U.S. Department of State
FY 2001 Country Commercial Guide: Romania

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Romania's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. CCGs are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

Reform has been the dominant preoccupation of the Romanian Governments since 1996, with the process accelerating beginning in the last quarter of 1998. The State Ownership Fund, which for the last eight years has had the responsibility for selling off state-owned enterprises to private investors, has sold more than 6,700 Romanian state-owned companies. Most of the sales have taken place during the last three years, bringing in an aggregate revenue of 20.7 trillion lei (approximately USD 2 billion). Despite progress on economic restructuring and privatization, remaining state-owned, loss-making enterprises cost an estimated USD 2 billion per year. These losses contributed to inflation and put pressure on the government's tight fiscal and monetary policy over the past three years. Moreover, the government was required to pay USD 2.1 billion in foreign public and public guaranteed debt in 1999. It met this requirement with no external financial support while also restoring its foreign currency reserves. Foreign debt servicing requirements for 2000 are just USD 1.4 billion.

The government has had a stand-by agreement with the IMF since November 1998, under which it has received two disbursements, in August 1999 and in June 2000. The IMF agreement has been important as a signal to the international financial community of Romania's creditworthiness and commitment to prudent macroeconomic policies. IMF stand-by agreement conditionalities have included reducing the current account and budget deficits, suspending generous investment incentives, raising tax revenue and controlling public sector wage costs and other measures. Some of these requirements have been at odds with Romania's need to attract new investment and stimulate economic growth.

Romania's economy moved into a recession in 1997. GDP decreased by 6.3 percent in 1997, decreased by another 7.3 percent in 1998, and declined by another 3.2 percent in 1999. However, by early 2000, there were growing indications that the economic contraction had reversed and economic growth for 2000 was expected to reach 1.3 percent. Imports declined in 1999, which helped cut the current account deficit, and increased again in the first quarter of 2000, which may indicate a resumption of economic growth. Meanwhile, the fall in real wages and the real depreciation of the leu have created a base for improved exports, and the current account deficit, which stood at USD 2.9 billion in 1998 and USD 1.3 billion in 1999, had become a surplus of USD 31 million by the end of February 2000.

A new tax law adopted in early 2000 created a global income tax and lowered the corporate profit tax rate, a step forward in establishing a more equitable taxation system in Romania. Nevertheless, the Romanian tax and regulatory environment continues to be complex and confusing to U.S. business looking for a bigger role in Romania's economy. U.S. investors, who have been able to discount the burdens of constantly changing regulations, disappearing investment incentives, and erratic taxation, have discovered that the Romanian marketplace is a valuable asset for their marketing plans. There are solid reasons to believe that they represent the start of a durable trend.

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II. ECONOMIC TRENDS AND OUTLOOK

Romania's transition to a market economy has been protracted and painful. The legacy of the communist regime, extreme centralization, a high degree of bureaucracy, and no experience of partial reforms such as those undertaken in other Central European economies during the 1980s left Romania with one of the longest paths toward a market economy.

The successive governments which ruled the country between December 1989 and November 1996 avoided serious economic reform, fearing “shock therapy” and its anticipated social costs, mainly the attendant mass lay-offs. Inheriting an economic situation which proved to be much worse than anticipated, the coalition government formed as a result of the November 1996 national elections started its activity by drawing up a comprehensive reform package meant to establish clear and efficient privatization and restructuring procedures, eliminate price control, free the exchange rate, eliminate subsidies, establish a more efficient system of banking, allow bank privatization, introduce a modern tax system, and, most importantly, encourage foreign investment.

The implementation of this reform package, however, has not been up to expectations. The reduction of direct state subsidies, price control, directed lending and trade protection resulted in reactive restructuring and downsizing of the industrial sector. Notwithstanding, a wide variety of “soft budget constraints”, such as permitting payment arrears and ineffective bankruptcy procedures, have indirectly subsidized unprofitable behavior while good corporate governance has been undermined by vested interests. An unpredictable investment climate together with bad loan portfolios at banks, lack of labor mobility and a weak tax base inhibited the growth of a new private sector.

