliers in the EU utilities sector both in the EU Utilities Directive and in EU coverage of the GPA. The Utilities Directive allows EU contracting authorities to either: 1) 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 2) 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, are waived for the electricity sector.

Key Links: www.anrmap.ro, www.e-licitatie.ro

Distribution and Sales Channels Return to top

Distribution of goods and services in Romania is similar to other European countries. Wholesale and retail tiers, and support services such as packaging, warehousing and merchandising, are fully developed in Romania. Retail outlets, franchisees, and value-added resellers serve as channels for the provision of services ranging from mobile phone service, consulting or software and IT.

Romania's range of retail outlets is likewise European and includes specialty 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. Despite the rapid growth of shopping malls and hypermarkets, many urban consumers still rely on small shops and markets for daily shopping.

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. For several years the local market has been dominated by Carrefour and Cora on the hypermarket (or Big Box) segment, while Metro and Selgros have competed on the cash and carry market. Several of these have plans to continue their expansion.

Foreign supermarkets also have a share of the Romanian market. The first foreign company to enter the market was the Metro Cash & Carry chain in 1996, followed by Billa, Gima, Carrefour, XXL, Auchan, Kaufland, Mega Image (Delhaize Group), and Artima.

Selling Factors/Techniques

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Price, payment conditions, value and quality are critical factors for success in Romania's business and consumer markets. In almost any business domain, European competitors exist and enjoy the advantages of tariff free status within the EU. American firms may not always compete on price but need to demonstrate a clear value proposition. Proven products or services with benefits that emphasize cost-savings, efficiencies or - for distributors - profitability and reliability, will stand the best chances of market success.

Romania has seen income growth in recent years, and an expansion in consumer credit, but average incomes remain relatively low. Comparing Romania to other nations on the basis of GDP per capita adjusted for purchasing power parity ranks the nation alongside Turkey and Bulgaria, trailing neighboring Hungary, but ahead of Ukraine. However, the small but relatively affluent segment of the population has driven retail development, real estate, and the sale of luxury or "premium brand" goods. The current economic conditions recommend prudence to the U.S. companies pursuing this segment of the market. Market entry plans should be informed by specific and timely intelligence, as well as a careful evaluation of a prospective partner's financial condition.

Electronic Commerce

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Statistics from Romanian integrator GECAD ePayment indicate that the main industries processing online transactions are telecom, tourism, utilities, services, retail and entertainment.

As in other countries, e-commerce solutions that rely on existing payment relationships have been successful in Romania. The country's large number of mobile phone subscribers provide a ready base of shoppers for telecom providers such as Orange, Vodafone, and Cosmote. Each provide the ability to check bank balances, pay bills and purchase calling credit online. The use of online auction sites, even when not located in Romania, is growing. Online auctioneer eBay does a steady business among Romanians through its other European sites.

Romania is among the lowest users of e-commerce in Europe, with just 12% of individuals ordering goods or services online in 2013. It is estimated that the Romanian ecommerce market consisted of 4,500 online stores in 2013, which is 1,000 more than in 2012. Two obstacles continue to retard the growth of e-commerce infrastructure and deployment: a relatively low rate of credit card ownership, and the prevalence of online fraud and cybercrime.

In 2013, as a result of a call for e-commerce platforms meant to promote e-commerce in Romania, MSI awarded nearly $50 million in EU funds to projects aiming to design and implement IT systems for electronic tenders, e-payment and secure e-transactions, e-learning systems for SMEs, and of IT systems to improve enterprise activity, B2B and B2C, some of which have already been implemented.

As per the key figures and statistics for the Romanian ecommerce market for 2013, published by GPeC (E-Commerce Awards Gala), considered by online businesses as the most important e-commerce event in Romania, the local ecommerce market in Romania reached approximately €600 million euros in 2013 (statistics given by the main players of the Romanian online retail market). According to the same report, one in four Romanian internet users buy online, the number of internet users in Romania reaching 10 million last year. Also, it appears that the majority (60%) of online credit cards transactions are international, while only 40% of them are domestic transactions. Local online stores are seemingly less popular than websites abroad.

The EU applies 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 VAT. These rules were indefinitely extended following adoption of Directive 2008/8/EC.

Businesses affected by EU Directive 2002/38 are either U.S.-based and selling ESS to non-business EU customers, or are EU-based businesses selling ESS to customers outside the EU. There are a number of compliance options for businesses. The Directive creates 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 located, 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 Links: http://ec.europa.eu/taxation_customs/taxation/vat/traders/e-commerce/index_en.htm

Trade Promotion and Advertising

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The economic downturn left a bad mark on the evolution of Romania's advertising market, but not as bad as in 2009. Due to recent increased economic stability, the majority of players in the market predicted some growth in the advertisement market which totals $384 mil. However, the declining trend continued in 2013, with a 3% decline in relation to the previous year.

The diversity of media types and the fragmentation of the media market are the most important characteristics maintained in 2013 and because of this, the market's main objective is an effort to find integrated creative and complex solutions to cover multiple means of public communication.

The main players in this market are, as usual, international companies: advertising agencies (McCann Erikson, Lowe Lintas, Publicis, Leo Burnett, Ogilvy), media agencies (Zenith Media, optimedia, initiative Media, Mindshare, Mediacom, Mediaedgecia), and advertisers (Vodafone, Coca-Cola, Ing Bank). The biggest advertising investments come especially from companies working in fields such as telephone services, retail and fast moving consumer goods.

Television continues to attract the biggest media budget, its market share oscillating in the same ranges as in the previous years (62-65%), and this is thanks to its ability to provide the biggest coverage at a national level. Rating statistics for 2013 are in the chart below:

Station	Rating (% of viewers)	Viewers (000)
Pro TV	3.5	365.2
Antena 1	3.2	331.4
Kanal D	1.7	176.2
Antena 3	1.5	153.1
Acasa	0.8	84.2
Prima TV	0.8	84.2
Romania TV	0.7	77.5
National TV	0.7	77.0
TVR 1	0.7	71.1
B1TV	0.60	60.5
Realitatea TV	0.5	49.9

Source: Kantar Media Audiences, Copyright: ARMA ; the data represents an annual average (01.01.2013-31.12.2013)

At the end of 2012, a new bill emerged amending the Audiovisual Law and completely modifying the way in which TV advertising space could be bought. This project was altered by Government Emergency Ordinance 25/2013 published in the Romanian Official Gazette on April 12, 2013. The National Audiovisual Council of Romania (CAN) protested against this enactment, as it was adopted without consulting industry. Consequently, the president of Romania requested, on July 16, 2013, reexamination of this government emergency ordinance, but without success, as on May 8, 2014, the Romanian Parliament (through the Commission for culture, arts, information media) rejected the proposal for reexamination, accepting only some insignificant amendments.

New changes to the legal provisions on the placement and authorization of means of advertising signs were implemented under Law 185/2013 relating to the display and authorization of advertising signs (entered into force on July 8, 2013). This law established the legal framework for outdoor promotional and publicity activities, underlying the rules for display of outdoor advertising, including on public roads in Romania.

The press continues to be the most affected by the economic crisis, reaching $25 million, down from $29 million. Clients' budget cuts have forced editors to cut expenses, at the same time challenging them to find interesting solutions. Because of this, many publications have developed online titles and "mobile" apps and have sustained their sales of printed editions by introducing samples, books, dvds, cosmetics and so on. Although 2013 was once again a year of downfall, the outdoor market has maintained its market share at 10%. The segment will most likely be at $36 million, down from $38 million. The main players on the market continue to be Affichage, Defi Group, Euromedia Group, Getica, and Spectacular Ooh & Printing.

As per the latest ZenithOptimedia forecasts (a world-wide agency which executes forecasts for 79 markets), the Romanian advertising market is expected to grow 1.9% in 2014, with digital media continuing its growth. The agency's representatives stated that advertising will see the strongest period of sustained development during the next 10 years, with a global increase of 5,3% (in 2014), compared to 3,6% (in 2013).
The status of out-of-home advertising in the public domain remained unchanged in 2013, the current legislative regulations being broken and with other new advertising billboards emerging and crowding the urban landscape. After the election, the authorities recommenced discussions regarding the market's regulations by bringing under regulation laws suggested by the Ministry for Regional Development, starting from January 1, 2014. The terms of this law continue to be abusive.

Radio also kept its share constant in 2013, although it registered a decline at the budget level. In 2012, international trusts such as Lardere (Europa FM, Radio 21, Vibe), ProSieben Sat.1 Media AG (Kiss FM, Magic FM, Rock FM), Media Pro (InfoPro, ProFM, ProFm Danc) were active on the market, as well as local companies such as Intact Media Group (Radio Zu, Radio Romantic). In the ratings chart, Radio Romania Actualitati stands out as a local national radio, which enjoys the highest ratings thanks to a large number of stations and a very good national coverage.

Radio Station	Market Share (%)	Daily reach (000)
Radio Romania Actualitati	15.2	2021.0
Radio Kiss FM	11.2	2259.1
Radio ZU	8.6	1636.9
Radio Europa FM	7.5	1298.6
Radio ProFM	7.4	1518.7
Radio Antena Satelor	6.7	760.1
Radio Magic FM	4.3	727.1
Radio 21	3.8	706.2
Radio Romania Iasi	2.7	419.0
Radio Romania Oltenia Craiova	2.0	321.7

Source: Romanian Association for Radio Ratings; the data represents national audience during the period 13.01.2014 – 27.04.2014, IMAS and GFK Romania – Radio Audience Study (Spring Season)

Pricing
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Pricing structures in Romania are similar to those used in most other countries: prices are increased by wholesale and retail markups as well as by taxes, especially VAT, which climbed from 19% to 24% as of July 2010. Product pricing is influenced primarily by existing competition in the Romanian market, as well as by the liquidity of the market. Common consumer goods are price-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 a brand – as well as technical specifications or length of warranties – can command a price premium in the market. However, U.S. companies should not take awareness of their brands for granted.

In addition to taking inflation into account, U.S. exporters should take the opportunity to assess the competitive strength of their currency strategies and terms of sale. The ability to quote prices in local currency, especially for U.S. firms with local accounts payable, could provide an edge for both existing and new accounts. Likewise, exporters offering credit terms instead of requiring Letters of Credit or cash in advance can realize greater sales success. There are numerous banks in the U.S. and Romania offering appropriate trade finance tools to manage both currency and payment risk. The U.S. Export-Import Bank and private providers offer credit insurance for Romanian buyers as well. The costs of these products should be factored into the export price.

Sales Service/Customer Support
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The concepts of after-sales customer service and support are still developing among Romanian businesses, but large multinationals are providing leadership in this area. As a consequence, Romanian consumers are increasingly sensitive to the quality of after-sales services in making their buying decisions. American firms generally hold an advantage in this area, but local partners may prove the weak link that damages brand perception. U.S. companies should be prepared to work closely with local partners (distributors, value-added resellers) to help them develop their service and support capabilities.

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/policies/single-market-goods/product-liability/

Product Safety
The revised General Product Safety Directive came into force on January 15, 2014 (Directive 2001/95/EC), and replaced the earlier directive (Directive 92/59/EEC), aiming mainly to ensure the safety of consumer products on the EU market. The revised General Product Safety Directive is intended to ensure a high level of product safety throughout the EU for consumer products that are not covered by specific sector legislation (e.g., toys, chemicals, cosmetics, machinery). The producers of products intended for consumers have a general duty to place only "safe" products on the market. The revised Directive implemented a system of notification (the Rapid Alert System for non-food dangerous products - RAPEX) by Member States to the EC Commission and other Member States. Thus, any national measures which might restrict unsafe products on the market must be reported by the involved Member States to the EU Commission. This market surveillance system allows dangerous products to be quickly withdrawn from the market, preventing further risks to consumers.

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://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:01999L0044-20111212&qid=1395670475658&from=EN

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property ("IP") rights in Romania. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Romania than in the United States. Third, rights must be registered and enforced in Romania under local laws. Your U.S. trademark and patent registrations will not protect you in Romania. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Romanian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally, cannot enforce rights for private individuals in EU. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Romanian law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. Government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government 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 potential 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. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. 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-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that SMEs understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both EU 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)

IP Resources

A wealth of information on protecting IP 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 visit **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**, or visit http://www.uspto.gov.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit http://www.copyright.gov.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at http://www.stopfakes.gov/resources.

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.stopfakes.gov**/businesss-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

Due Diligence Return to top

Romania offers attractive opportunities for investment, acquisition, and business partnerships ranging from joint ventures and licensing agreements to distributorships and franchises. However, with these new opportunities come new risks. There are few activities more important in Romania than conducting due diligence on potential investments or business partners.

The U.S. Commercial Service advises American firms to engage reputable legal counsel, and maintain contact with such firms, both international and Romanian. Legal advisers are retained for the usual work of incorporation, obtaining permits, IPR registration, contract preparation, collection and commercial disputes, but are also an excellent resource for identifying potential problems based on their experience in the market. Comprehensive due diligence should be performed whenever specific circumstances relating to a planned transaction clearly reflect a legal risk which could harm the parties.

The Romanian justice system continues to be slow and bureaucratic. Even though the New Civil Procedure Code entered into force at the beginning of 2013, the promises it makes to speed up and ease the course of lengthy court litigation are at present far from actual realization. Despite some progress the best strategy is to avoid commercial litigation if at all possible. When possible, contracts should provide for international arbitration.

Romanian bankruptcy legislation provides creditors the ability to force insolvent companies into either reorganization or liquidation. If a company is able to overcome its inability to pay its debts by reorganization, it may not have to go into liquidation. Nevertheless, if reorganization is not successful, the judge will order the start of liquidation procedures. 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. This procedure was reformed by a law in December 2009, which provides for a debt settlement mechanism - Company Voluntary Agreements - which may be used to establish debt servicing schedules without resorting to bankruptcy. The Insolvency Law (Law no. 85/2006 regarding insolvency proceedings) was recently amended as of February 1, 2014, as a result of the enforcement of the new Romanian Penal Code and Penal Procedure Code. The amendments cover mainly procedural aspects, but also other significant novelties in the sector (such as regulation of further conditions to be fulfilled by a debtor that wishes to carry out a reorganization plan etc.).

Even though due diligence is substantially based on the analysis of documents provided by the investor's counterpart, information from public sources should not be underestimated. There is a wide range of public sources such as the Trade Registry, the Land Book, the Electronic Archive for Pledge Agreements, State Office for Inventions and Trademarks and the Credit Bureau.

It is very important for American firms to know with whom they are doing business, whether selecting a consultant, distributor or deciding to extend credit terms. In addition to introductions to local legal counsel, the U.S. Commercial Service offers a service for investigating the background, financial status and references of Romanian firms. This service, the International Company Profile, includes findings from interviews with the target company, supplier and customer references, and a recommendation regarding the subject's reliability as a business partner.

Local Professional Services

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A directory of local business service providers offering clear value to U.S. firms is available on the website of the U.S. Commercial Service in Bucharest, Romania:

http://export.gov/romania/businessserviceproviders/index.asp

Web Resources

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Ministry of Justice's Trade Registry: www.onrc.ro/english/services.php
Ministry of Economy, Trade and Business Climate: www.minind.ro
Ministry of Finance: www.mfinante.ro/
National Agency of Fiscal Administration: www.anaf.ro
Chamber of Fiscal Consultants: www.ccfiscali.ro
European Union legislation database: http://eur-lex.europa.eu/
European Ombudsman: www.ombudsman.europa.eu
European Commission, DG Health and Consumer Protection, Consumer Affairs: http://ec.europa.eu/consumers/index_en.htm

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

Commercial Sectors

- Agricultural Machinery and Equipment
- Cosmetics
- Cybersecurity
- Healthcare
- Safety & Security
- Solid Waste Management
- Water / Wastewater

Agricultural Sectors

Agricultural Machinery and Equipment

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Overview

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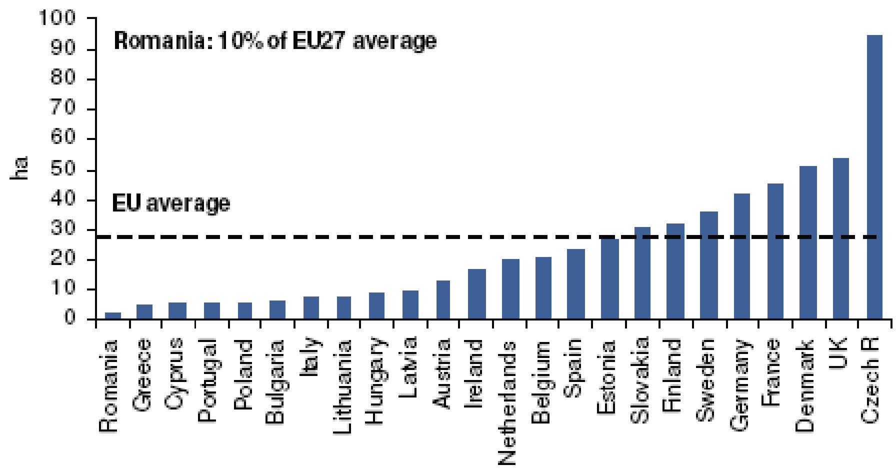
U.S. manufacturers and exporters of agricultural equipment have good prospects in Romania, in both the short and long term. However, there are several structural issues that affect demand for this equipment.

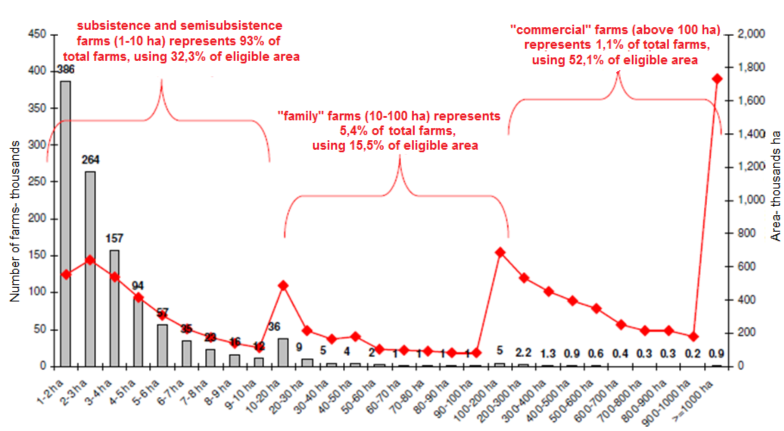
Romania's highly fragmented agricultural land ownership prevents the accumulation of income and profits on the scale needed to increase productivity.

Arable land per holding



Source: Eurostat, BCR Research

While Romania has an abundance of rich soil, the predominance of subsistence farms means that the country has the lowest amount of arable land per holding. Some small commercial farms are realizing that their mutual self-interest can be advanced through voluntarily forming associations or co-ops in order to aggregate production and marketing. However, the memory of enforced collectives and rampant cheating by co-ops in the communist days still presents an obstacle for many. This imbalance means that relatively few large farms coexist with many small ones, which influences the competitiveness of Romanian agriculture as shown in the chart below from the Ministry of Agriculture and Rural Development.