Especially slow was the progress in industry restructuring and privatization: at the end of 1999, the state sector still accounted for 70.2 percent of industrial production. Although 5,155 of the 6,300 state firms in existence in 1990 have been privatized, the majority of large state-owned enterprises are still awaiting privatization or liquidation. During 1999 the government successfully privatized the national carmaker Dacia, the railways stock manufacturer Astra Vagoane Arad, the largest Danube shipyard in Galati, and two of five state-owned banks, among other privatizations. IBRD-supported, new privatization and liquidation legislation was approved in May of 1999, and was expected to accelerate the privatization process by removing State Ownership Fund’s sole authority on privatization and providing for a greater involvement of the privatization agents. At the end of 1999, the private sector accounted for 61.5 percent of GDP, 93.4 percent of agricultural production, 93.2 percent of domestic retail trade, 71.9 percent of imports, 65.7 percent of exports, 67.6 percent of services, and 31.7 percent of industrial output.
Romania’s GDP dropped 3.2 percent in 1999 to 521.73 trillion lei (about $34.0 billion). Industrial output decreased by 8 percent over 1998 levels. The most drastic decreases were registered in steel works (-48.8 percent), oil processing, coal cocking and nuclear fuel treatment (-26 percent), electronic and communication equipment (-25 percent). Increases were recorded for high precision, optics, and fine mechanics (35 percent), ready-made clothes (14 percent), and furniture (11 percent). In the agricultural sector, total output registered an improvement of 5.5 percent, primarily due to favorable weather conditions, larger areas cultivated with some plants, and higher yields. Grain production grew by 1.6 MMT as a result of favorable climatic conditions. Production of other crops was mostly higher compared to 1998. In the livestock sector, as a result of GOR’s privatization policy, significant reductions of livestock and poultry inventories were reported, which led to lower levels of meat and poultry output.

Romania’s foreign trade registered dramatic disruptions after the 1989 revolution. The decrease in domestic production, the dissolution of the Comecon market, and the costs of observing U.N. sanctions against Iraq and Serbia (two of Romania’s traditional trading partners) were the main factors causing a sharp decline in Romanian exports and a significant increase in the country’s balance of trade deficit. However, in 1999, exports totaled $8.5 billion (FOB), which represents a 2.4 percent increase versus 1998. The largest shares were textiles and apparel (25.8 percent), iron and steel products (15.4 percent), electric machinery and equipment (11.4 percent), and footwear (8.0 percent).

Romania’s economy relies heavily on imports, of which up to 50 percent are raw materials (mainly oil and gas). Romania is also a net importer of minerals, machinery and electrical devices, cotton, and hides. Since 1990, imports of food products and consumer goods have been significant. However, in 1999, imports went down by 12.2 percent versus 1998. CIF imports reached USD 10.4 billion, of which 60.4 percent came from European

Union countries, 18.5 percent from Eastern and Central Europe, and 11.8 percent from developing countries. The balance of trade deficit in 1999 was USD 1.1 billion in FOB/FOB prices and USD 1.9 billion in FOB/CIF prices.

Romania’s current foreign trade policy aims at the country’s integration into Western markets. Romania is an associate member of the European Union (EU) and the Central European Free Trade Association (CEFTA), and opened EU accession negotiations in December 1999.

Trade relations with the United States have been strengthened by the U.S. - Romanian trade agreement (1993), the bilateral investment treaty (1994), and the August 1996 granting of unconditional MFN treatment. In 1999, the United States ranked seventh in Romanian imports (after Italy, Germany, Russia, France, U.K. and Hungary) and seventh in Romanian exports (after Italy, Germany, France, Turkey, U.K. and Holland). U.S. exports to Romania went down by 27.4 percent versus 1998, totaling USD 362.4 million. They were led by machinery ($59.8 million), electrical machinery ($20.8 million), special classification articles ($16.9 million), vehicles ($15.1 million), and mineral fuel ($13.8 million). U.S. imports from Romania decreased by 0.8 percent, reaching USD 316.9 million. They were led by iron and steel products ($78.6 million), woven apparel ($47.0 million), machinery ($44.9 million), mineral fuel ($42.3 million), and knit apparel ($39.5 million).