U.S. manufacturers of agricultural equipment and machinery will find strong demand in the Romanian market, but a limited, if growing, number of buyers. As the chart above shows, farms with more than 100 hectares or 250 acres make up a very small proportion of Romania's farms. However, this relatively small group of commercial farms (at the far right of the chart) are investing to increase productivity, and have become more adept at using financing from EU programs and the U.S. Export-Import Bank's financing, insurance, and guarantee tools.

Productivity gains in agriculture have been erratic. To be economically viable in Romania, a farm must be considerably larger than in many European countries. A representative of an Austrian trading company active in Romania's farm machinery and equipment market noted that, in Austria, a 40-acre farm is viable and has a tractor; whereas in Romania, a 250-acre farm is at the lower end of the commercially viable scale. This observation is not a sign of poor-quality soil, but of lagging productivity of the land due to a lack of modern farming equipment, technologies, and practices.

Discounted land prices, good-quality soil, low labor costs, and the potential for large productivity gains through the application of more intensive methods form an interesting opportunity for well-capitalized foreign investors.

U.S. Agricultural Machinery and Equipment Supply

Romania's EU membership has given it access to European equipment free of import duties. Under communism, Romania had several state-owned companies that manufactured tractors and farm implements. Some were privatized more or less successfully, but most have not survived exposure to EU competition. In comparison with other markets, this lack of local competition leaves an open flank for U.S. suppliers of tractors and harvesting equipment, especially those companies that are already present in the Romanian market and that have spare parts and service centers. Examples of these include AGCO, Case New Holland, and John Deere.

Romania's principal crops - corn, wheat, and sunflower - account for about 15 million acres of farmland. In addition, the country's fertile soil and varied topography support forestry, pasture and rangeland, orchards, vegetables, and vineyards. These offer opportunities for silos, irrigation equipment, greenhouses, and agricultural inputs such as fertilizers and feed supplements.

In the silo equipment market, U.S. suppliers have developed silo construction projects through their local authorized dealers. The Romanian demand for grain storage silos is higher year by year as a result of the persistent lack of adequate storage, and recent strong harvests due to favorable conditions and marginal increases in productivity.

In its communist period, Romania had a large, national network of irrigation canals. However, this infrastructure has long since fallen victim to neglect, pilferage, and deterioration. Almost none of the network has been modernized, only a small portion of it is in use, and dramatically changed patterns of land ownership make some parts irrelevant. However, demand for irrigation remains large and a key to enhanced land productivity.

At least two U.S. suppliers of irrigation systems are active in the market. Many of the applications for such equipment, including vineyards, fruit orchards, and vegetable growing are prevalent across the region and poised for growth in Romania.

Best Prospects

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Agricultural machinery including tractors and harvesting equipment such as combines have positive prospects for growth. There are additional opportunities in silos, grain storage and handling equipment, agricultural inputs such as fertilizers, and livestock equipment for poultry, swine, and cattle. Romania's vegetable production (including greenhouses), vineyards, and stone fruit are worth exploring. Dutch and Israeli companies maintain a strong presence in greenhouse technology.

More than 70% of this equipment has exceeded its normal functioning period and is fully depreciated. Equipment is used longer and with less attention to preventative maintenance. One tractor normally works 55 hectares of farmland, and a combine some 100 hectares. In the EU, the average is 13 hectares for a tractor and 79 hectares for a combine.

For the reasons mentioned earlier, the Romanian market has a ratio of tractors per hectare that is only one-third of the EU average (one tractor per 17 hectares). According to the Romanian Association of Producers and Importers of Agricultural Machinery (APIMAR), in order to reach the average European concentration of tractors, the Romanian market would need to put into operation 30,000 tractors per year for more than a decade. Based on the Romanian "National Strategy for Sustainable Development of Agriculture and the Food Industry" and according to industry experts, if the country's farmlands were exploited with the intensity of the rest of the EU, Romania would need approximately 300,000 tractors, producing a bill of demand worth approximately $14 billion.

Opportunities

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The EU and Romania's Ministry of Agriculture are important and influential sources of financing and grant assistance for Romanian farmers, to the extent that some investment decisions are based on what financial support is available rather than what equipment and investments are needed.

The EU has provided millions of dollars in grants annually to rural businesses, including farms, for investment in agricultural machinery and equipment, manufacturing facilities, and other agricultural purposes. This has been an important source of financing and an important driver of sales for equipment dealers. Between 2014 and 2020, a substantial percentage of EU structural funds (about $24 billion) is destined for agriculture within the European Agricultural Fund for Rural Development. Farmers access this money by submitting eligible projects to the Ministry of Agriculture and Rural Development's Agency for Payments and Interventions in Agriculture, in accordance with the National Program for Rural Development. These EU funds for rural development offer Romanian farmers opportunities for investments in modernizing local farms with high-level EU or non-EU agricultural equipment. This is also an increasing opportunity for U.S. suppliers of farming machinery to export their equipment to Romania.

U.S. Ex-Im Bank is also an important tool available to American exporters of agricultural machinery and equipment. Ex-Im Bank offers export credit insurance, loan guarantees, and direct loans on the Romanian market and has good working relationships with several local Romanian and European banks.

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Ministry of Agriculture and Rural Development: www.madr.ro
Banca Comerciala Romana – BCR (Romanian Commercial Bank): www.bcr.ro
U.S. Export Import Bank: www.exim.gov
Romanian Association of Producers and Importers of Agricultural Machinery – APIMAR: www.apimar.eu

Cosmetics

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Overview

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In 2013 Romanians spent just under €1 billion on cosmetics and beauty care products, most being allocated to perfumes (€200 million) and skin care products (€201 million). In contrast, Romanians spent only €80 million on deodorants, and about €100 million on shower and bath products. The difference in amounts is also the result of the lower unit prices of the latter. Overall, the Romanian cosmetics market rose slightly, 1% in 2013 over the previous year, but this growth is expected to accelerate in the coming years, particularly because the market is still underdeveloped. Romanians will begin to allocate a higher budget for cosmetics and body care items and players will continue to expand their operations. Average Romanian spending on cosmetics products was €52 euros/person in 2013. By comparison, according to Ziarul Financiar, the French spent five times as much. However, the average salary in Romania is five to six times lower than in France, yet prices are often similar in both markets.

After the economic downturn and the consequent decline in consumption, consumer appetite recovered in 2011. Romanians had controlled their spending by rationalizing their crisis budget and buying only strictly necessary cosmetics items and much cheaper items. Until recently, the Romanian market was atypical, characterized by the ever-growing popularity of direct selling. Players like Avon and Oriflame gained ground in the countryside, in the context of no penetration of the specialized retailers and large stores. Now, however, sales have grown both in specialized stores - drugstores, perfumeries - and hypermarkets, supermarkets and discount stores.

As Romanians' purchasing power increases, they are becoming avid users of imported cosmetics because of their perceived higher quality. Women are becoming more and more receptive to imported products, especially beauty items and foreign healthcare products. Natural products have gained strength in recent years as consumers have become more interested in how products are manufactured (environmental safety) and what ingredients they contain. Romanian consumers continue to adapt more healthy lifestyles and, therefore, demand more organic cosmetics, hoping for the the double benefit of beauty and health. For this reason, companies such as The Body Shop and Lush are becoming increasingly popular thanks to their natural products.

Men in Romania are also becoming significant users of cosmetics; 2011 saw an 11% increase over 2010 in demand for pre-shave cosmetics. This provides opportunities for cosmetics companies that feature men's lines.

More than 45% of Romania's population lives in rural areas, and their consumption habits differ drastically from those in the urban areas. In villages, the strongest categories of demand are those based on necessity and are very rarely for other reasons. Furthermore, since retail chains are not as abundant as in the urban areas, direct selling has proven more successful in rural areas. According to Euromonitor International, growth in household income together with the expansion of retail chains can increase the potential growth and development of the cosmetics market in rural areas.

The market is still dominated by large multinational companies such as L'Oreal, Beiersdorf, and Procter & Gamble. These companies have been able to maintain high levels of spending on marketing and have seen continual increases in sales due to their ability to adjust rapidly and efficiently to changing market conditions.

Sub-Sector Best Prospects

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- Beauty products, makeup, and skin care preparations
- Organic products, including soaps and other cleansing products
- Men's pre- and after-shave products
- Perfumes and toilet waters

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The key competitive factors for selling cosmetics in Romania are price, quality and brand recognition. Also important are packaging, advertising, easy application of cosmetics, and effectiveness. Another factor which effects market demand and sales potential is a highly knowledgeable sales staff and well-presented information about the products, recognition and the reputation of a particular firm and its products. Despite the strong position of European suppliers, there are still excellent prospects for American products, which are regarded as of the highest quality.

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Organizatia Patronala a Industriei Cosmetice (Cosmetics Industry Organization):
www.opicorganizatie.ro

Cyber Security
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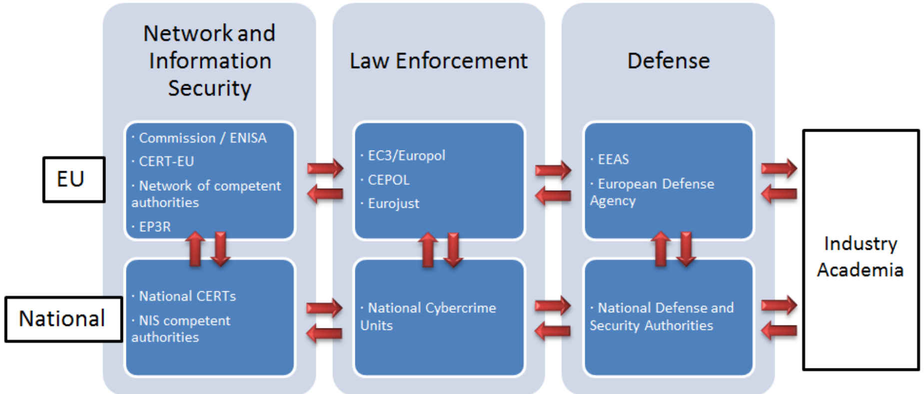
The IT industry in Romania has expressed a desire for enhanced cyber security in sectors such as business analytics, mobile computing, cloud computing, and social business, as companies and the government alike are increasingly dependent on cyberspace. Cyber threats can be categorized as cybercrime, cyber terrorism or cyber warfare, and the solutions to these threats come in the form of hardware, software, and/or services. Despite reduced IT budgets overall during the economic downturn, the increasing threat of cyber-attacks has nevertheless led to greater spending on security. The number of attacks on companies and government departments in Romania rose in 2013 (see CERT-RO's analysis below). The Romanian cyber security market is expected to grow, the market being open with U.S. suppliers well-represented. In order to be successful, market entrants should be aware of the various applicable EU and Romanian market regulations.

The market consists of three key segments: SMEs, corporations, and the Romanian government, which is comprised of civil, security, military, and critical national infrastructure e.g., utilities and telecoms. Cyber threats to these parties can be combated using hardware, software, services, or a combination of the three.

Software solutions are a major portion of the market, with anti-virus and other security software programs being deployed in businesses of all types and sizes. The security services sector is expected to outpace that of the software market. Within the security hardware sector, companies are demanding more Unified Threat Management (UTM) appliances as they adopt increasingly integrated security solutions on a tighter budget.

The Romanian Cyber Security Strategy, adopted in May 2013, outlined the government's commitment to making Romania one of the safest places to do business online. In response to increasing cyber security threats, the Romanian government adopted a national action plan to implement the National Cyber Security System (SNSC). SNSC coordination will be ensured by the Cyber Security Operational Committee (COSC), led by the National Security Adviser to the Romanian President (as Chairman) and the National Advisor to the Romanian Prime Minister (as Deputy Chairman), technical coordination of COSC being ensured by the Romanian Intelligence Service (SRI).

SNSC will represent a cooperation platform for CERT schemes and will act to consolidate the expertise for cyber security risk management, stimulating cooperation at different layers (military - civil, public - private, government - nongovernment). In addition, the EU adopted the European Cyber Security Strategy (July 2, 2013) and submitted to the European Parliament and European Council a proposal for a Directive on related measures. Roles and responsibilities at the EU and national level (according to the European Cyber Security Strategy):



As companies face more and more security breaches, their demand for cyber security is increasing. They are taking more proactive steps to ensure IT security, as these cyber security incidents become more frequent and they become more aware of the need to ensure their assets.

In 2013, cyber security incidents reported directly to CERT-RO by individuals or organizations located in Romania and abroad can be classified as follows:

Alert Class	Alert Type	Alert no.
Fraud	Phishing	173
Malware	Infected IP	95
Information Gathering	Scanner	43
Cyber Attacks	DDos	42
Malware	Malicious URL	31
Abusive Content	Spam	11
Botnet	Botnet Drone	11
Compromised Resources	Compromised Website	7
Cyber Attacks	Exploit Attempt	7
Compromised Resources	Defacement	6
Compromised Resources	Compromised Network/System	4
Abusive Content	Disclosure of Confidential Data	3
Fraud	Unlawful eCommerce/Services	3
Other	Other	3
Abusive Content	Disclosure of Personal Data	2
Botnet	Botnet C&C Server	2
Compromised Resources	Compromised Application/Service	2
Cyber Attacks	APT	2
Abusive Content	Child Pornography	1
Cyber Attacks	Bruteforce	1
Information Gathering	Social Engineering	1
	Total	**450**

Source: CERT-RO, http://www.cert-ro.eu)

Market Data

Table 1: Forecast of Romanian Expenditure on IT Security (EURO m), 2009-2014

Sub segment	2007	2008	2009	2010	2011	2012	2013	2014	5-YR CAGR
Consumer Security Software	2.0	2.5	2.8	3.1	3.6	4.0	4.4	4.8	11.7%
E-Mail Security Boundary	0.4	0.5	0.6	0.7	0.8	0.9	1.0	1.1	12.6%
Endpoint Protection Platform (Enterprise)	1.7	2.3	2.4	2.5	2.8	3.0	3.2	3.4	7.1%
Other Security Software	2.1	2.7	3.2	3.6	4.1	4.6	5.1	5.5	11.4%
Secure Web Gateway	0.5	0.5	0.7	0.8	1.0	1.1	1.2	1.4	14.3%
Grand Total	**6.7**	**8.4**	**9.7**	**10.7**	**12.2**	**13.5**	**14.9**	**16.2**	**10.8%**

Source: Gartner

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Security Software: Software as a Service (SAaS); anti-virus software; content-management software; Security Information and Event Management (SIEM); software associated with compliance and disclosure regulations.

Security Services: Managed Information Security Services (MISS); outsourcing; security audits and penetration testing; services associated with compliance and disclosure regulations.

Security Appliances: Unified Threat Management (UTM) - the unification of firewall, VPN, ID&P and gateway antivirus into a single platform; wireless and application security solutions; biometric technology.

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Opportunities exist to supply organizations of all sizes from SMEs to large corporations. However, the most substantial opportunities are to be found in organizations for which IT security is mission critical, e.g., major financial institutions, utilities and especially government departments (including Government headquarters, Ministry of Defense, Immigration and Border Protection, Revenue and Customs, etc.)

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http://www.cert-ro.eu
http://www.anssi.ro
http://www.enisa.europa.eu

Healthcare

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Healthcare in Romania is dominated by the public sector, which owns most of the hospitals and provides national health insurance to almost all Romanian citizens. Despite this access, the standard of healthcare in Romania is well below that found in other EU countries, due to a combination of systemic failures and chronic under-funding.

The public healthcare system includes national health insurance, covering almost all Romanian citizens, as well as a growing and parallel network of private healthcare. The National Health Insurance Fund (NHIF) is funded by a combination of employer (5.2% of gross wages) and employee (5.5%) contributions, and allocations from the national budget.

Driven by underfunding in public healthcare provision, Romania's private health system is expected to expand aggressively over the next five years. Private substitution is a critical component of the sector's development, as restricted access to publicly funded medical services drives patients towards private insurance and hospitals. It is also important to highlight the potential for public-private partnerships to support the provision of public medical services in the long term.

The growth of private healthcare facilities has been rapid, catering to higher-income strata of the population who can afford to pay for these services. Private health insurance is often offered by private companies as an employment benefit. The development of private hospitals is closely linked to private insurance. The top 10 private clinics account for 35% of the private market, with the remainder made up of smaller clinics and laboratories, and individual medical practices.

According to the Government Program 2013-2016, the Ministry of Health is committed to achieving structural reforms in health care to enhance the efficiency, quality and accessibility of the system, especially for the disadvantaged and remote and isolated communities and, at the same time, to reducing excessive reliance on hospitalization of patients, including improving outpatient services.

Overall spending on healthcare is insufficient for the needs of the population, and the quality and access to care varies between urban centers such as Bucharest and the countryside. Romania's healthcare spending is difficult to measure. Statistics on public expenditure include the NHIF and Ministry of Health purchase of medicines, health services, preventive services, medical equipment, and capital investments. However, there are no reliable figures for private spending, including the "informal" payments made by patients and their families to healthcare workers within the public health system. Despite these limitations, it is clear that Romania spends far less on healthcare, as a percent of GDP, than other OECD and EU countries. While in 2009 the European average was between 8-9% of GDP, Romania spent less than 4%, well below the next lowest EU member, Poland.

Public financing problems affect healthcare spending and have led to questionable policy decisions in areas such as pharmaceutical pricing and preventive medicine. Payment delays by the Government of Romania have led to extreme pressures on cash flow and the insolvency of some pharmaceutical distributors.

Despite this dire funding situation, U.S. companies have secured a healthy market share in areas such as medical devices, disposables, and pharmaceutical products.

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Medical devices, dental products and high technology diagnostic imaging equipment have excellent prospects for growth. There are additional opportunities in newly approved projects by the GOR in line with the National Health Strategy 2014-2020, including two important projects: rural telemedicine and improving health system quality and efficiency. In addition, healthcare IT and hospital management are two areas poised for growth, as Romania pursues "e-Health" solutions to improve the standard of care and control costs.

The medical devices market will most likely remain heavily reliant on imports (around 90%), as the domestic industry mainly produces outdated equipment that can only compete with foreign products in terms of price. GE Healthcare, Siemens and Philips hold the majority market share in the country.

Import growth is expected to continue due to insufficient high-tech equipment and an acute need for renovation within hospitals. There are no restrictions on the sales and import of refurbished medical devices in Romania. Duties and taxes are applicable at the same rates to both new and refurbished equipment. The adoption rate of pre-owned medical equipment in Romania has traditionally been higher than most other European nations. Major market drivers are high adoption rates, price sensitivity, and exposure to a large number of vendors selling refurbished medical devices in the EU. However, the procurement policies of certain public hospitals favor new medical equipment. The key end-user groups for this category are private hospitals, clinics and specialized ambulatory care segments.

In the sector of e-Health the most important projects are developed by the National Health Insurance House (NHIH). There are two projects financed with EU funds - E-Prescription and Electronic Health Record, and one self-funded - E-Card. All these systems are integrated in the existing centralized Sole Integrated Information System (SIUI) which is implemented at the NHIH and County Health Insurance House (CHIH) level.

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In line with the National Health Strategy 2014-2020 in Romania, the overall objective in the health sector is to facilitate access to better and safer healthcare for the general population with particular emphasis on vulnerable groups. Four specific priorities and areas of intervention have been identified, namely: *Development of the Health care Infrastructure*, *Research and Development in the Health Sector*, *Access to e-Health* and *Strengthening of Public Health care and Medical Assistance*.

A services reorganization aims to decrease the use of hospital services (Romania has one of the highest hospitalization rates in Europe) and enhance the role of alternative types of care such as community care, community mental health, primary health care, etc. Other actions aim to increase the quality of health care services, enhance

institutional and professional capacity and performance across the system. County level and regional level health care plans are to be revised with technical assistance. Policy developments in areas as human resources policies, pharmaceutical policies, and health technology assessment shall be developed and gradually implemented. Alignment with the European Community Health Indicators is also one of the measures.
In addition the Ministry of Health has also pledged funding to provide better equipment in the primary care setting. The growth of the private hospital market over the next five years is also likely to boost spending, as demand for private healthcare grows with improvements in economic growth and income.

Romania's health infrastructure and its service delivery system have not adjusted to modern technologies and do not meet current needs of the population. While some hospitals have been modernized and emergency services enhanced, distortions in the service delivery structure have not been eliminated. Primary care doctors do less than they can, and refer patients that could be treated at the primary level to hospitals. According to World Bank, there are no formal definitions of the roles and functions of each hospital, which leads to service duplications, gaps in care, and inefficient health expenditures. Rural telemedicine is the applicable project that can overcome some of the system's shortages.

The newly approved health project will support the 2014–2020 National Health Strategy focusing on three main areas/components: (1) hospital network rationalization; (2) ambulatory care strengthening; and (3) health sector governance and stewardship improvement. Within these projects, using both EU and GOR funds, there will be a need for feasibility studies, civil works, technical assistance, equipment and training

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Ministry of Health: www.ms.gov.ro
National Health Insurance House: www.cnas.ro
National Agency for Medicines and Medical Devices (NAMMD)
- Department for Medicinal Products for Human Use: www.anm.ro/anmdm/med.html
- Department for Medical devices: www.anm.ro/anmdm/dm.html
National Customs Authority: www.customs.ro
Institute of Food Bio-resources: www.bioresurse.ro
National Authority for Consumers Protection: www.anpc.ro
National Sanitary-Veterinary and for Food Safety Authority: www.ansvsa.ro

Safety & Security

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Romania's safety and security market has averaged 20% annual growth over the past several years, generating a market value of over $510 million in 2013, and this trend is expected to continue. Romania is undertaking numerous large-scale projects nationwide including airports, sports stadiums, and metro systems, which will require the installation of extensive security systems. In addition, municipalities have undertaken a number of initiatives to install emergency response systems to improve security and bolster response times. On a consumer level, a growing affluent class has contributed to rising demand for high quality residential security equipment and services. While U.S. firms enjoy a solid reputation at the high end of the market, the safety and security market in Romania remains very fragmented, with over 1,800 small local enterprises active in the sector. Before selling into Romania, U.S. exporters need to be aware of Romanian certification requirements as well as potential U.S. export controls.

The main global security companies are present on the Romanian market. Please see the Romanian Chapter of ASIS International http://www.asisonline.org.

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There is very high probability of success and, therefore, more opportunities than challenges for U.S. exporters of the following products, technologies and services:

Safety and Security Technology and Services
Video Surveillance Systems CCTV/video surveillance, video management, video analytics
Intrusion Detection/Burglar Alarm Systems Door alarm monitoring, sound and glass break sensors, security system monitoring
Electronic Access Control Systems Proximity & smart cards, electromechanical locking solutions, biometrics
Door/Entrance Solutions Mechanical locks, automated gates, vehicles barriers, turnstiles, roll-up doors
Physical Security Fencing, grilles, bullet resistant glazing, mechanical window coverings, safes, locks
Scanning Equipment Narcotics/explosive/metal detectors, scanning & screening equipment
Article Surveillance Systems RFID systems, proximity tag systems
Consultancy Services Risk analysis, risk management, disaster recovery, business continuity, organizational resilience
Key Applications
National Security Counter terrorism, border security, critical infrastructure, command and control, law enforcement equipment
Fire & Rescue Fire/smoke detection, fire suppression, fire proofing, leak detection, protective gear
IT Security

Cyber terrorism

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Demand for safety and security products is still high in Romania. Romania's public sector is a strong market segment for safety and security products, particularly for such agencies dealing with energy production and distribution, finance, customs regulations, education, and transportation, as well as for public facilities, such as museums and stadiums.

Much of the safety and security demand focuses on the integration of high-tech equipment, such as digital technology, security guard communication systems, network technology for inspection control systems, and warning systems. The high-end of Romania's safety and security market is dominated by foreign products and services. U.S.-based multinational corporations and their partners are very strong in Romania's high-end safety and security market, creating a competitive environment for potential industry competitors.

In Romania, there is a need for independent security consultants and a strong security technology distribution network. A security "culture" is almost absent at the end-user level, but is also poor at the level of most security integrators. Security designers are present mostly as employees of the local security integrators. The legal security framework is weak and primitive, but a Private Security Law is underway. The security market is not yet covered by insurance companies, but should be in the near future. Specialized training courses for security decision makers and employees are required and also represent a big opportunity for providers of such training.

All the fields mentioned above represent good opportunities for U.S. training and consulting firms on the Romanian market in the next years. Specialized training for local players and integrators is also needed for the development and implementation of the European technical standards.

Web Resources

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- National Agency for Controlling Exports of Strategic Products (ANCEX): www.ancex.ro
- Romanian Business Association of Military Technique Manufacturers (PATROMIL): www.patromil.ro
- Ministry of Internal Affairs: www.mai.gov.ro
- Security Companies Employers' Association: www.patrosec.ro
- Romanian Security Technology Association: www.arts.org.ro

www.asisonline.org.
www.bsda.ro
www.expomil.ro
www.exposecurity.ro

Solid Waste Management

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In urban areas, municipal waste management is carried out through specialized services, covering about 90% of the population, while none exist in rural areas. There are 252 municipal landfills and approximately 2,686 small dumping sites in rural areas. 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 closed gradually.

The waste management sector is facing the greatest environmental challenges in Romania. Its performance is critically low in comparison with the EU. Romania is obligated under the EU Waste Framework Directive to achieve a recycling rate of 50% of total collected waste by 2020. Romania was able to postpone this target to 2025 under derogation, due to its lack of infrastructure and capacity in the waste management sector. The National Environmental Protection Agency (ANPM) has declared that a more realistic date would be 2030. In addition, the EU accession agreements required that 150 municipal landfills and 1,500 illegal dump sites to be closed by 2015. Also, 30 national integrated solid waste management systems were included in the plan. The national legislation has followed EU legislation and is expected to achieve full compliance in standards for municipal landfills by 2017.

Landfilling is the most used method of treatment, followed in a smaller proportion by recycling and composting and with limited options for incineration. In many rural areas, waste is stored on unsanitary or illegal sites. Furthermore, Romania has inherited several contaminated sites due to previous disregard for environmental protection in carrying out economic activities. This has led to soil and landscape degradation as well as water contamination. There is currently no landfill tax and, therefore, no incentive to use alternative methods. In mid-2013, there were 33 compliant urban landfills, and 46 non-compliant waste deposits. Another four non-compliant landfills are due to be closed in 2014. Small rural landfills are still an issue, with over 4,000 illegal sites active around villages.

In order to lower the reliance on landfilling, the environmental law obliged territorial authorities to reduce the total landfilled quantity by 15% annually. This measure along with other efforts for raising awareness have increased the recycling rate in recent years – 3% in 2012 – but most of the increase has come from selectively recycling in urban areas. More than 50% of rural areas are not yet covered by waste collection services, while more than 90% of cities have access to both collection, transport and treatment facilities. However, there are significant regional differences in terms of recycling rates. The West region has the highest recycling rate while there is no recorded recycling in other eastern parts of the country.

In order to meet waste recovery and recycling targets, there will be a greater focus on household waste and collaboration with municipalities and solid waste management companies to improve sorting and separate waste collection.

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European Funding is granted for implementing integrated waste management systems at the county level. The projects are financed through the Sectoral Operational Plan for

Environment and average €30 million per county. The projects for integrated municipal solid waste management systems have in general the following components: technical assistance; supply of goods; construction of landfills, transfer stations, sorting stations, composting and treatment stations; and closure of non-compliant landfills.

Some counties have funding approved and have started the procedures or will proceed by awarding contracts for different components this year. Tender notices are published and in the public e-procurement system (www.e-licitatie.ro).

After completing their investment, each county will delegate municipal waste management to service providers through open, public tenders for waste collection and transport as well as for operation of waste management installations:

The National Environmental Protection Agency is responsible for drafting normative documents and strategies, providing technical assistance in meeting EU standards, coordinating implementation of environment legislation and providing specialized staff.

Eight Regional Environmental Protection Agencies prepare Regional Waste Management plans while County Councils prepare county-level waste management plans. Regional associations comprising municipalities and councils manage disposal facilities and transfer stations. Municipalities collect and transport municipal solid waste through their own specialized departments or by licensing private companies. In addition, municipalities manage landfills and authorize new constructions. In the case of small towns or rural areas with small capacities, procurement and other administrative functions are passed on to the County Councils.

These authorities collaborate with professional associations and NGOs in order to raise public awareness through communication and education campaigns. One important association in the field is the Romanian Association for Solid Waste Management, which focuses on the improvement of solid waste management activities, promotes new strategies and policies, informs the public, and actively participates in encouraging environment-friendly attitudes. The Association provides specialized training, studies and research, organizes events in the field and collaborates with authorities, waste management operators and companies.

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Closure and construction of landfills
Over 40 non-compliant municipal landfills and 4,000 illegal small rural dumps are still active despite EU pressure to close them down. Numerous counties are organizing public tenders for the closure and greening of several landfills in 2014. There are also opportunities in terms of ecological landfill construction for a large number of counties, with a demand of 1-2 modern deposits per county.

Construction of sorting, transfer and treatment stations
Many counties have received EU financing for projects regarding integrated waste management systems, which include the construction of sorting, transfer or treatment stations.

Supply of goods and technology

There is a growing need for containers for selective collection of recyclables, equipment for sorting, collecting and recycling facilities, transport trucks, waste handling machinery and all related technology.

Recycling and waste management services
Given that Romania's performance in recycling is still low and that services and infrastructure are scarce, there are significant market entry opportunities throughout the country. Public tenders for waste management services have increased and the trend is expected to continue.

Technical assistance and consulting
For existing construction contracts and projects being implemented, there are opportunities in terms of technical assistance and consulting.

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Ministry of Environment and Forests: www.mmediu.ro
Romanian Association for Sanitation - www.salubritatea.ro/
NGO "Green Planet": www.green-planet.ro/language/en
Romanian Association for Packaging and environment (ARAM) - www.aram.org.ro
Romanian Environment Association (ARM): www.asrm.ro/en
Association for Responsibility Transfer Organisations/ECO Romania: www.ecoromania.org

Water / Wastewater

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As an EU member, Romania must comply with the EU Drinking Water Directive and the European Water Framework Directive by 2015, as well as the Urban Wastewater Treatment Directive by 2018. To achieve this, the Ministry of Environment has accessed programs to support local authorities in creating strong and viable regional operators in the water sector, to ensure an adequate implementation of internationally financed projects and efficient operation of the utilities constructed with EU funds.

Most of the wastewater originating from the main pollution sources is discharged into natural receivers, especially rivers, untreated or insufficiently treated. The following sectors discharged the highest wastewater volume, including cooling waters: thermal and electric energy, public utilities, chemical processing, agriculture, metallurgy and mining, and livestock. The biggest polluters of surface waters are the large urban conglomerates. In 2011, 635.6 cubic feet of untreated wastewater was discharged every second.

The wastewater treatment and sanitation infrastructure in Romania has been affected by lack of investment. The network is in disrepair, most wastewater treatment plants are unfit and whole rural areas have no connection to the system at all. The use of EU funds as well as internal governmental funds has been low.

Only 18% of the population has access to adequate waste treatment facilities with sufficient capacity. Old pipes and wastewater networks, modifications in plant capacity without complying with initial design parameters, low management capacity, and the poor financial situation of local water service operators are the main reasons for the critical situation of wastewater treatment plants.

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The growth trends in water consumption, untreated wastewater discharge and the population percentage connected to distribution and sewage networks, show that there is a need to develop or modernize treatment facilities. Romania also needs innovative technologies and solutions in wastewater treatment. Demand is high in this sector and numerous projects have been implemented or are currently underway.

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- Technical assistance contracts (project management, site supervision)
- Works contracts to rehabilitate and extend the water and wastewater systems (sewerage networks, water/wastewater treatment plants)
- Supply contracts for SCADA systems, meters, operational vehicles, laboratory equipment, etc.

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Ministry of Environment and Forests: www.mmediu.ro
The Romanian Water Association: www.ara.ro

Agricultural Sectors

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The abundance of agricultural products harvested in 2013 is reflected in agriculture's share in GDP, which reached 5.6% in 2013 compared with 5.3% in 2012. Romania's arable land for agricultural purposes covers 39.5% of the total land area, which places Romania sixth in the world in terms of potential arable land. In terms of employment in this sector, about a third of the Romanian population is employed in agriculture-related activities, compared with the 5.4% EU average.

Romania is among the Member States with the least efficient farms, mainly as a consequence of the highly fragmented land, lack of capital and limited access to high-quality inputs. Despite the progress achieved over the past 5 years, the average agricultural area per holding remains low, 8.52 acres/holding in 2010, which is an increase from 7.68 acres in 2002. The land consolidation process continues, thus results may be seen in the next census.

This year's removal of restrictions on the sale of agricultural land allows EU citizens (natural persons) to directly purchase agricultural land, which is becoming an increasingly valuable asset. The relatively low land price compared with other member states, along with its fertility, attracts buyers willing to surpass all obstacles created by lack of clarity in the ownership titles, plot size, poor infrastructure, etc. According to many experts, the law on land circulation now in place is hard to apply, complex and an administrative burden generator. Citizens and entities from outside the EU may continue purchasing agricultural land through a partnership with Romanian shareholders.

Romania applies the agricultural policy agreed at the EU level. In terms of financial support, Romanian farmers are entitled to direct payments under the EU support scheme, although at a lesser value. These payments are topped-up from the national budget. In addition, crop farmers are compensated partially for the excise pertaining to the fuel consumed for land operations.

Other forms of support include: support for conversion to organic production, support to fruit & vegetable producer groups as a percentage of their annual sales, wine promotion in third countries, and a 25% reduction in the price of electricity for water irrigation. The poultry and swine industries receive compensation to offset their high investments in bio-security measures at the farm level. Cattle farms located in less-developed areas are entitled to per-animal head payments. Small dairy farms will be able to apply for *de miminis* aid in order to purchase in milk coolers in 2014, so they can meet the newly implemented milk quality parameters.

After several years of lobbying, the Romanian milling industry convinced the Romanian Government to reduce the VAT applied to bread and bakery products from 24% – the flat rate – to 9%. The new rate, applied as of September 2013, translated into relatively lower bread prices at the retail level, but the same effect was not observed for specialty bread products. This achievement was perceived by the food industry as an encouragement for a future VAT reduction in other food industry areas, meat processing being one of them. Similar to the milling and bakery segment, meat is another segment heavily affected by fiscal fraud, the high VAT percentage remaining a strong incentive to hide businesses and elude taxes.

Over the past few years, Romanian farmers have made important steps towards agricultural equipment endowment, high-quality seed utilization, and access to better inputs and improved technologies. In addition to this modernization process, weather played a positive role, leading to higher productivity. These positive developments are likely to continue in 2014.

2013 crop yields showed significant improvement over 2012 due to more favorable growing conditions. Production grew by 40% in the case of wheat, 60% for barley, and 75% for corn over 2012 volumes, when high temperatures and lack of rainfall prevented Romanian crops from performing as farmers expected. In addition to grains, the sunflower seed harvest, a major crop in Romania, increased by 40% in 2013. The bumper supply has placed increased pressure on farmers with inadequate storage capacity to sell crops or to schedule to return credits before prices rebound, disappointing many farmers hoping to recover from the previous, less profitable year.

Organic farming has been expanding in Romania in terms of the number of farms converting to organic production. Organic farming covered an area of 288,000 hectares in 2012, representing about 2% of total agricultural land. Hayfields and pastures cover about 37% (100,000 hectares), grains 32% (98,000 hectares), and oilseeds about 15% (46,000 hectares).

Organic production export remains the main driver for organic production, with about two thirds of production exported. Highly processed products are mostly imported, while raw materials such as oilseeds, grains, protein products, and forest fruits are exported. Although still low, domestic consumption is on an upward trend, consisting mainly of eggs, dairy products (cow and sheep), herbal teas, bread, pasta, as well as fresh fruits and vegetables.

In 2008 the European Commission approved for Romania, through the National Plan for Rural Development (NPRD) 2007-2013, an overall budget of €10 billion. The EU funded €8 billion through the European Agricultural Fund for Rural Development, with the balance funded by the national budget. According to the most recent data, an amount of €5.7 billion has been disbursed to project beneficiaries, which translates into an absorption rate of EU funds of 68% in this sector. The contracting rate, though, reached 90% at the beginning of December 2013, which was the last year for contracting EU funds. The financial framework ended in 2013, but the contracted funds may be spent through 2015.

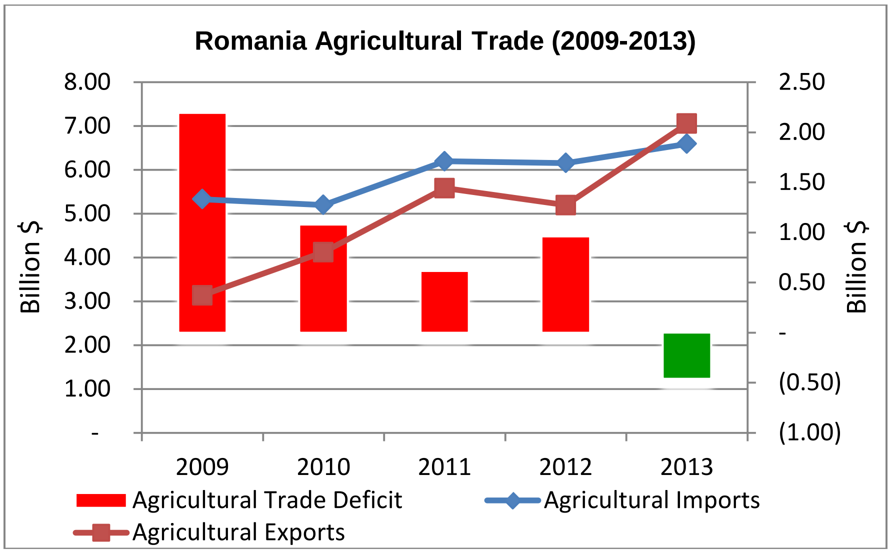
Regarding the upcoming financial framework for the 2014-2020 period, farmer support under Pillar I - Direct payments is expected to amount to €10.5 billion, while the second Pillar – Rural Development Plan (PNDR) should reach €8.015 billion.