Principal Growth Sectors

Information Technology - The IT sector is growing rapidly in Romania. Because of the strength of its education system, especially in technical faculties, Romania has a large pool of highly skilled labor in engineering and electronics manufacturing, as well as an impressive number of software developers. Romania’s density of software graduates per thousand inhabitants is significantly greater than the rate in the USA, five times that in Russia, and nearly seven times India’s rate. Of the country’s more than 200 software development companies, over 100 are already exporting their services to EU and North American markets.

Romania’s technology sector presents excellent opportunities for investment and trade between Romania and the U.S. In the fields of software development, engineering and electronics manufacturing (CAD, CAM) there are opportunities to generate high-quality products at very competitive prices due to the low cost of local work force. The cost of skilled IT professionals in Romania is around one-third that in the US, while the cost of basic IT labor could be found as low as one-eighth of the U.S. cost. Several well-known U.S. companies have already invested in local hardware manufacturing (Solectron), engineering design (Harza Engineering), as well as in educational, research, and software development programs with universities and other institutions (Hewlett Packard, IBM, Motorola, Oracle, Cisco, Lucent Technologies, Microsoft). Lockheed Martin, General Electric, Raytheon, Sun Microsystems, and Marconi also consider cooperation with Romanian IT companies. The number of U.S. companies that have used or are interested in using Romania as a source of offshore software programs for industrial applications is increasing. Bilateral projects develop at a fast pace, a fact illustrated by such examples as the opening in Bucharest, in June 2000 alone, of the Motorola Digital Signal Processing Center (which will develop application software for leading wireless and telecommunications solutions), of a Lucent Technologies Training-Demo Center, of the AuctionWatch.com Romania office (an engineering development center working on new web-based applications), and of a Cisco Networking Academy laboratory. With due support from the Romanian government and adequate advertising in the United States, the Romanian IT sector could safely be expected to become a very important provider of offshore software to U.S. users.

Agriculture - With 10 million hectares of arable land, good fruit-growing and viticulture, and excellent conditions for animal production, farming is a source of substantial wealth for Romania. Although the agricultural sector has the potential to meet domestic demand for food and generate surpluses for export, its development has been, over the last ten years, negatively impacted by structural and managerial problems, as well as by the lack of attractive credits. To encourage faster growth and modernization of the sector, GOR decided to complete its privatization by selling the assets of all state farms (totaling about 1.5 million hectares). This process was started in May 2000 and is scheduled to be completed by the end of 2001. Interested U.S. companies have the opportunity to invest in this important sector through the acquisition of some of the state farms slated for privatization .

Food processing and packaging - The sector has been one of the first to be tapped by foreign companies, which have formed a large number of joint ventures with local Romanian enterprises. Large U.S. companies such as Coca-Cola, Pepsi Co., Kraft Jacobs Suchard, Procter & Gamble, McDonald’s, Pizza Hut, Dunkin Donuts are already present in the market. Favorable conditions for growth in this sector are expected to also encourage the rapid development of the food packaging industry.

Oil and Gas - In 1999, Romania produced 6.2 million tons of crude oil and 13.8 billion cubic meters of natural gas. To supplement domestic production, about 4.3 million tons of crude and 3.2 billion cubic meters of gas were imported. Growth in these sectors over the next years will be stimulated by EBRD/World Bank projects aimed at increasing oil and gas production via the introduction of new equipment and new production methods. Western Atlas and M.I. Drilling have already contributed importantly to an increase in oil production. In addition, exploration activities and geological surveys currently conducted by foreign companies may lead to discoveries of new oil and natural gas reserves. The National Agency for Mineral Resources actively promotes the concession of oil and gas research areas.