The supply of large grains and oilseeds in 2013 changed the trade balance, allowing Romania to switch from the position of an importing country to an exporting country in the area of agro-food commodities. The export structure remains dominated by bulk products though, while processed and high-value products weigh more on the import side. As can be seen in the table below, 2013 agricultural exports generated a trade surplus of nearly $0.5 billion from a deficit of almost $1 billion in 2012.

Table 1 – Total Agricultural Trade - Romania (2009-2013)

	2009	2010	2011	2012	2013
Ag Imports (USD)	5,327,839,515	5,199,856,297	6,196,751,438	6,154,416,094	6,591,672,169
Ag Exports (USD)	3,135,713,909	4,122,077,287	5,581,343,979	5,193,326,978	7,052,834,755
Ag Trade Deficit/ Surplus (USD)	(2,192,125,606)	(1,077,779,010)	(615,407,459)	(961,089,116)	461,162,586

Source: Global Trade Atlas



Meat, protein meals, seeds, dairy, eggs, and sugars accounted for a third of Romania's agro-food imports, while grains and seeds accounted for more than half the country's agro-food exports. The major trading partners for agricultural goods continue to be the EU member states. About 80% of imports originated from the EU, mainly from Hungary, Germany, and Bulgaria. Two thirds of commodities exported are within the EU, mainly Italy, Bulgaria and Hungary.

The United States is among the top 15 agricultural trading partners of Romania. U.S. food exports recorded a slight drop in 2013, reaching $87.2 million. Imports mainly consisted of planting seeds ($25 million), soybean meal ($23 million), food preparations ($10.4 million) and beverages ($9.4 million).

Table 2 - Agricultural trade, United States - Romania (2009-2013)

	2009	2010	2011	2012	2013
Imports from US (USD)	91,209,656	64,869,568	77,032,398	89,102,800	87,182,595
Exports to US (USD)	8,933,789	11,273,642	7,155,205	9,960,389	20,329,701
Ag Trade Deficit with US (USD)	82,275,867	53,595,926	69,877,193	79,142,411	66,852,894

Source: Global Trade Atlas

Sub-Sector Best Prospects

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• Soybeans and products

Soybean meal remains the leading protein meal used in the livestock, poultry and dairy sectors. Although Brazil has been confirmed as the leading supplier to the Romanian market, soybean meal exports from the United States remain notable, reaching almost 40,000 MT in 2013 (Table 3). Domestic production remains insufficient in comparison to the livestock sector needs. The low soybean acreage is due to the EU prohibition of biotech soybean cultivation implemented in 2007, when Romania joined the EU. The demand for protein meal is expected to remain stable in 2014, dictated by a stagnant animal inventory.

Table 3 - Soybeans and soybean meal imports, Romania, 2011-2013

Imports into Romania	2011		2012		2013	
	Value (USD)	*Quantity (MT)*	*Value (USD)*	*Quantity (MT)*	*Value (USD)*	*Quantity (MT)*
Soybeans	17,985,822	34,388	38,523,832	63,325	70,388,199	117,277
- of which US	2,977,180	2,207	2,270,757	1,630	2,452,366	1,555
Soybean meal	195,222,334	455,343	237,932,566	481,563	263,351,262	463,731
- of which US	-	-	28,711,302	45,010	22,629,832	39,406

Source: Global Trade Atlas

• Sunflower seeds

The favorable growing conditions for sunflower seeds in Romania support a strong demand for high-quality seeds. Imports of sunflowers seeds for sowing purposes from the United States grew by more than 50% in 2013, continuing the upward trend of the past years. The decline in the sunflower seed volume for direct consumption (as snack) may be due to an improvement in the quality of the products domestically grown as flowers as well as the result of consumers' tendency toward lower priced products. Overall, sunflowers seed imports are anticipated to continue the ascending trend.

Table 4 – Sunflower Seeds imports, Romania, 2011-2013

Imports into Romania	2011		2012		2013	
	Value (USD)	*Quantity (MT)*	*Value (USD)*	*Quantity (MT)*	*Value (USD)*	*Quantity (MT)*
Total	198,453,682	237,516	141,340,323	131,293	134,702,690	93,355
- of which US	14,683,026	5,913	15,572,783	4,243	20,859,890	3,894
Sowing	30,192,355	4,433	48,129,812	7,799	73,937,576	9,177
- of which US	7,389,043	988	11,274,293	1,388	17,467,212	1,813
Other purposes (direct consumption)	168,261,327	233,083	93,210,511	123,494	60,765,113	84,178
- of which US	7,293,983	4,925	4,298,490	2,855	3,392,678	2,081

Source: Global Trade Atlas

• Distilled Spirits: Whiskey

In September 2013, the Romanian Government reduced the VAT rate for bread and bakery products to 9% from 24% and offset the projected initial revenue loss by raising the excise tax on distilled spirits by 33%. The change in the fiscal regime hampered consumption as importers had to increase prices in order to accommodate the surge in excise on alcohol. Distilled spirits imports remained nearly flat in 2013 in volume, but expanded in terms of value, which may be an indication of the consumers' return to better quality products. The United States continues to be a significant whiskey supplier to Romania, as the leading provider of bourbon (See Table 5). The positive growth recorded at macroeconomic level in the first 3 months of 2014 and the expectation for consumption recovery make spirits importers optimistic about the prospects of this year, despite the higher excise level.

Table 5 – Distilled spirits imports, Romania, 2011-2013

Imports into Romania	**2011**		**2012**		**2013**	
	Value (USD)	*Quantity (LPA*)*	*Value (USD)*	*Quantity (LPA)*	*Value (USD)*	*Quantity (LPA)*
Total imports of Distilled Spirits	67,110,415	3,282,361	67,161,115	3,788,858	71,744,648	3,712,275
Of which United States	8,637,455	324,073	8,547,451	330,650	9,410,020	305,874
Total Whiskey imports	39,452,667	1,865,183	37,057,467	1,935,598	38,095,543	1,818,552
- Of which United States	8,619,438	322,729	8,545,639	330,515	9,402,877	305,367

*Source: Global Trade Atlas; *LPA – liters of pure alcohol*

• Tree Nuts

In 2013, imports of tree nuts doubled in terms of value, from $0.7 million to $1.4 million (Table 6). The United States remains a major supplier of almonds, enjoying a rising trend ($1.1 million in exports in 2013). Walnuts are another product supplied by the United States ($250,000), while edible fruits and other nuts, such as dried plums and pecans are imported through other European countries, and not imported directly from the United States. The demand for dried fruits and nuts supports an increase in imports in 2014.

Table 6 – Nuts imports, Romania, 2011-2013

Imports into Romania		**2011**		**2012**		**2013**	
		Value (USD)	*Quantity (MT)*	*Value (USD)*	*Quantity (MT)*	*Value (USD)*	*Quantity (MT)*
Tree Nuts	Total	17,978,932	5,262	15,503,360	4,581	27,419,675	5,873
	Of which United States	2,102,717	529	661,660	562	1,384,134	320

Source: Global Trade Atlas

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- Fish and seafood in different forms (frozen, dry, and smoked)
- Animal Genetics
- Beef
- Wine

- Fruit and vegetable juices
- Dried Fruits and Vegetables

Web Resources Return to top

Monica Dobrescu, Agricultural Specialist, Foreign Agricultural Service
E-mail: Monica.Dobrescu@fas.usda.gov

www.fas.usda.gov
http://gain.fas.usda.gov/Pages/Default.aspx (GAIN reports)

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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Since January 1, 2007, Romania has applied the common EU tariff system. Tariffs are particularly high for certain items, such as cigarettes and alcohol.

The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show the various rules which apply to specific products being imported into the customs territory of the EU or, in some cases, exported from it. 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.

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

The primary basis for determining customs value set out in Articles 29 of the Customs Code 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.

Article 147(1) of the Implementing provisions, as amended, 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.

Also, according to Article 181a of the Implementing Provisions and Article 57 of the Romanian Customs Code, 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.

The standard rate of VAT is 24% and applies to the base of taxation for any taxable operation that is not exempt or that is not subject to the reduced VAT rate. A reduced rate of 9% applies for services and 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 with a similar function, such as campgrounds. A reduced rate of 9% applies to books, newspapers and tabloids, including textbooks, except for those used for advertising.

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: www.ustr.gov/sites/default/files/2013%20NTE%20European%20Union%20Final.pdf

Information on agricultural trade barriers can be found at the following website: www.usda-eu.org/

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

Import Requirements and Documentation

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The TARIC (Tarif Intégré de la Communauté), described above, is available to help determine if a license is required for a particular product.

Import Documentation

The Single Administrative Document

The official model for written declarations to customs is the Single Administrative Document (SAD). Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed. Goods are covered by a Summary Declaration which is filed once the items have been presented to customs officials. The customs authorities may, however, allow a period for filing 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 is filed 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.

The Summary Declaration can be made on a form provided by the customs authorities. However, customs authorities may also allow the use of any commercial or official document that contains the specific information required to identify the goods. The SAD serves as the Romanian importer's declaration. It encompasses both customs duties and VAT and is valid in all EU member states. The declaration is made by whoever is clearing the goods, normally the importer of record or his/her agent.

More information on the SAD can be found at:
http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/sad/index_en.htm

Regulation (EC) No 450/2008 laying down the Community Customs Code (so-called the “Modernized Customs Code”) aimed at the adaptation of customs legislation and at introducing the electronic environment for customs and trade. This Regulation entered into force on June 24, 2008, and was due to be applicable once its implementing provisions were in force by June 2013. However, the Modernized Customs Code was recast as a Union Customs Code (UCC) before it became applicable. The Union Customs Code (UCC) Regulation entered into force in October 2013 and repealed the MCC Regulation; its substantive provisions will apply only on May 1, 2016. Until this time, the Community Customs Code and its implementing provisions continue to apply.

http://ec.europa.eu/taxation_customs/customs/customs_code/union_customs_code/index_en.htm

EORI

Since July 1, 2009, all companies established outside of the EU are required to have an Economic Operator Registration and Identification (EORI) number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration. All U.S. companies should use this number for their customs clearances. If a U.S. company wishes to apply for AEO status or apply for simplifications in customs procedures within the EU, it must first obtain an EORI number. Companies should request an EORI number from the authorities of the first EU member state to which they export. Once a company has received an EORI number, it can use it for exports to any of the 28 EU member states. There is no single format for the EORI number.

More information about the EORI number can be found at http://ec.europa.eu/taxation_customs/dds2/eos/eori_home.jsp?Lang=en

U.S. - EU Mutual Recognition Arrangement (MRA)

Since 1997, the U.S. and the EU have had an agreement on customs cooperation and mutual assistance in customs matters. For additional information, please see http://ec.europa.eu/taxation_customs/customs/policy_issues/international_customs_agreements/usa/index_en.htm

In 2012, the U.S. and the EU signed a new MRA aimed at matching procedures to associate one another's customs identification numbers. The MCC introduced the Authorized Economic Operator (AEO) program (known as the "security amendment"). This is similar to the U.S.' voluntary Customs-Trade Partnership Against Terrorism (C-TPAT) program in which participants receive certification as a "trusted" trader. AEO certification issued by a national customs authority is recognized by all member state's customs agencies. An AEO is entitled to two different types of authorization: "customs simplification" or "security and safety." The former allows for an AEO to benefit from simplifications related to customs legislation, while the latter allows for facilitation through security and safety procedures. Shipping to a trader with AEO status could facilitate an exporter's trade as its benefits include expedited processing of shipments, reduced theft/losses, reduced data requirements, lower inspection costs, and enhanced loyalty and recognition.

The U.S. and the EU recognize each other's security certified operators and will take the respective membership status of certified trusted traders favorably into account to the extent possible. The favorable treatment provided by mutual recognition will result in lower costs, simplified procedures and greater predictability for transatlantic business activities. The newly signed arrangement officially recognizes the compatibility of AEO and C-TPAT programs, thereby facilitating faster and more secure trade between U.S. and EU operators. The agreement is being implemented in two phases. The first commenced in July 2012 with the U.S. customs authorities placing shipments coming from EU AEO members into a lower risk category. The second phase took place in early 2013, with the EU re-classifying shipments coming from C-TPAT members into a lower risk category. The U.S. customs identification numbers (MID) are therefore recognized by customs authorities in the EU, as per Implementing Regulation 58/2013 (which amends EU Regulation 2454/93 cited above): http://ec.europa.eu/taxation_customs/resources/documents/customs/procedural_aspects/general/implementing_regulation_58_2013_en.pdf

Additional information on the MRA can be found at:

www.cbp.gov/newsroom/national-media-release/2013-02-08-050000/eu-us-fully-implement-mutual-recognition-decision

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 2006 Directive applies to all batteries and accumulators placed 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. In 2012, the European Commission published a FAQ document to assist interested parties in interpreting its provisions. For more information, see our market research report: http://www.buyusainfo.net/docs/x_4062262.pdf

REACH
REACH, "Registration, Evaluation and Authorization and Restriction of Chemicals", is the system for controlling chemicals in the EU and it came into force in 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, is affected by this policy. REACH requires chemicals produced or imported into the EU in volumes above 1 metric ton per year to be registered with a central database handled by the European Chemicals Agency (ECHA). Information on a chemical's properties, its uses and safe ways of handling are part of the registration process. The next registration deadline is May 31, 2008. U.S. companies without a presence in Europe cannot register directly and must have their chemicals registered through their importer or EU-based 'Only Representative of non-EU manufacturer'. A list of Only Representatives (ORs) can be found on the website of the U.S. Mission to the EU:
http://export.gov/europeanunion/reachclp/index.asp

U.S. companies exporting chemical products to the EU must update their Material Safety Data Sheets (MSDS) to be REACH compliant. For more information, see the guidance on the compilation of safety data sheets:
http://echa.europa.eu/documents/10162/17235/sds_en.pdf

U.S. exporters to the EU should carefully consider the REACH 'Candidate List' of Substances of Very High Concern (SVHCs) and the 'Authorization List'. Substances on the Candidate List are subject to communication requirements prior to their export to the EU. Companies seeking to export products containing substances on the 'Authorization List' will require an authorization. The Candidate List can be found at:
http://echa.europa.eu/web/guest/candidate-list-table. The Authorization List is available at http://echa.europa.eu/addressing-chemicals-of-concern/authorisation/recommendation-for-inclusion-in-the-authorisation-list/authorisation-list

WEEE Directive
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. The Directive requires U.S. exporters to register relevant products with a national WEEE authority or arrange for this to be done by a local partner. The WEEE Directive was revised on July 4, 2012, and the scope of products covered was expanded to include all electrical and electronic equipment. This revised scope will apply from August 14, 2018, with a phase-in period that has already begun. U.S. exporters seeking more information on the WEEE Directive should visit:
http://export.gov/europeanunion/weeerohs/index.asp

RoHS
The ROHS Directive imposes restrictions on the use of certain chemicals in electrical and electronic equipment. It does not require specific customs or import paperwork; however, manufacturers must self-certify that their products are compliant. The Directive was revised in 2011 and entered into force on January 2, 2013. One important change with immediate effect is that RoHS is now a CE Marking Directive. The revised Directive expands the scope of products covered during a transition period which ends on July 22, 2019. Once this transition period ends, the Directive will apply to medical devices, monitoring and control equipment in addition to all other electrical and electronic equipment. U.S. exporters seeking more information on the RoHS Directive should visit: http://export.gov/europeanunion/weeerohs/index.asp

Cosmetics Regulation
On November 30, 2009, the EU adopted a new regulation on cosmetic products which has applied since July 11, 2013. The law introduces an EU-wide system for the notification of cosmetic products and a requirement that companies without a physical presence in the EU appoint an EU-based responsible person.

In addition, on March 11, 2013, the EU imposed a ban on the placement on the market of cosmetics products that contain ingredients that have been subject to animal testing. This ban does not apply retroactively but does capture new ingredients. Of note, in March 2013, the Commission published a Communication stating that this ban would not apply to ingredients where safety data was obtained from testing required under other EU legislation that did not have a cosmetic purpose. For more information on animal testing, see: http://ec.europa.eu/consumers/sectors/cosmetics/animal-testing

For more general information, see:
http://export.gov/europeanunion/accessingeumarketsinkeyindustrysectors/eg_eu_044318.asp

Agricultural Documentation
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). The vast majority of these certificates are uniform throughout the EU, but the harmonization process is not complete. 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: www.usda-eu.org/trade-with-the-eu/eu-import-rules/certification/fairs-export-certificate-report/

Sanitary Certificates (Fisheries)

In April 2006, the EU 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. The U.S. fishery product sanitary certificate is a combination of Commission Decision 2006/199/EC for the public health attestation and of Regulation 1012/2012 for the general template and animal health attestation. Unlike for fishery products, the U.S. shellfish sanitation system is not equivalent to that of the EU's. The EU and the U.S. are currently negotiating a veterinary equivalency agreement on shellfish. In the meantime, the EU still has a ban in place (since July 1, 2010) that prohibits the import of U.S. bivalve mollusks, in whatever form, into EU territory. This ban does not apply to wild roe-off scallops.

Since June 2009, the only U.S. competent authority for issuing sanitary certificates for fishery and aquaculture products is the U.S. Department of Commerce, National Marine Fisheries Service (NOAA-NMFS).

In addition to sanitary certificates, all third countries wishing to export fishery products to the EU are requested to provide a catch certificate. This catch certificate certifies that the products in question have been caught legally.

For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU (stephane.vrignaud@trade.gov) or visit the following NOAA dedicated web site: www.seafood.nmfs.noaa.gov/EU_Export.html

U.S. Export Controls

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The U.S. Department of Commerce's Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of some commercial items, including "production" and "development" technology.

The items that BIS regulates are often referred to as "dual use" since they have both commercial and military applications. Further information on export controls is available at: www.bis.doc.gov/licensing/exportingbasics.htm

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR. These are posted at: www.bis.doc.gov/enforcement/redflags.htm

Also, BIS has "Know Your Customer" guidance at: www.bis.doc.gov/Enforcement/knowcust.htm

If there is reason to believe a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour hotline at 1(800) 424-2980, or via the confidential lead page at: www.bis.doc.gov/forms/eeleadsntips.html

The EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS web.

It is important to note that in August 2009, the President directed a broad-based interagency review of the U.S. export control system, with the goal of strengthening national security and the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats, as well as adapting to the changing economic and technological landscape. As a result, the Administration launched the Export Control Reform Initiative (ECR Initiative) which is designed to enhance U.S. national security and strengthen the United States' ability to counter threats such as the proliferation of weapons of mass destruction.

The Administration is implementing the reform in three phases. Phases I and II reconcile various definitions, regulations, and policies for export controls, all the while building toward Phase III, which will create a single control list, single licensing agency, unified information technology system, and enforcement coordination center.