Oil Drilling Equipment - Romania used to be one of the top three oil drilling equipment manufacturers worldwide in the late 1980s. Although the current output is much smaller, Romania's oil drilling facilities are starting to recover from the steep drop in demand that plagued them during the 1991-95 period. Their connections in the NIS and Arab countries may lead to new export contracts. The opening of the Caspian oil and gas route might trigger an important revival of this industry.

Real Estate Development - As the number of institutional grade office buildings is limited, during 1999 investors focused on large industrial facilities available through privatization. Many of these properties are well located and present a great potential for further industrial or retail development. The commercial and the industrial markets suffer of lack of quality supply to meet the existing demand and of lack of developers willing to take risks and invest in a new market. Those few properties which have been developed have proven to be successful, with high returns, rapid growth of invested capital, rental payments indexed to stable foreign currencies and occupancy by the highest quality international tenants. Another active segment of the investment market is represented by small to medium size properties with prices in the range of 1-2 million USD. These properties are used mostly as offices by medium size international companies and can offer returns between 18 percent and 22 percent. As of December 1999, the total stock of institution grade premises in Bucharest totaled only 180,000 sqm of true Class A&B office accommodation and 35,000 sqm of new-build warehouses of industrial premises. The total market capitalization is estimated at USD 270 million for modern office properties and USD 17,5 million for warehouse properties. Projections indicate annual returns from a possible low of 14 percent, for large projects with long term leases and quality tenants, to 18-22 percent for smaller buildings with shorter lease terms and medium size companies as tenants. During 2000 the Romanian market is expected to witness the first major investment/ sales transaction and investors to show more interest in this market as the country risk is decreasing and the other Eastern-European markets are already using yields below 10 percent per annum.

Services - Although the service sector has undergone rapid change since 1990, it is far below Western standards. The greatest potential for development is offered by hotel and restaurant services, tourist services, and leisure activities. Other areas which require upgrading are banking/insurance, leasing, legal and financial consulting, and advertising and media development. Some progress has already been made, with several large Western companies specializing in consulting, legal services, accounting, auditing, and advertising offering their services in Romania.

Government Role in the Economy

The government has an essential role to play in the creation of a framework for the structural and systemic changes needed to foster economic reform. Currently, industry privatization and restructuring, which are the major elements of reform, get special attention.

The rapid completion of the privatization program has become a necessity. New economic reform legislation has recently been passed by the Parliament, amending the Privatization Law, the Bankruptcy Law, the Commercial Company Law, the Leasing Law, the Secured Transaction Law, the Insurance Law, Banking Bankruptcy Law, the Statute-Law of the National Bank of Romania, the Eximbank Law, etc.

Romania has recently revised its tax system to bring it closer to EU models and more in line with the recommendations of the World Bank and IMF. This resulted in significant changes to the business and investment environment. Currently, the corporate income tax is 25 percent (down from 38 percent) and the value added tax (VAT) is 19 percent (down from 22 percent). An investment tax credit of 10 percent was introduced for machinery and equipment only, and a lower tax rate of 10 percent was set on reinvested profits. VAT exemption is provided for exported goods and a corporate profit tax rate of 5 percent for export-derived profits. Imported raw materials destined exclusively for the manufacturing of finished products exported within 45 days from importation are also eligible for VAT exemption.

Under current law, the State Ownership Fund no longer has sole authority to sell shares and assets in state-owned Romanian commercial companies. Recent amendments to the privatization law allow the government body that has authority over the company (the SOF, the relevant ministry, or the local administration) to privatize it. The government authority can hire an agent to handle the project from restructuring to final privatization, and 62 companies out of the most important ones have been offered for sale by this method, under World Bank's supervision. Sales of shares take one of the following forms: public offering on the Bucharest Stock Exchange or RASDAQ, negotiation, auction, depositary receipts issued by investment banks on the international capital markets (GDR, ADR, EDR) or a combination of these methods. Public institutions may, at their discretion, agree to accept payment over time for shares being sold. When a company sells real assets, payment over time is permitted only for Romanian citizens and SMEs.