For additional information on ECR see: http://export.gov/ecr/index.asp

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. A list of upcoming seminars can be found at: www.bis.doc.gov/seminarsandtraining/index.htm

For further details about the Bureau of Industry and Security and its programs, please visit the BIS website at: www.bis.doc.gov

Temporary Entry

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According to art 137 of the Community Customs Code, the temporary importation procedure allows 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 making use 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 elements will be the one in force at the registration date of the temporary importation customs declaration.

According to art.145 of the Community Customs Code, the outward processing procedure shall allow Community goods to be exported temporarily from the customs territory of the Community in order to undergo processing operations and the products resulting from those operations to be released for free circulation with total or partial relief from import duties.

Labeling and Marking Requirements

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An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at: http://buyusainfo.net/docs/x_366090.pdf

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

Prohibited and Restricted Imports

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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 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/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

Customs Regulations and Contact Information

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The following provides information on the major regulatory efforts of the EC Taxation and Customs Union Directorate:

Electronic Customs Initiative – This initiative deals with EU Customs modernization developments to improve and facilitate trade in the EU member states. The electronic customs initiative is based on the following three pieces of legislation:

- The Security and Safety Amendment to the Customs Code, which provides for full computerization of all procedures related to security and safety;
- The Decision on the paperless environment for customs and trade (Electronic Customs Decision) which sets the basic framework and major deadlines for the electronic customs projects;
- The Modernized Community Customs Code (recast as Union Customs Code) which provides for the completion of the computerization of customs.

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

Homepage of Customs and Taxation Union Directorate (TAXUD) Website
Key Link: http://ec.europa.eu/taxation_customs/customs/index_en.htm

Customs Valuation – Most customs duties and value added tax (VAT) are expressed as a percentage of the value of goods being declared for importation. Thus, it is necessary to dispose of a standard set of rules for establishing the goods' value, which will then serve for calculating the customs duty.

Given the magnitude of EU imports every year, it is important that the value of such commerce is accurately measured for the purposes of:

- economic and commercial policy analysis;
- application of commercial policy measures;
- proper collection of import duties and taxes; and
- import and export statistics.

These objectives are met using a single instrument - the rules on customs value.
The EU applies an internationally accepted concept of 'customs value'.

The value of imported goods is one of the three 'elements of taxation' that provides the basis for assessment of the customs debt, which is the technical term for the amount of duty that has to be paid, the other ones being the origin of the goods and the customs tariff.

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

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Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements as a result of the EU's different 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.

EU legislation and standards created under the New Approach are harmonized across the member states and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. For a list of new approach legislation, go to http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=directive.main.

The concept of new approach legislation is likely to disappear as the New Legislative Framework (NLF), which entered into force in January 2010, was put in place to serve as a blueprint for existing and future CE marking legislation. Since 2010/2011 existing legislation has been reviewed to bring them in line with the NLF concepts.

While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that regulations (mandatory) and technical standards (voluntary) might also function as barriers to trade if U.S. standards are different from those of the EU.

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://www.usda-eu.org

There are also export guides to import regulations and standards available on the Foreign Agricultural Service's website: www.usda-eu.org/trade-with-the-eu/eu-import-rules/certification/fairs-export-certificate-report/

Standards Organizations Return to top

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:

1. CENELEC, European Committee for Electrotechnical Standardization (www.cenelec.eu/)

2. ETSI, European Telecommunications Standards Institute (www.etsi.org/)

3. CEN, European Committee for Standardization, handling all other standards (www.cen.eu/cen/pages/default.aspx)

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 some of 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 legislation. Mandates – or requests for standards - can be checked on line at: http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/index_en.htm

Given the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its 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, Belarus, Israel, and Morocco among others. Another category, called "partner standardization body" includes the standards organization of Mongolia, Kyrgyzstan and Australia, which are not likely to become a CEN member or affiliate for political and geographical reasons.

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. Other than their respective annual work plans, CEN's "what we do" page provides an overview of standards activities by subject. Both CEN and CENELEC offer the possibility to search their respective database. ETSI's portal (http://portal.etsi.org/Portal_Common/home.asp) leads to ongoing activities.

The European Standardization system and strategy was reviewed in 2011 and 2012. The new standards regulation 1025, adopted in November 2012, clarifies the relationship between regulations and standards and confirms the role of the three European standards bodies in developing EN harmonized standards. The emphasis is also on referencing international standards where possible. For information, communication and technology (ICT) products, the importance of interoperability standards has been recognized. Through a newly established mechanism, a "Platform Committee" reporting to the European Commission will decide which deliverables from fora and consortia might be acceptable for public procurement specifications. The European standards bodies have been encouraged to improve efficiency in terms of delivery and to look for ways to include more societal stakeholders in European standardization.

Key Link: http://ec.europa.eu/enterprise/policies/european-standards/standardisation-policy/index_en.htm

NIST Notify U.S. Service

Member countries of the 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: www.nist.gov/notifyus

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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, from design to production, to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice regarding 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. Conformity assessment bodies in individual member states are listed in NANDO, the European Commission's website.

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 system is known as the Keymark. Neither CENELEC nor ETSI offer conformity assessment services.

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To sell products in the EU market of 28 member states as well as in 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 or ETSI, and referenced 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. As market surveillance was found lacking, the EU adopted the New Legislative Framework, which went into force in 2010. As mentioned before, this framework is like a blueprint for all CE marking legislation, harmonizing definitions, responsibilities, European accreditation and market surveillance.

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 local contact established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration 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.

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Independent test and certification laboratories, known as notified bodies, have been officially accredited by competent national authorities to test and certify to EU requirements.

"European Accreditation" (www.european-accreditation.org) 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 to appropriate EN and ISO/IEC standards.

Publication of Technical Regulations Return to top

The Official Journal is the official publication of the European Union. It is published daily on the internet and consists of two series covering adopted legislation as well as case law, studies by committees, and more (http://eur-lex.europa.eu/JOIndex.do?ihmlang=en). It lists the standards reference numbers linked to legislation (http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/index_en.htm).

National technical Regulations are published on the Commission's website http://ec.europa.eu/enterprise/tris/index_en.htm to allow other countries and interested parties to comment.

Labeling and Marking Return to top

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. 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 the language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC 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/sectors/legal-metrology-and-prepack/prepacked-products/index_en.htm

The Eco-label
The EU eco-label is a voluntary label which U.S. exporters can display on products that meet high standards of environmental awareness. The eco-label is intended to be a marketing tool to encourage consumers to purchase environmentally-friendly products. The criteria for displaying the eco-label are strict, covering the entire lifespan of the product from its manufacture, use, and disposal. These criteria are reviewed every three to five years to take into account advances in manufacturing procedures. There are currently 13 different product groups, and more than 17,000 licenses have been awarded.

Applications to display the eco-label should be directed to the competent body of the member state in which the product is sold. The application fee will be somewhere between €275 and €1600 depending on the tests required to verify if the product is eligible, and an annual fee for the use of the logo (typically between $480 to $2000), with a 20% reduction for companies registered under the EU Eco-Management and Audit Scheme (EMAS) or certified under the international standard ISO 14001. Discounts are available for SMEs.

Key Links:
Eco-label Home Page

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Romania has signed a significant number of bilateral Double Tax Agreements (DTAs). Most of these agreements follow the OECD model. The DTAs 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. A company based in a country with which Romania has signed a DTA benefits from a reduced level of withholding taxes.

The revision made for the harmonization of the Fiscal Code with VAT Directive no. 112/2006 by Law no. 343/2006 applicable from January 1, 2007 (since this date, the Fiscal Code was revised several times, the last revision made by Law no. 188/2010) and a Fiscal Procedure Code entered into force in January 2004. The Fiscal Code provides for a significant simplification of taxation procedures as well as for harmonization with EU fiscal practices.

For a list of other 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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EU websites:

Online customs tariff database (TARIC):
http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

The Modernized Community Customs Code MCCC):
http://europa.eu/legislation_summaries/customs/do0001_en.htm

ECHA: http://echa.europa.eu

Taxation and Customs Union:
http://ec.europa.eu/taxation_customs/customs/index_en.htm

Security and Safety Amendment to the Customs Code - Regulation (EC) 648/2005:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF

Electronic Customs Initiative: Decision N° 70/2008/EC
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:023:0021:0026:EN:PDF

Modernized Community Customs Code Regulation (EC) 450/2008):
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:145:0001:0064:EN:PDF

Legislation related to the Electronic Customs Initiative:
http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm

Export Help Desk
http://exporthelp.europa.eu/thdapp/index_en.html

International Level:

What is Customs Valuation?:
http://ec.europa.eu/taxation_customs/customs/customs_duties/declared_goods/european/index_en.htm

Customs and Security: Two communications and a proposal for amending the Community Customs Code:
http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/index_en.htm

Establishing the Community Customs Code: Regulation (EC) n° 648/2005 of 13 April 2005: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF

Pre Arrival/Pre Departure Declarations:
http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/prearrival_predeparture/index_en.htm

AEO: Authorized Economic Operator:
http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/aeo/index_en.htm

Contact Information at National Customs Authorities:
http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/contact_points/index_en.htm

New Approach Legislation:
http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=directive.main

Cenelec, European Committee for Electrotechnical Standardization: www.cenelec.eu

ETSI, European Telecommunications Standards Institute: www.etsi.org

CEN, European Committee for Standardization, handling all other standards:
www.cen.eu/cen/Pages/default.aspx

Standardisation – Mandates:
http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/index_en.htm

ETSI – Portal – E-Standardisation: http://portal.etsi.org/Portal_Common/home.asp

CEN – Sector: www.cen.eu/work/areas/Pages/default.aspx

CEN - Standard Search: http://esearch.cen.eu/esearch/

Nando (New Approach Notified and Designated Organizations) Information System:
http://ec.europa.eu/enterprise/newapproach/nando/

Mutual Recognition Agreements (MRAs):
http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=mra.main

European Co-operation for Accreditation: www.european-accreditation.org/home

Eur-Lex – Access to European Union Law: http://eur-lex.europa.eu/en/index.htm

Standards Reference Numbers linked to Legislation:
http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/index_en.htm

What's New: http://ec.europa.eu/enterprise/news/index_en.htm

National technical Regulations: http://ec.europa.eu/enterprise/tris/index_en.htm

NIST - Notify U.S.: www.nist.gov/notifyus/

Metrology, Pre-Packaging – Pack Size:
http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index_en.htm

European Union Eco-label Homepage: http://ec.europa.eu/environment/ecolabel/

U.S. websites:
National Trade Estimate Report on Foreign Trade Barriers:
www.ustr.gov/about-us/press-office/reports-and-publications/2012-1

Agricultural Trade Barriers: www.usda-eu.org/

Trade Compliance Center: http://tcc.export.gov/

U.S. Mission to the European Union: http://useu.usmission.gov/

The New EU Battery Directive: www.buyusainfo.net/docs/x_8086174.pdf

The Latest on REACH: http://export.gov/europeanunion/reachclp/index.asp

WEEE and RoHS in the EU: http://export.gov/europeanunion/weeerohs/index.asp

Overview of EU Certificates: www.usda-eu.org/trade-with-the-eu/eu-import-rules/certification/fairs-export-certificate-report/

Center for Food Safety and Applied Nutrition: www.fda.gov/Food/default.htm

EU Marking, Labeling and Packaging – An Overview
http://buyusainfo.net/docs/x_366090.pdf

The European Union Eco-Label: http://buyusainfo.net/docs/x_4284752.pdf

Trade Agreements: http://tcc.export.gov/Trade_Agreements/index.asp

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Chapter 6: Investment Climate

Executive Summary

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Romania welcomes foreign investment, both direct and portfolio. The government provides national treatment for foreign investors. Romania's strategic location, membership in the European Union, well-educated workforce, competitive wages, and abundant natural resources make it a desirable location for firms seeking to access European, Central Asian and near East markets. U.S. investors have found opportunities in the information technology, energy, services, manufacturing, and consumer products sectors.

The investment climate in Romania is a mixed picture, and potential investors should undertake careful due diligence, when considering any investment. The Romanian government has taken needed steps in recent years to improve tax administration and collection, enhance transparency and support a legal framework conducive to foreign investment. It has implemented reforms necessary to bring the country out of economic crisis and begin to grow again. Another positive highlight has been the Romanian government's sale of a minority stakes in several State Owned Enterprises (SOEs) in key sectors, such as energy generation and exploitation. Through these Initial and Secondary Public Offerings, the Romanian government has exposed its SOEs to heightened standards of corporate governance and has attracted additional international investors, bolstering Romania's capital markets.

However, judicial, legislative, fiscal and regulatory unpredictability continue to complicate the business environment. The Romanian government still uses emergency measures to pass legislation, bypassing normal legislative procedures, including economic impact analyses and consultations with stakeholders. These measures have included the levying of taxes on infrastructure in capital intensive industries, including the energy sector. The arbitrary passage of ill-conceived revenue measures can serve as a disincentive to U.S. and multinational investment. Corruption at all levels remains endemic and the country's leaders have not yet displayed the political will necessary to effectively tackle this issue. Inconsistent enforcement of existing laws, including those related to the protection of intellectual property rights, also serves as a disincentive to investment.

Continuing to attract and retain additional foreign direct investment will require further progress on transparency, stability and predictability in economic decision- making and reduction of non-transparent bureaucratic procedures.

Openness To, and Restrictions Upon, Foreign Investment Return to top

Attitude toward FDI

Romania actively seeks direct foreign investment, and offers 19 million consumers, a well-educated workforce at competitive cost, a strategic location, and abundant natural resources, making it an attractive marketplace. To date, favored areas for U.S. investment include IT and telecommunications, energy, services, manufacturing, especially in the automotive sector, and consumer products.

Romania has taken steps to strengthen tax administration, enhance transparency, and create legal means to resolve contract disputes expeditiously. Mergers and acquisitions are subject to review by the Competition Council. Romania's accession to the European Union (EU) on January 1, 2007 has helped solidify institutional reform. However, judicial, legislative, fiscal and regulatory unpredictability continue to negatively affect the investment climate.

Prospective U.S. investors should exercise careful due diligence, including consultation with competent legal counsel, when considering any investment. The Government of Romania (GOR) has, on occasion, allowed political interests or budgetary imperatives to supersede accepted Western business practices in ways harmful to investor interests. In 2013, the government instituted a windfall profit tax on additional profits from natural gas and electricity liberalization. A tax on special constructions, again passed without a prior impact assessment and no consultation with stakeholders, was instituted as of 2014.

Investments involving the public authorities (central government ministries, county governments, or city administrations) are generally more complicated than investments or joint ventures with private Romanian companies. Large deals involving the government – particularly public-private partnerships and privatizations of key SOEs – can become stymied by vested political and economic interests, or bogged down due to a lack of coordination between government ministries. Although the Public-Private

Partnership (PPP) Law was revised in 2011 to remove anticompetitive provisions, the law still lacks clear terms on risk sharing, PPP project management, and investment recovery. As a result, investor interest in PPPs has been weak. How the new PPP law is eventually implemented will be of considerable interest to investors over the next few years.

Laws/Regulations of FDI

Romania became a member of the European Union on January 1, 2007. The country has worked assiduously to create a legal framework consistent with a market economy and investment promotion, and has largely concluded its efforts to enact EU-compatible legislation. At the same time, implementation of these laws and regulations frequently lags or is inconsistent.

Romania's legal framework for foreign investment is encompassed within a substantial body of law, largely enacted in the late 1990s, and subject to frequent revision. Major changes to the Civil Code were enacted in October 2011, replacing the Commercial Code, consolidating provisions applicable to companies and contracts into a single piece of legislation, and harmonizing Romanian legislation with international practices. Among other things, the new Code introduces the principle of good faith and stipulates that negotiating a contract without intent to conclude is bad faith. Under the hardship provisions, if the parties fail to agree on an amicable renegotiation of a contract, the court can mandate changes or even terminate the contract if it is deemed detrimental to one of the parties. The Civil Procedure Code, which provides detailed procedural guidance for implementing the new Civil Code, came into force in February 2013. Romania has also passed a judicial reform law with the objective of improving the speed and efficiency of judicial processes, including provisions to reduce delays between hearings. The Mediation Law, revised in October 2012, provides alternative dispute resolution options. The new Criminal Code, that includes provisions applicable to the economic felonies, came into effect in February 2014.

Given the state of flux of legal developments, investors are strongly encouraged to engage local counsel to navigate the various laws, decrees, and regulations, as several pieces of investor-relevant legislation were challenged in both local courts and the Constitutional Court. There have been few hostile take-over attempts reported in Romania and as a result, 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 investors.

Industrial Strategy

The 2012-2016 governance program lists agriculture and energy among Romania’s top priorities. Romania is in the process of revising its energy strategy. However, it does not offer incentive programs to attract investment to these sectors. The government offers income tax exemption for certain categories of high skilled information technology professionals

Limits on Foreign Control

Romanian legislation and regulation provide national treatment for foreign investors, guarantee free access to domestic markets, and allow 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.

Privatization Program

The State Asset Administration Authority (AAAS) is responsible for privatizing state-owned industrial assets and managing them during the privatization process. The Department of Energy within the Ministry of Economy oversees energy assets. Romania's privatization law permits the responsible authority to hire an agent to handle the entire privatization process, though ultimate decision-making authority remains with the Government.

Joint ventures between state-owned energy companies and private investors for electric power production have been stalled due to the absence of a liberalized energy market and unattractive conditions offered by the GOR.

The terms of Romania's precautionary stand-by agreement with the IMF include the sale of minority stakes in several state-owned energy companies through initial public offerings (IPOs) and secondary public offerings (SPOs) on the Bucharest Stock Exchange (BVB). To date, successful transactions have included a 15% SPO for natural gas transmission operator TRANSGAZ in April 2013 (following a 10% IPO in November 2007), an IPO for 10% stake in nuclear power producer NUCLEARELECTRICA in September 2013 and an IPO for a 15% stake in natural gas producer ROMGAZ in October 2013. The IPO for the majority privatization of state-controlled electricity distributor ELECTRICA is scheduled for June 2014. The government has also scheduled 15% IPO for integrated coal mining and coal-fired power production company OLTENIA Energy Complex in fall 2014, pending completion of coal reserves evaluation. The IPO of hydropower producer HIDROELECTRICA, which had been planned for mid-2014, is delayed until after insolvency proceedings are concluded.

The GOR announced in 2012 its intention to privatize chemical manufacturer OLTCHIM and the copper mine CUPRUMIN; both transactions failed. OLTCHIM entered insolvency proceedings in January 2013; the proceedings are ongoing.
The government is resuming the privatization procedure for state-controlled rail freight carrier CFR Marfa, after failing to privatize it in 2013. The privatization is tentatively scheduled for completion in June 2015.

Romania is in the process of implementing the Electricity Directive and the Gas Directive of the EU's Third Energy Package introducing a structural separation between transmission system operator activities, and generation, production and supply activities. Ownership unbundling rules apply to investors with participations in energy transmission, generation, production and/or supply activities. According to the Third Energy Package directives, the same person cannot control generation, production and/or supply activities, and at the same time control or exercise any right over a transmission system operator (TSO). Furthermore, the same person cannot control a TSO and at the same time control or exercise any right over generation, production and/or supply activities.

Prospective investors are strongly advised to conduct thorough due diligence before any acquisition, particularly of state-owned assets. Some firms have found it advantageous to purchase industrial assets through AAAS's budget arrears recovery process rather than through direct privatization. Through this method, AAAS uses the proceeds from the sale of state assets to cover any outstanding arrears of the company. By acquiring the assets and not the company itself, buyers may avoid assuming historical debt or encumbering labor agreements.

As a member of the EU, Romania is required to notify the European Commission's General Directorate for Competition regarding significant privatizations and related state aid. Prospective investors should seek assistance from legal counsel to ensure compliance by relevant government entities. GOR failure to consult with, and then formally notify, the European Commission properly has resulted in delays and complications in some previous privatizations. Some investors have also experienced problems due to the occasional failure of GOR entities to fully honor contractual obligations following conclusion of privatization agreements. Investors receiving state aid, whose investments have been affected by the global economic crisis, have found renegotiation of their state aid agreements to be cumbersome, in part due to local authorities' failure to acknowledge that market conditions have changed.

Romanian law allows for the inclusion of confidentiality 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 public disclosure of such provisions.

Screening of FDI

Romania does not have processes to screen or approve foreign investments; foreign greenfield and brownfield investments are subject to the same legal requirements as investments by Romanian companies.

Competition Law

In 2010, Romania extensively revised its competition legislation, bringing it closer to the EU acquis communautaire and best corporate practices. Companies with a market share below 40% are no longer considered to have a dominant market position, thus avoiding a full investigation by the Romanian Competition Council (RCC) of new agreements, saving considerable time and money for all parties involved. Resale price maintenance and market and client sharing are still prohibited, regardless of the size of either party's market share. In a positive move, the authorization fee for mergers or takeovers has been capped at 25,000 euros. Under previous legislation, the fee was 0.04% of total turnover in Romania for all entities involved in the action, not exceeding 100,000 euros. The Fiscal Procedure Code requires companies to front a deposit equal to 20%of the fine while awaiting a court decision on the merits of the complaint.

To increase the absorption of EU funds, revisions to the public procurement law in December 2012 raised the open tender threshold for public projects to 5 million euros.

Government projects falling under the 5 million euro threshold have the option of being tendered through a "call for bids" to at least three companies. Additionally, the amendments stipulate that public procurement awards can only be challenged with the National Complaint Council (NCC). The NCC's decision is binding, even if the contracting authority or a bidder challenges the decision in court. If the complaint against an award decision is determined to be unfounded, the contracting authority can withhold a percentage of the challenger's bid participation fee as a penalty.

Investment Trends

According to the Heritage Foundation's Economic Freedom Report, deeper institutional reforms, particularly related to eradicating corruption and ensuring judicial independence, remain critical to ensuring Romania's ongoing transition to a more resilient market-oriented economy and to improved economic growth. The World Bank's Doing Business report indicates that Romania continues to rank below the world average in paying taxes, dealing with construction permits, and setting up utility services.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions Index	2013	(69 of 177)	http://cpi.transparency.org/cpi2013/results
Heritage Foundation's Economic Freedom Index	2013	(62 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(73 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(34 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per Capita	2012	USD 8,820	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies

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Foreign Exchange

Romania 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 another currency and transferred abroad at the market exchange rate after payment of taxes.

Romania's national currency, the LEU, is freely convertible in current account transactions, in accordance with the International Monetary Fund's (IMF) Article VII.

Remittance Policies

Proceeds from the sales 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.

Romania implemented regulations liberalizing foreign exchange markets in 1997. 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 also free from restraint. Romania concluded capital account liberalization in September 2006, with the decision to permit non-residents and residents abroad to purchase derivatives, treasury bills, and other monetary instruments.

Romania is identified as a Financial Action Task Force (FATF) jurisdiction of concern in the 2013 International Narcotics and Control Strategy Report (INCSR).

Expropriation and Compensation Return to top

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 disputes. Several cases involving investment property nationalized during the Communist era remain unresolved. In doing due diligence, prospective investors should ensure that a thorough title search is done to ensure there are no pending restitution claims against the land or assets.

Dispute Settlement Return to top

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Romania recognizes property and contractual rights but enforcement through the judicial process can be lengthy, costly, and difficult. Foreign companies engaged in trade or investment in Romania often express concern about the Romanian courts' lack of expertise in commercial issues. Judges generally have limited experience in the functioning of a market economy, international business methods, intellectual property rights, or the application of Romanian commercial and competition laws. Inconsistency and a lack of predictability in the jurisprudence of the courts or in the interpretation of the laws remains a major concern for foreign and domestic investors and for wider society. Even when court judgments are favorable, enforcement of judgments is inconsistent and can lead to lengthy appeals.

Failure to implement court orders or cases where the public administration unjustifiably challenges court decisions constitutes challenges to the binding nature of court decisions.

Mediation as a tool to resolve disputes is gradually becoming more common in Romania. Parliament passed legislation in 2006 recognizing mediation and establishing a certifying body, the Mediation Council, to set standards and practices. The professional association, The Union of Mediation Centers in Romania, is the umbrella organization for mediators throughout the county. There are recognized mediation centers in every county seat where court-sanctioned and private mediation is available.

There is no legal mechanism for court-ordered mediation in Romania but judges can encourage litigants to use mediation to resolve their cases. If litigants opt for mediation, they must present their proposed resolution to the judge upon completion of the mediation process, who must then approve the agreement.

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. To mitigate the time and financial cost of bankruptcies, Romanian legislation provides for administrative liquidation as an alternative to bankruptcy. However, investors and creditors have complained that liquidators sometimes lack the 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.

In December 2009, the debt settlement mechanism Company Voluntary Agreements (CVAs) was introduced as a means for creditors and debtors to establish partial debt service schedules without resorting to bankruptcy proceedings. The global economic crisis did, however, prompt Romania to shorten insolvency proceedings in the past year.

According to World Bank Doing Business report, resolving insolvency in Romania takes 3.3 years on average and costs 11% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 30.0 cents on the dollar. Globally, Romania stands at 99 in the ranking of 189 economies on the ease of resolving insolvency. An October 2013 emergency ordinance amending the insolvency law was declared unconstitutional. A revised law is expected to be implemented in mid-2014.

Investment Disputes

Two cases against Romania are pending with the International Center for Settlement of Investment Disputes (ICSID).

International Arbitration

Romania increasingly 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.

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.

ICSID Convention and New York Convention

Romania is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Romania is also a party to the European Convention on International Commercial Arbitration concluded in Geneva in 1961 and is a member of ICSID.

Duration of Dispute Resolution

According to World Bank Doing Business report, it takes in average 512 days to enforce a contract, from the moment the plaintiff files the lawsuit until actual payment, of which trial and judgment total 365 days on average and enforcement another 95 days. Associated costs total around 29% of the claim.

Arbitration awards are enforceable through Romanian courts under circumstances similar to those in other Western countries, although legal proceedings can be protracted.

Performance Requirements and Investment Incentives Return to top

WTO/TRIMS

Romania has been a WTO member since January 1, 1995. Romania does not maintain any measures alleged to violate its WTO TRIMS obligations.

Investment Incentives

Currently, customs and tax incentives are available to investors in six free trade zones. State aid is available for investments in free trade zones under EU regional development assistance rules. Large companies may receive aid up to 50% of their eligible costs (limited to 40% in Bucharest and surrounding ILFOV County), while small- and medium-sized enterprises (SMEs) may receive assistance of up to 65% of their eligible costs. Prospective investors are advised to thoroughly investigate and verify the current status of state incentives.

In 2007, Romania adopted EU regulations on regional investment aid, and instituted state aid schemes for large investments and SMEs. Both Romanian and EU state aid regulations aim to limit state aid in any form, such as direct state subsidies, debt rescheduling schemes, debt for equity swaps, or discounted land prices. The EC must be notified of, and approve, GOR state aid that exceeds the pre-approved monetary threshold for the corresponding category of aid. To benefit from the remaining state aid schemes, the applicant must secure financing that is separate from any public support for at least 25% of the eligible costs, either through his own resources or through external financing, and must document this financing in strict accordance with Ministry of Finance guidelines. Amendments made in 2010 to the state aid scheme for regional projects score applications based not only on the economics of the project, but also on the GDP per capita and unemployment rate for the country of intended investment.

In practice, GOR budget constraints and a less-than-fully transparent application process have limited access to these forms of state aid. Different ministries and government entities manage the various state aid schemes, and the rules and procedures are complex. Companies interested in state aid are encouraged to seek competent counsel and when developing a business plan, to set aside a generous amount of time for moving through all the bureaucratic stages required for state aid scheme approvals.

In July 2011, the European Commission approved the GOR's revised Green Certificate System, part of the Renewable Energy Law, which provides incentives for certain types of renewable energy. The Green Certificates are traded in parallel with the energy produced, providing an additional source of revenue for renewable energy producers. The revised system includes provisions to prevent overcompensation. Renewable energy projects that are eligible for other types of aid, such as EU structural funds, receive a smaller number of green certificates. Any renewable energy investment with an installed capacity over 125 megawatts must be notified to the European Commission. In July 2013, the government amended through emergency ordinance the Renewable Energy Law, revising downwards the number of green certificates and deferring part of their release. The legislation is currently under review in the parliament. The changes have to receive approval from the EC.

As a member of the EU, Romania must receive European Commission (EC) approval for any state aid it grants that is not covered by the EU's block exemption regulations. The Romanian Competition Council acts as a clearinghouse for the exchange of information between the Romanian authorities and the EC. The failure of state aid grantors to notify the EC properly of aid associated with privatizations has resulted in the Commission launching formal investigations into several privatizations. Investors should ensure that the government entities with which they work fully understand and 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.

Companies operating in Romania can also apply for aid under EU-funded programs that are co-financed by Romania. When planning the project, prospective applicants must bear in mind that the project cannot start before the financing agreement is finalized; the application, selection and negotiation process can be lengthy. Applicants also must secure financing for non-eligible expenses and for their co-financing of the eligible expenses. Finally, reimbursement of eligible expenses – which must be financed up front by the investor – is often very slow. Procurements financed by EU-funded programs above a certain monetary threshold must comply with public procurement legislation. In an effort to increase the rate of EU funds absorption, Romania has amended regulations to allow applicants to use the assets financed under EU-funded programs as collateral. However, understaffing and a lack of expertise on the part of GOR management entities, cumbersome procedures, and applicants' difficulty obtaining private financing still remain significant obstacles to improved EU funds absorption by Romania.

Performance Requirements

There are no performance requirements imposed as a condition for establishing, maintaining or expanding an investment.

Data Storage

The government does not requires investors to establish or maintain data storage in Romania

Right to Private Ownership and Establishment Return to top

Romanian legislation allows foreign and domestic private entities to establish and own business enterprises and engage in all forms of remunerative activity.

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, public order, and public health interests and regulations.

Protection of Property Rights Return to top

Real Property

The Romanian Constitution, adopted in December 1991 and revised in 2003, guarantees the right to ownership of private property. Mineral and airspace 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 own land in Romania, subject to reciprocity in their home country.

Companies owning foreign capital may acquire land or property needed to fulfill or develop company goals. If the company is dissolved or liquidated, the land must be sold within one year of closure, and may only be sold to a buyer(s) with the legal right to purchase such assets. Investors can purchase shares in agricultural companies that lease land in the public domain from the State Land Agency.

The 2006 legislation that regulates the establishment of specialized mortgage banks, also makes possible a secondary mortgage market, by regulating mortgage bond issuance mechanisms. Mortgage loans are offered by commercial banks, specialized mortgage banks, and non-bank mortgage credit institutions. Romania's mortgage market is now almost entirely private, although the state-owned National Savings Bank, CEC Bank, also offers mortgage loans. Since 2000, Romania has had in place the Electronic Archives of Security Interests in Movable Property (AEGRM), that represents the national recording system for the priority of mortgages structured by entities and assets, ensuring the filing of transactions regarding mortgages, assimilated operations, or other collateral provided by the law, as well as their advertising.

Protection of Property Rights

Romania is a signatory to international conventions concerning intellectual property rights (IPR), including Trade-Related Aspects of Intellectual Property Rights (TRIPS), and has enacted legislation protecting patents, trademarks, and copyrights. Romania has signed the Internet Convention to protect online authorship. While the IPR legal framework is generally good, enforcement remains weak and ineffectual, especially in the area of Internet piracy. The once-flagrant trade of retail pirated goods has largely been eliminated, but unlicensed use of software and personal use of pirated audio-video products remains high. The recording and film industries have expressed concern over increasing levels of Internet-based piracy. Romania has passed broad IPR protection enforcement provisions, as required by the WTO, yet judicial enforcement remains lax. Romania is on the Special 301 Watch List primarily due to weak enforcement efforts against on-line copyright piracy.

Patents

Romania is a party to the Paris Convention for the Protection of Industrial Property, and subscribes to all of its amendments. Romanian patent legislation generally meets international standards, with foreign investors accorded equal treatment with Romanian citizens under the law. Patents are valid for 20 years. Romania has been a party to the European Patent Protection Convention since 2002.

Trademarks

In 1998, Romania passed a trademark and geographic indications law, which was amended in 2010 to make it fully consistent with equivalent EU legislation. 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 the Law of Trademarks.

Copyrights

Romania is a member of the Bern Convention on Copyrights. The Romanian Parliament has ratified the latest versions of the Bern and Rome Conventions. The Romanian Copyright Office (ORDA) was established in 1996, and promotes and monitors copyright legislation. The General Prosecutor's Office (GPO) provides national coordination of IPR enforcement, but copyright law enforcement remains a low priority for Romanian prosecutors and judges. Many magistrates still tend to view copyright piracy as a "victimless crime" and this attitude has resulted in weak enforcement of copyright law. Due to increasing online piracy, copyright infringement of music and film is widespread throughout Romania.

Semiconductor Chip Layout Design

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

“For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.”

Resources for Rights Holders:

Contact at Mission/AIT:

- **NAME of IP Attaché or Economic Officer: Ravi F. Buck**
- **TITLE: Economic Officer**
- **TELEPHONE NUMBER: +40212003418**
- **EMAIL ADDRESS: BuckRF@state.gov**

Country/Economy resources: Please provide contact information for country-specific resources such as the local American Chamber of Commerce (AmCham), and a link to Post’s or AmCham’s public list of local lawyers:
http://www.osim.ro/cons/2013/agentii_consilieri.pdf

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. National and local officials often cannot provide potential investors with clear and comprehensive information on what permits or approvals are needed, or how they are to be obtained. Set fees for certain services, such as utilities, may not exist or may be subject to “negotiation” with local authorities or utility providers. Romania enacted a "Silent Approval" Law in 2003 to reduce bureaucratic delays, but it has yet to be universally enforced or recognized. Additionally, regulations can change frequently, often without advance notice or proper analysis of the impact the changes will have on the economy and business environment. Modifications can also be vaguely worded and/or poorly explained. These unforeseen changes add to the costs of doing business and can alter an investor's business prospects overnight.

Romanian law requires consultations with the private sector and a 30-day comment period on legislation or regulation affecting the business environment (the "Sunshine Law"); however, this requirement is not consistently enforced.

Efficient Capital Markets and Portfolio Investment Return to top

Romania welcomes portfolio investment and is working to develop efficient capital markets. The Financial Regulatory Agency (ASF) is responsible for regulating the securities market. The ASF implements the registration and licensing of brokers and financial intermediaries, the filing and approval of prospectuses, and the approval of market mechanisms.

The Bucharest Stock Exchange (BVB) resumed operations in 1995, after a hiatus of 50 years. The BVB operates a three-tier system that, at present, lists a total of 104 companies, with 28 companies in the highest tier. The official index, BET, is based on a basket of the 10 most active stocks listed, while the BET-C index follows the trend of all stocks listed on the BVB. The BVB also has an "over-the-counter" market (RASDAQ) that currently lists 964 different stocks. The BVB allows trade in corporate, municipal, and international bonds, and in 2007, the BVB opened derivatives trading. The BVB's integrated group includes trading, clearing, settlement, and registry systems. The BVB's Alternative Trading System (ATS) allows trading in local currency of 29 foreign stocks listed on international capital markets, of which eleven are U.S. blue chip stocks.

Despite a diversified securities listing, the situation on the international capital and financial markets has adversely affected the Romanian capital market, and liquidity remains low. Neither the government nor the Central Bank imposes restrictions on payments and transfers. The red tape associated with capital market access, still high trading fees, and inconsistent enforcement of the corporate governance rules have kept Romania within frontier market tier. Country funds, hedge funds and venture capital funds continue to participate in the capital markets. Minority shareholders have the right to participate in any capital increase. Romanian capital market regulation is now EU-consistent, with accounting regulations incorporating EC Directives IV and VII.

Money and Banking System, Hostile Takeovers

There are 40 banks and credit cooperative national unions currently operating in Romania. The largest, Romanian Commercial Bank (BCR), was privatized in 2006 by sale to ERSTE Bank of Austria and has a 17.5% market share. The second-largest is the French-owned Romanian Bank for Development (BRD-SOCIÉTÉ GÉNÉRALE) with 13.0% market share, followed by privately-owned TRANSILVANIA Bank (8.9%), Italian-controlled UNICREDITTIRIAC Bank (7.6%), state-owned CEC Bank (7.4%), Austrian-owned RAIFFEISEN (7.3%), and Dutch-owned ING (4.7%).

The banking system is sound and well provisioned. However, according to the National Bank of Romania, overdue and doubtful loans now account for 20.1% of total bank loans and interest; the solvency rate of the banking system is 15.0%.

The GOR has encouraged foreign investment in the banking sector, and there are no restrictions on mergers and acquisitions. The only remaining state-owned banks are the National Savings Bank (CEC Bank) and EXIMBANK, comprising 8.5% of the market combined.

While the National Bank of Romania must authorize all new non-EU banking entities, banks and non-banking financial institutions already approved in other EU countries need only notify the National Bank of plans to provide local services.

Competition from State-Owned Enterprises

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OECD Guidelines on Corporate Governance of SOEs

Private enterprises compete with public enterprises under the same terms and conditions with respect to market access and credit. Energy production, transportation, and mining are majority state-owned sectors, while the government retains a monopoly on electricity and natural gas transmission.

SOEs are required by law to publish an annual report. Majority state-owned companies that are publicly listed, as well as state-owned banks, are required to be independently audited. If properly implemented, legislation on corporate governance of SOEs should ensure the professional selection of board members and managers, and bring more transparency and accountability to the management and oversight of SOEs

Sovereign Wealth Funds

Romania currently does not have a sovereign wealth fund.

Corporate Social Responsibility

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OECD Guidelines for Multinational Enterprises

Corporate social responsibility (CSR) as a concept is slowly becoming more common in Romanian business, driven primarily by multinational companies infusing their corporate culture into the local market. Virtually all foreign enterprises in Romania have some kind of CSR program, and most follow generally accepted CSR principles, such as the OECD Guidelines for Multinational Enterprises. Romanian legislation allows companies to allocate part of their corporate income tax (a maximum of 10% of total corporate income tax due) to CSR under the sponsorship law.

Labor and environmental laws are not waived in order to attract or retain investment.

Political Violence

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Romania does not have a history or politically motivated damage to foreign investors' projects or installations. However, anti-shale gas protestors invaded the site of a U.S. energy company's exploratory well in October 2013, damaging the perimeter fence and some equipment. Major civil disturbances are not expected to occur in the country.

Corruption

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UN Anticorruption Convention, OECD Convention on Combatting Bribery

Despite some improvement, corruption remains a serious problem. Romania was ranked 69th of 177 countries in Transparency International's 2013 Corruption Perception Index, the fourth-lowest ranked among EU member states. According to the EC's 2014 Report on Progress under the Cooperation and Verification Mechanism in Romania, there are still obstacles to making progress in the fight against corruption. The report recommends that Romania should ensure that corruption laws apply equally to all on an equal basis, improve the consistency and dissuasiveness of penalties applied in corruption cases in all courts across Romania, step up efforts in the prosecution of petty corruption, and develop the National Anti-Corruption Strategy to introduce more consistent benchmarks and obligations for public administration, with results to be made publicly available.

U.S. investors have complained of both government and business corruption in Romania, with the customs service, municipal officials, 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. However, the National Anti-Corruption Directorate (DNA) continued to investigate and prosecute corruption cases involving medium- and high-level cases concerning political, judicial, and administrative officials throughout 2013. Conflicts of interest, respect for standards of ethical conduct, and integrity in public office in general remained a concern for all three branches of government. Individual executive agencies were slow in enforcing sanctions, and agencies' own inspection bodies were generally inactive.

In late 2011, the Ministry of Justice published a national anti-corruption strategy for 2012-2014, focusing on strengthening administrative review and transparency within public agencies, preventing corruption, and implementing anti-corruption legislation. The objectives include increased and improved financial disclosure, conflict-of-interest oversight, more aggressive investigation of money laundering cases, and passage of legislation to allow for more effective asset recovery.

In March 2002, to reduce corrupt practices in public procurement, the GOR inaugurated a web-based e-procurement system (http://www.e-licitatie.ro), designed to provide a transparent listing of both ongoing and closed solicitations, with the names of the winners and the closing prices made available to the public. The use of "e-licitatie" has increased government efficiency, reduced vulnerability to corruption, and improved fiscal responsibility in government procurement. State entities, as well as public and private beneficiaries of EU funds, are required by law to follow public procurement legislation and use the e-procurement system, but compliance is inconsistent.

Romania's public procurement law, passed in 2006 and amended several times, establishes ex-ante controls on public procurement processes, stricter rules on eligible participants, and an appeals mechanism for complaints against the process. The National Agency for Public Procurement has general oversight over procurements and can draft legislation, but procurement decisions remain with the procuring entities. Following a July 2013 revision of the public procurement legislation, state-controlled companies are allowed to use internally drafted procurement procedures in lieu of the general public procurement legislation.

Resources to report corruption:

Contact at government agency or agencies are responsible for combating corruption.

- **ORGANIZATION:** National Anticorruption Directorate (DNA)
- **ADDRESS:** Str. Știrbei Vodă nr. 79-81, București
- **TELEPHONE NUMBER:** +40 21 312 73 99
- **EMAIL ADDRESS:** anticoruptie@pna.ro
- **WEBSITE:** http://www.pna.ro/sesizare.xhtml?jftfdi=&jffi=sesizare

Contact at "watchdog" organization (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption, such as Transparency International)

- **ORGANIZATION:** Expert Forum
- **ADDRESS:** Str. Aurel Vlaicu 87, etaj II, apartament 3, București,
- **TELEPHONE NUMBER: +40 21 211 7400**
- **EMAIL ADDRESS:** office@expertforum.ro

- **TITLE:** Director
- **ORGANIZATION:** Freedom House Romania
- **ADDRESS:** Bd. Ferdinand 125, Bucuresti
- **TELEPHONE NUMBER:** +4021 253 28 38
- **EMAIL ADDRESS:** guseth@freedomhouse.ro

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: www.justice.gov/criminal/fraud

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Romania is NOT a party to OECD Antibribery Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Romania is a party to UN Convention against Corruption (signed 9 DEC 2003, ratified 2 NOV 2004).

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see www.oas.org/juridico/english/Sigs/b-58.html) Romania is NOT a party to Inter-American Convention against Corruption (not applicable for Romania as a member country of the European Union).

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco) Romania is a party to Council of Europe Criminal and Civil Law Conventions, Group of States against Corruption (GRECO) since 1999.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: www.ustr.gov/trade-agreements/free-trade-agreements Romania, as a member of the EU, is part of the ongoing EU-US FTA negotiations, the Transatlantic Trade and Investment Partnership (T-TIP), which began in July 2013.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues.

For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at www.ogc.doc.gov/trans_anti_bribery.html More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Romanian public sector corruption, including bribery of public officials according to the 2013 Human Rights Report:

The National Anti-Corruption Directorate (DNA) continued its investigation of medium- and high-level corruption cases at a steady pace throughout the year. They included political, judicial, and administrative officials. By October 15, 2013 the DNA sent to court 768 indicted defendants, including: one vice prime minister, one member of the European Parliament, five members of the national parliament, one former minister and current member of the European Parliament, 11 judges including one member of the Superior Council of Magistrates, nine prosecutors including one member of the CSM, 17 mayors and five vice mayors, three county council chairs and one vice chair, one national chairman of a political party, one former president and four other officials of the local tax authority, three customs inspectors, 31 police officers, 14 high-ranking officers with the National Defense Ministry, one president of the Romanian soccer federation, and one president of the professional soccer league. Prosecutors ordered seizures of assets worth approximately 1.1 billion lei ($340 million) in the indicted defendants' cases. As of mid-October, 2013 courts had issued 179 final convictions against 857 defendants in DNA cases, compared to 552 defendants with final convictions over the same period in 2012. Defendants with final convictions included two members of parliament, two ministers, one deputy minister, one county council chair, two political party chairs, 11 mayors and two vice mayors, four National Defense Ministry officers, 27 police officials, five judges (including two judges with the High Court of Cassation and Justice), and five prosecutors (of whom one had been working in the Prosecutor General's office).

The acquittal rate as calculated until mid-October 2013 was 7.9 percent, compared to 10.1 percent in 2012. Out of the 205 DNA cases in which courts handed out final rulings, 151 cases that accounted for 73 percent of the total were solved in less than four years; 23 cases that amounted to 11 percent were solved in less than five years; the remaining 31 cases that accounted for 15 percent took five to 10 years to reach final decisions.

The High Court of Cassation and Justice significantly increased the pace of high-level corruption trials compared with previous years. Verdicts in corruption offenses were often inconsistent. The number of convictions in corruption cases increased during the year.

Police corruption contributed to citizens' lack of respect for police and a corresponding disregard for police authority. Low salaries and the absence of incentives and bonuses led to personnel shortages and contributed to the susceptibility of individual law enforcement officials to bribery. Authorities referred instances of high-level corruption to the Directorate General for Anticorruption (DGA) within the Ministry of Internal Affairs, which continued to publicize its anticorruption telephone hotline to generate prosecutorial leads for corruption within the police force. Cooperation between the DGA and other law enforcers, primarily the DNA, resulted in the initiation of criminal investigations in 576 criminal cases in 2012, an 18-percent increase over the previous year.

Conflicts of interest, respect for standards of ethical conduct, and integrity in public office in general remained a concern for all three branches of government. As of July the cap for no-bid public procurement contracts was raised from 67,200 lei to 134,400 lei ($20,300 to $40,600) for products and services, and from 67,200 lei to 448,000 lei ($20,300 to $135,000) for public works. Individual executive agencies were slow in enforcing sanctions, and agencies' own inspection bodies were generally inactive

Anti-Corruption Resources:

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: www.justice.gov/criminal/fraud/fcpa

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: www.oecd.org/dataoecd/11/40/44176910.pdf

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: www.ogc.doc.gov/trans_anti_bribery.html

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009 TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See www.weforum.org/s?s=global+enabling+trade+report

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at www.state.gov/g/drl/rls/hrrpt

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org

Bilateral Investment Agreements Return to top

The U.S.-Romanian Bilateral Investment Treaty (BIT) on the Reciprocal Encouragement and Protection of Investment (signed in May 1992 and ratified by the U.S. in 1994) guarantees national treatment for U.S. and Romanian investors. The agreement provides a dispute resolution mechanism, liberal capital transfer, prompt and adequate compensation in the event of an expropriation, and the avoidance of trade-distorting performance requirements. The U.S. Government negotiated an agreement with the EU and eight accession countries, including Romania, to cover any possible inconsistencies between pre-existing BITs and the countries' future EU obligations. This revised BIT was ratified by the U.S. Senate and the Romanian Parliament in 2004, and went into effect on February 9, 2007. Other bilateral trade agreements with third countries were terminated upon Romania's EU accession.

Bilateral Taxation Treaties

Romania has a bilateral taxation treaty with the United States; the treaty was signed in 1973 and entered into force in 1974.

OPIC and Other Investment Insurance Programs Return to top

The Overseas Private Investment Corporation (OPIC) began operations in Romania in late 1992, and continues to actively finance projects in the country. Romania has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992.

Labor Return to top

Romania has traditionally offered a large, skilled labor force at comparatively low wage rates in most sectors. The labor pool has tightened in highly skilled professions, in particular the information technology sector, despite relatively high levels of unemployment and underemployment overall. The university system is generally regarded as good, 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.

Since Romania’s revolution in December 1989, labor-management relations have occasionally been tense, the result of economic restructuring and personnel layoffs. Trade unions, much better organized than employers' associations, are vocal defenders of their rights and benefits. In January 2014, after extensive negotiations between unions, employers’ associations, and the government, the national minimum wage was set at 850 RON (about USD 256) for full-time employment of 169.333 hours per month, or approximately 5.02 - RON (USD 1.51) per hour.

The law allows workers to form and join independent labor unions without prior authorization, and workers freely exercised this right. Although the law permits strikes by most workers, lengthy and cumbersome requirements make it difficult to hold strikes legally. Companies may claim damages from strike organizers if a court deems a strike illegal.

The law does not effectively protect against antiunion discrimination because there are no accompanying sanctions for such discrimination. Some union representatives alleged that, due to extensive legal loopholes, enforcement remained minimal, in particular in small and medium sized private businesses. The government generally respected the right of association, and union officials state that registration requirements stipulated by law were complicated but generally reasonable.

The law prohibits all forms of forced or compulsory labor, and the government effectively enforced the law. The minimum age for most forms of employment is 16, but children may work with the consent of parents or guardians at age 15. The law prohibits minors from working in hazardous conditions, provides a basis for the elimination of hazardous work for children, includes a list of dangerous jobs, and specifies penalties for offenders.

The 2010 amendments to the Labor Code give employers more flexibility to evaluate employees based on performance, and significantly relax hiring and firing procedures. Labor laws and regulations are not waived or derogated to attract or retain investments.

Payroll taxes remain steep, resulting in an estimated 25-30% of the labor force working 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 legislation makes it very costly to engage non-EU citizens in Romania. Foreign companies often resort to expensive staff rotations, special consulting contracts, and non-cash benefits. Work permits are issued for a maximum of one year for a fee of 200 euro (payable in the RON equivalent of that day's exchange rate), except for students and seasonal workers, who pay 50 euro. These permits are automatically renewable with a valid individual work contract.

Foreign Trade Zones/Free Ports Return to top

Free Trade Zones (FTZs) received legal authority in Romania in 1992. General provisions include unrestricted entry and re-export of goods, and exemption from customs duties. The law further permits the leasing or transfer of buildings or land for terms of up to 50 years to corporations or natural persons, regardless of nationality. Foreign-owned firms have the same investment opportunities as Romanian entities in FTZs.

Currently there are six FTZs, primarily located on the Danube River or close to the Black Sea: SULINA, CONSTANTA-SUD AGIGEA, GALATI, BRAILA, CURTICI-ARAD, and GIURGIU. 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 and Foreign Portfolio Investment Statistics Return to top

Romania did not attract significant foreign direct investment (FDI) until after the 1990s, due to delays in post-Communist economic reforms. According to data provided by the National Office of the Trade Registry, the cumulative net stock of FDI from January 1990 to December 2013 totaled 50.54 billion, about 27.9% of Romania's GDP. Romanian direct investments abroad from January to November 2013 totaled USD 415.8 million.

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, MetLife, Royal Bank of Scotland, ING, Generali, Volksbank, Raiffeisen, Erste Bank, Unicredit, Alpha Bank, National Bank of Greece, Intesa Sanpaolo, Millenium Bank, Garanti Bank, Credit Agricole, Allianz,);

-- Information Technology (Hewlett Packard, Intel, Microsoft, Oracle, Cisco Systems, IBM);

-- Telecommunications (Orange, OTE, Telesystem International Wireless Services, Vodafone, Liberty Media/UPC);

-- Hotels (Hilton, Marriott, Best Western, Howard Johnson, Sofitel, Crowne Plaza, Accor, Ramada, Radisson);

-- Manufacturing (Timken, General Electric, Cameron, LNM, Marco, Flextronics, Holcim, Lafarge, Heidelberg, Plexus, Lufkin, Toro);

-- Consumer products (Procter and Gamble, Unilever, Henkel, Coca-Cola, PepsiCo, Parmalat, Danone, Smithfield Foods);

-- Retail chains (Metro, Delhaize, Dm Drogerie, Carrefour, Cora, Billa, Selgros, Auchan, Kaufland).

According to Romanian Trade Registry statistics, the value of U.S. direct investment in Romania as of December 2013 was about USD 1.2 billion. The U.S. is the 12th-ranked foreign investor nation, after the Netherlands, Austria, Germany, Cyprus, France, Greece, Italy, Spain, Luxemburg, Panama, and Switzerland. U.S.-source investment represented 2.4 % of Romania's total FDI. As official statistics do not fully account for the tendency of U.S. firms to invest through their foreign, especially European-based, subsidiaries, the actual amount of U.S. FDI is higher. Romanian statistics also over-emphasize physical, capital-intensive investments, while overlooking the impact of foreign investment in services and technology. Significant U.S. direct investors (including investments made through branches or representative offices) include:

- Advent Central and Eastern Europe - investment fund;
- AECOM - engineering and design;
- Chartis - general insurance;
- Alico (Met Life) - life insurance;
- Alcoa - automotive, aluminum processing;
- Bunge - grain trading;
- Cargill - grain export and food processing;
- Citibank - banking;
- Coca-Cola - beverage, food;
- Cooper Cameron - gas field equipment manufacturer;
- Delphi - automotive parts;
- EuroTire - mining and heavy equipment tires;

- Flextronics – medical, telecom, automotive;
- Ford - automotive assembly;
- General Electric - diversified industrial products;
- Hewlett Packard - IT equipment, services;
- Hoeganaes - iron powder for automotive;
- Honeywell Garrett - automotive;
- IBM - IT equipment;
- Intel – software development services
- Johnson Controls - automotive;
- Kodak - film processing;
- McDonald's - food;
- Microsoft - software services;
- New Century Holding - investment fund;
- Office Depot - office and business supplies;
- Oracle - IT services, consulting;
- Pepsico - beverage;
- Philip Morris - tobacco products;
- Procter and Gamble - consumer products;
- Qualcomm - telecommunications;
- Sigma Bleyzer - investment fund;
- Smithfield Foods - food production and distribution;
- Timken - industrial bearings;
- Liberty Media UPC - cable television operator;
- Visa - financial services;
- URS - 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 USD 8.5 billion invested. The U.S. is a 10% shareholder in the EBRD.

Foreign Portfolio Investment:

In 2012, foreign portfolio investment inflows amounted to USD 587.1 million, whereas their outflows reached USD 455.6 million, resulting into a net inflow of 131.5 million.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source* (National Statistics Institute)		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other) World Bank
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	169,580.9	2012	192,700	http://www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source* National Office of the Trade Register, National Statistics Institute		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	End-2013	1,233.2 Rank 12-th	Insert (Year)	Amount N/A	(BEA) click selections to reach. • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	Insert (Year)	Amount N/A	Insert (Year)	Amount N/A	(BEA) click selections to reach • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (***calculate)***	Insert (Year) End-2013	Amount 27.9%	Insert (Year) 2012	Amount 45.1%	Source: IMF, National Bank of Romania's Balance of Payments. Comment: The IMF and Romania's BOP data are consistent; the annual FDI includes intra-group credit and re-invested profits, on the top of the registered capital reported by the National Office of the Trade Register.

* Provide sources of host country statistical data used.

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	76,308	100%			
Netherlands	17,608	23%			
Austria	13,249	17%			

Germany	8,735	11%			
France	6,700	9%			
Italy	3,841	5%			
"0" reflects amounts rounded to +/- USD 500,000.					

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	3,044	100%	World	1,016	100%	World	2,027	100%
Luxembourg	565	19%	Luxembourg	463	46%	United Kingdom	336	17%
Austria	557	18%	Austria	390	38%	United States	315	16%
United Kingdom	339	11%	France	41	4%	Netherlands	225	11%
United States	318	10%	Germany	30	3%	Spain	200	10%
Netherlands	225	7%	Poland	25	2%	Austria	167	8%

Web Resources and Contact Point at Post for Public Inquiries Return to top

Web Resources

TI Corruption Perceptions Index, http://cpi.transparency.org/cpi2013/results

Heritage Foundation's Economic Freedom Index, http://www.heritage.org/index/ranking

World Bank's Doing Business Report "Ease of Doing Business", http//doingbusiness.org/rankings

Global Innovation Index, http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener

World Bank GNI per Capita, http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Link to Post's or AmCham's public list of local lawyers, http://www.osim.ro/cons/2013/agentii_consilieri.pdf

GOR web-based e-procurement system, http://www.e-licitatie.ro

National Anticorruption Directorate (DNA), http://www.pna.ro/sesizare.xhtml?jftfdi=&jffi=sesizare

Expert Forum, www.expertforum.ro

Freedom House Romania, www.freedomhouse.ro

U.S. Foreign Corrupt Practices Act - FCPA Lay-Person's Guide, www.justice.gov/criminal/fraud

OECD Antibribery Convention, www.oecd.org/dataoecd/59/13/40272933.pdf

UN Anticorruption Convention, www.unodc.org/unodc/en/treaties/CAC/signatories.html

Organization of American States (OAS) Convention, www.oas.org/juridico/english/Sigs/b-58.html

Council of Europe (CoE) Criminal Law Convention on Corruption and the Civil Law Convention - The Group of States against Corruption (GRECO), www.coe.int/greco

U.S. Free Trade Agreements - U.S. Trade Representative Website, www.ustr.gov/trade-agreements/free-trade-agreements

U.S. Foreign and Commercial Service - U.S. Department of Commerce, www.trade.gov/cs

U.S. Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website, tcc.export.gov/Report_a_Barrier/index.asp

Department of Justice DOJ's Fraud Section Website, www.justice.gov/criminal/fraud/fcpa

Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, www.ogc.doc.gov/trans_anti_bribery.html

U.S. Department of Justice's Website, www.justice.gov/criminal/fraud/fcpa

OECD Antibribery Convention including links to national implementing legislation and country monitoring reports http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html

Antibribery Recommendation and Good Practice Guidance Annex for companies, www.oecd.org/dataoecd/11/40/44176910.pdf

Department of Commerce Office of the Chief Counsel for International Commerce Website, www.ogc.doc.gov/trans_anti_bribery.html

Transparency International (TI) - Corruption Perceptions Index (CPI), http://www.transparency.org/policy_research/surveys_indices/cpi/2009

Transparency International (TI) - Global Corruption Report, http://www.transparency.org/publications/gcr

World Bank Business Environment and Enterprise Performance Surveys, http://data.worldbank.org/data-catalog/BEEPS

World Economic Forum - Global Enabling Trade Report, www.weforum.org/s?s=global+enabling+trade+report

U.S. State Department - *Human Rights Report,* www.state.gov/g/drl/rls/hrrpt
Global Integrity, a nonprofit organization - Global Integrity Report, http://report.globalintegrity.org

World Bank - Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars), http://www.worldbank.org/en/country

Contact Point at Post for Public Inquiries

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- **TITLE: IRC Director**
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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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The least risky for the American exporter and most widely accepted method of payment is by confirmed, irrevocable letter of credit. This method, however, is not necessarily the most competitive for winning sales in Romania. An L/C represents a credit obligation for the Romanian buyer, who may not be willing (or able) to borrow at a cost-effective rate. Cash-against-documents or open-account terms entail more risk for the exporter, but may be preferable for the buyer. Each exporter has to weigh the element of risk in a transaction against the relationship with the buyer and degree of competition.

Commercial banks offering international trade services can describe the risks and merits of each payment method, but American exporters are well advised to establish payment policies for international sales based on their business strategy. In addition to the due diligence tools discussed in Chapter 3, there are other forms of U.S. Government support for managing risks. The U.S. Export-Import Bank (Ex-Im Bank) offers a program of export credit insurance to enable U.S. exporters to extend credit terms with protection against the risk of non-payment.

How Does the Banking System Operate

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The number of Romanian and foreign banking institutions has increased from 5 in 1990 to more than 35 in 2013, and all are authorized to engage in a full range of traditional banking functions.

Romania's membership in the EU and greater integration into world financial markets exposed its economy to the international financial crisis starting from 2008. The dominant role of foreign banks in the market has brought benefits, but also made Romania captive to the decisions of these banks' home offices, especially in the Euro zone, and their shareholders. However, Romania has proven a profitable market for these banks, and none have expressed plans to exit the market. There are only a few Greek banks operating in Romania that were affected by the debt crisis in their home country. They are interested in mergers plans, but not in exiting Romania.

Foreign-Exchange Controls

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Romania has no foreign exchange restrictions. The local currency, the **RO**manian **N**ew LEU, (abbreviated **RON**) is fully convertible for business (current account) purposes, with a fully liberalized capital account, and a central bank applying a managed float to reduce currency fluctuations. Foreign investors may freely repatriate profits and dividends in hard currency. As of today, June 6, 2014, $1 = RON 3.2229

U.S. Banks and Local Correspondent Banks

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All commercial banks now operating in Romania have international correspondent relationships, and all are members of the domestic inter-bank payment-settlement system.

Citibank is the most well-known U.S. bank in Romania, represented by Citibank Romania S.A. since 1996. Citibank Romania S.A. has eight corporate banking branches in the following major cities: Brasov, Bucharest, Cluj-Napoca, Constanta, Iasi, Ploiesti, Sibiu, and Timisoara.

The Romanian financial landscape includes a substantial number of European bank subsidiaries, and several major Romanian banks. Most of these have parent corporations in other countries such as Austria (Erste Bank, Raiffeisen Bank, Volksbank, and Porsche Bank), France (BRD – Societe Generale and BNP Paribas), Italy (Unicredit Tiriac Bank and Intesa Sanpaolo Bank), Greece (Alpha Bank, Bancpost and Piraeus Bank) the United Kingdom (Royal Bank of Scotland), Cyprus (Marfin and Bank of Cyprus), Israel (Leumi Bank), the Netherlands (ING Bank), and Portugal (Millennium Bank).

Project Financing

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Project financing from public and quasi-public institutions is an important source of investment capital for infrastructure projects in Romania and other countries in the region. Especially as the tide of private investment ebbs, or at least becomes more selective, the roles of international financial institutions such as the International Monetary Fund (IMF) and the EU in cooperation with the World Bank Group (International Bank for Reconstruction and Development - IBRD, International Finance Corporation – IFC and Multilateral Investment Guarantee Agency – MIGA), the European Bank for Reconstruction and Development – EBRD, and the European Investment Bank – EIB become even more important.

Export-Import Bank of the United States

U.S. Ex-Im Bank provides guarantees and direct loans for U.S. exports to Romania. Although most of the credit has been for exports to the Romanian government, private sector and sub-sovereign financing is available as well.

Ex-Im Bank issues short-term (180 days) insurance 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.

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 can co-finance with other bilateral and multilateral development finance institutions, such as the EBRD and IFC.

U.S. Trade and Development Agency (USTDA)
USTDA provides non-reimbursable funds for feasibility studies, pilot projects and orientation visits covering many sectors of the Romanian economy. The agency is very active in Romania.

Romanian Ministry of Public Finance (MFP)
MFP issues Romanian government guarantees for projects up to $66.7 million. The Ministry 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.

Web Resources Return to top

Citibank Romania: www.citibank.ro
European Bank for Reconstruction and Development: www.ebrd.com
European Investment Bank: www.eib.org
Ex-Im Bank Country Limitation Schedule:
www.exim.gov/tools/country/country_limits.html
International Financial Corporation: www.ifc.org
Romanian Ministry of Public Finances: www.mfinante.ro
U.S. Export-Import Bank of the United States: www.exim.gov
U.S. Overseas Private Investment Corporation: www.opic.gov
U.S. Trade and Development Agency: www.tda.gov
World Bank, Multilateral Development Bank: www.worldbank.org

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Chapter 8: Business Travel

Business Customs

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Special customs do not figure significantly in business dealings in Romania; Western business standards apply. Romanians generally have positive attitudes toward America, but also draw on their own and other European cultural references.

Romanian nationals are friendly, and foreigners are usually made very welcome. Shaking hands is the normal form of greeting (sometimes a man, usually from an older generation, may kiss the hand of a woman in greeting); normal courtesies are observed when visiting a person's home. 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. Always buy an odd number of flowers (even numbers are used at funerals). 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 appétit) 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/content/passports/english/country/romania.html

Visa Requirements

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You must have a valid passport to enter Romania. U.S. citizen visitors are granted 90 days of stay without a visa within a given six-month period. For stays longer than 90 days, you must obtain an extension of stay from the Romanian Office for Immigration in the area of your residence. If you stay too long, you will need an exit visa. We do not recommend the practice of attempting to “extend” the 90-day period by traveling to another country for a short period and then returning to Romania. More people are being denied re-entry to Romania because the Romanian Government is enforcing visa regulations more vigorously than in the past. For visits longer than 10 days, you must register your presence with the nearest Police Precinct. Visit the Embassy of Romania website for the most current visa information or contact the Romanian Embassy at 1607 23rd St. NW, Washington, D.C. 20008, telephone number (202) 232-4747, or the Romanian Consulates in Los Angeles, Chicago, or New York.

Foreigners are required to carry identification documents at all times. Americans who obtained a temporary or permanent stay permit must be able to present the document upon the request of any “competent authorities.” Foreigners who do not have a stay permit should present their passports. The Embassy recommends carrying a copy of the relevant document.

The **American Citizens Services (ACS)** Unit of the U.S. Embassy Bucharest, Romania, is involved in various matters concerning U.S. citizens in Romania. It is located in the Consular Section, at 4-6 Liviu Librescu Blvd.

Emergency Services are available from the Embassy 24 hours a day/7 days a week. Monday through Friday, 8:00 AM – 5:00 PM. Please call 021-270-6000. For emergencies after public hours, please call 021-200-3433.

All non-emergency American Citizen Services (renewal of U.S. passports, Consular Reports of Birth Abroad, Notaries and other services) are provided by appointment only. Links to the online appointment system are provided on the Embassy website http://romania.usembassy.gov under “US Citizen Services” under the appropriate service category.

To contact the ACS Unit:

- Consular Section line: 021-270-6000, ext. 5800, or Main Embassy telephone 021-200-3300, Monday to Friday, 13:00 to 17:00. Fax 021-200-3578 (American citizen services).
- Email: ACSBucharest@state.gov

The Embassy's website address is: http://romania.usembassy.gov. Please check the website for details on the services offered.
State Department Visa Website: http://travel.state.gov/visa/
Romanian Immigration Department: http://ori.mai.gov.ro

Currency

The unit of currency in Romania is the leu (also called the RON). ATMs, called "bancomats" in Romanian, are widely available throughout larger cities. However, ATMs that accept debit cards from the United States are less widespread. Look for international banks or ATMs that have symbols for international networks such as STAR and PLUS.

While major credit cards are accepted in many places, there is risk of fraud. Contrary to practice in the United States, a PIN is usually required to make credit card purchases. Many U.S. banks allow cardholders to establish such a PIN prior to travel, in case one is needed. You should notify your bank of your international travel, and the potential legitimate use of your card abroad, prior to leaving the United States. Travelers' checks are of limited use but may be used to purchase local currency at some exchange houses.

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

State Department Visa Website: http://travel.state.gov/visa/
http://romania.usembassy.gov

Telecommunications Return to top

Local wired-telephony service is reliable. There are several mobile telephone operators, all of which 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. Broadband Internet access is expanding in Romania, but still represents a minority of available Internet service.

International calls can be made from public phones using a phone card or from private phones with international access. If you wish to place an international call from a telephone without international access, you may place a call through a Romtelecom international operator by dialing 971.

Transportation Return to top

TAROM, the Romanian national airline, serves major points in Romania and Europe. The airline has joined the Sky Team Alliance for the purposes of marketing, code share, and group communication. Other 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), Olympic (Greek), Swiss and Turkish Airlines. Qatar Airways has recently entered the Romanian market with a new route.

In Bucharest, hotel chains such as Radisson, Marriott, Hilton, and Crowne Plaza provide scheduled shuttle bus service to and from the Henri Coanda Airport; rental car service is also available. All taxis are required to have meters.

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 construction. 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. U.S. driver's licenses are only valid in Romania for up to 90 days. Before the 90-day period has expired, U.S. citizens must either obtain an international driving permit in addition to their U.S. driver's license or a Romanian driver's license.

Inter-city travel is generally done via train or bus, which vary in terms of quality, safety, cost, and reliability. Pickpockets pose a danger on night trains and in train stations. Inter-city travel by taxi is much more expensive, and safety depends on the quality of the driver. Many older taxis are not equipped with seat belts. To avoid being overcharged, passengers should request the taxi by phone through a reputable company and make sure the taxi has an operational meter or agree upon a price before entering the taxi. The meter rate per km is posted on both sides of the taxi vehicle.

The host country authority responsible for road safety is the Traffic Police of the Romanian Ministry of Interior (www.politiaroutiera.ro). Emergency roadside help and information may be reached by dialing 9271 for vehicle assistance and towing services. For ambulance services, fire brigade or police, dial 112.

Language Return to top

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 Return to top

Medical care in Romania is generally not up to Western standards, and basic medical supplies are limited, especially outside major cities. Some medical providers that meet Western quality standards are available in Bucharest and other cities but can be difficult to identify and locate. Travelers seeking medical treatment should therefore choose their provider carefully. A list of hospitals and physicians is available on the website of the U.S. Embassy in Bucharest. http://romania.usembassy.gov/acs/health4.html

In case of emergency, you can call the Emergency Services line at 112 (Ambulance, Fire Brigade and Police) or you may go to the Emergency Hospital in Bucharest (Spitalul de Urgenta), 8, Calea Floreasca, at the intersection with Soseaua Stefan cel Mare (Telephone: 9621, 021-230-0106, 021-230-4953), or its equivalent when outside of Bucharest.

Information regarding health threats or other medical issues affecting visitors to Romania can also be found at this site. The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of Romania. The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see our information on medical insurance overseas.

Americans who wish to extend their stay in Romania must present proof of health insurance that applies overseas for the duration of their intended stay in Romania. Useful information on medical emergencies abroad, including overseas insurance programs, is provided on the Department of State's web page, Medical Information for Americans Traveling Abroad. For more details, please consult this web link: http://romania.usembassy.gov/acs/health4.html

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 2014

Date	Day	Holiday	Type
1-Jan	Wednesday	New Year's Day	American/Romanian
2-Jan	Thursday	Day After New Year's Day	Romanian
20-Jan	Monday	Birthday of Martin Luther King, Jr.	American
17-Feb	Monday	President's Day	American
21-Apr	Monday	Orthodox Easter Monday	Romanian
1-May	Thursday	Romanian Labor Day	Romanian
26-May	Monday	Memorial Day	American
9-Jun	Monday	Orthodox Pentecost Monday	Romanian
4-Jul	Friday	Independence Day	American
15-Aug	Friday	St. Mary's Assumption	Romanian
1-Sep	Monday	Labor Day	American
13-Oct	Monday	Columbus Day	American
11-Nov	Tuesday	Veteran's Day	American
27-Nov	Thursday	Thanksgiving Day	American
1-Dec	Monday	Romanian National Day	Romanian
25-Dec	Thursday	Christmas Day	American/Romanian
26-Dec	Friday	Day After Christmas	Romanian

Temporary Entry of Materials and Personal Belongings

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Romania's customs authorities may enforce strict regulations concerning temporary importation into or export from Romania of items such as firearms, antiquities, and medications. Romanian law allows travelers to bring cash into or out of Romania. However, sums larger than €10,000 or the equivalent must be declared. It is advisable to contact the Embassy of Romania in Washington or one of Romania's consulates in the United States for specific information regarding customs requirements.

Embassy of Romania in Washington DC
Address: 23rd Street NW, Washington DC 20008
Phone: (01 - 202) 232.36.94; (01 - 202) 332.48.46; (01 - 202) 332.48.48;(01-202) 332.48.29; (01-202) 232 6634; (01-202) 387.69.01
www.roembus.org/

Romania customs authorities accept the use of an ATA (Admission Temporaire /Temporary Admission) Carnet for the temporary admission of professional equipment, commercial samples, and/or goods for exhibitions and fair purposes. ATA Carnet Headquarters located at the U.S. Council for International Business, 1212 Avenue of the Americas, New York, NY 10036, issues and guarantees the ATA Carnet in the United States. For additional information, call (212) 354-4480, send an e-mail to atacarnet@uscib.org, or visit www.uscib.org for details.

Web Resources

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U.S. Department of State: http://travel.state.gov/travel/travel_1744.html
Embassy of Romania in Washington DC: www.roembus.org
U.S. Embassy in Bucharest: http://bucharest.usembassy.gov/main.html
Ministry for Information Society: www.mcsi.ro
Ministry of Transportation and Infrastructure: www.mt.ro
Ministry of Health: www.ms.ro
National Customs Authority: www.customs.ro/en.aspx

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Chapter 9: Contacts, Market Research and Trade Events

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U.S. Commercial Service
Embassy of the United States of America
4-6 Dr. Liviu Librescu Blvd., S. 1
015118 Bucharest, Romania
Phone: +40 21 200 3372
Fax: +40 21 316 0690
Email: office.bucharest@trade.gov

James Cunningham, Regional Senior Commercial Officer
Email: Jim.Cunningham@trade.gov

Katja Kravetsky, Deputy Commercial Officer
Email: Katja.Kravetsky@trade.gov

Ioana Stoenescu, Commercial Specialist
Email: Ioana.Stoenescu@trade.gov

Industries: Architectural/Constr./Engineering SVC, Air Conditioning/Refrigeration Eq., Advertising Services, Apparel, Audio/Visual Eq., Building Products, Consumer Electronics, Commercial Fishing Eq., Composite Materials, Construction Eq., Dental Eq., Drugs/Pharmaceuticals, General Consumer Goods, Giftware, Household Consumer Goods, Health Care Services, Hotel/Restaurant Eq., Leather/Fur Products, Medical Eq., Pleasure Boats/Accessories, Sporting Goods/Recreational Eq., Toys/Games, Textile Fabrics, Textile Machinery/Eq., Textile Products - Made-Up.

Mihaela Dodoiu, Commercial Specialist
Email: Mihaela.Dodoiu@trade.gov

Industries: Coal, Commercial Vessel/Eq. (Non-Fisheries), Electrical Power Systems, Mining Industry Eq., Oil/Gas Field Machinery, Oil/Gas/Mineral Prod/Explor Serv., Pollution Control Eq., Port/Shipbuilding Eq., Renewable Energy Eq., Transportation Serv. (other than Aviation), Used/Reconditioned Eq.

Monica Eremia, Commercial Specialist
Email: Monica.Eremia@trade.gov

Industries: Aircraft/Aircraft Parts, Airport/Ground Support Eq., Aviation Services, , Computer Services, Computer Software, Computers/Peripherals, Defense Industry Eq., Electronic Commerce, Electronic Components, Electronics Industry Prod/Test Eq., Security/Safety Eq., Telecommunications Eq., Telecommunications Services

Corina Gheorghisor, Commercial Specialist
Email: Corina.Gheorghisor@trade.gov
Industries: Automobile/Light Truck/Vans, Automotive Parts/Services Eq., Books/Periodicals, Cosmetics/Toiletries, Education/Training Services, Food Processing/Packaging Eq., Franchising, Furniture, Jewelry, Lawn/Garden Eq., Packaging Eq., Plastics Materials/Resins, Plastics Production Machinery, Printing/Graphic Arts Eq., Regulations, Water Resources Eq./Services

Gabriel Popescu, Commercial Specialist
Email: Gabriel.Popescu@trade.gov
Industries: Accounting Services, Agricultural Machinery & Eq., Chemical Production Machinery, Financial Services, General Industrial Eq./Supplies, Industrial Chemicals, Insurance Services, Investment Services, Iron/Steel, Leasing Services, Machine Tools/Metalworking Eq., Materials Handling Machinery, Non-Ferrous Metals, Paper/Paperboard, Photographic Eq., Process Controls - Industrial, Pulp/Paper Machinery, Tools - Hand/Power, Used/Reconditioned Eq.

Raluca Vasile, Office Manager
Email: Raluca.Vasile@trade.gov

Ion Duculescu, Receptionist
Email: Ion.Duculescu@trade.gov

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: www.export.gov/mrktresearch/index.asp 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, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

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