New legislation allowed the Ministry of Finance to take direct control from the SOF of highly indebted companies through a "debt for equity swap". A first pool of six companies was privatized over the OTC market under this mechanism. Also, based on an emergency ordinance issued in December 1999, the Ministry of Agriculture took over 644 agricultural companies from the State Ownership Fund.

For the near future, the most important privatization deals will include two banks (Agricultural Bank and Romanian Commercial Bank), 12 public utilities, and five national companies.

A structural reform plan drafted by the Romanian Government in 1999 together with the World Bank aimed at reducing the losses in the economy by 30 percent. The restructuring of the mining sector alone resulted in a reported cut of losses by 32.69 percent. According to official statistics, the State Ownership Fund also over-performed, cutting losses in the industries under its umbrella by 36.36 percent in 1999. However, the failure to address problems of some of the largest loss makers outside the group targeted by the World Bank and the GOR's decision to extend new direct support to the companies slated for restructuring have resulted in continued growth in losses in those industries. In short, despite progress in some areas, there has been no change in the pattern of continuing accumulation of arrears.

A new EU-inspired law on state aid came into effect in January 2000, aiming to regulate and keep under control state aid in any form (as either direct state subsidies, debt rescheduling schemes, or discount prices). However, implementation has been slow and preferential debt rescheduling by the Ministry of Finance and Ministry of Labor have resulted in major distortions on the market. Furthermore, state aid schemes continue to be non-transparent.

The main emphasis in the privatization/restructuring process is on attracting foreign investors. Legislation to facilitate the access of foreign capital on the Romanian market is included in the GOR's reform package.

When privatization is completed and the basic elements of a market economy are in place, the government's role in the economy will diminish. In the meantime, GOR plays an extremely important part in the economy.

Balance of Payments Situation

Romania's consolidated budget for 2000 anticipates receipts of USD 11,615.8 million and expenses of USD 13,393 million. The deficit for 2000 has been set at USD 1,777.2 million.
More than two thirds of revenues come from indirect taxes, whereas direct taxes are less than 20 percent. For the first time this year, local budgets have a wider range of revenue sources, including 40 percent of the revenues from the income tax. Also new for the GOR, all expenditures in the budget were linked to specific revenue sources.

Romania's current account for 1999 showed a deficit of USD 1.3 billion, down from USD 3.0 billion in 1998. Current account deficits are financed largely via loans and grants from international financial institutions (IFIs) and bilateral donors. At the beginning of 2000, Romania's most important IFI creditors were the World Bank ($1,693.6 million), the EU ($121.1 million), the IMF ($447.0 million), and the EBRD ($766.1 million). Main foreign government creditors included Germany ($360.7 million), Canada ($196.1 million), Italy ($47.2 million), Japan ($108.4 million), and the United States ($42.8 million). U.S. credits consisted mostly of loans granted by USDA (with GSM having a large share) and loans through the U.S. Eximbank.

At the end of February 2000, Romania's medium and long-term external debt amounted to USD 7.9 billion, while the short-term debt amounted to USD 381.7 million. At the end of March 2000, the National Bank's foreign exchange reserves stood at USD 1,605.5 million ($2,539.7 million, gold and SDRs included) and the commercial banks' reserves had fallen to USD 1,107.1 million. At the same time, Romania registered USD 441.3 million short-term commercial claims against foreign countries, plus claims worth USD 3 billion from economic transactions prior to December 1989.

During the year 2000, Romania has and will continue to receive financial assistance from IFIs. Under the World Bank's current Agriculture Structural Adjustment Loan (ASAL), Romania has received USD 200 million and is scheduled to receive two other tranches (July and December 2000) totaling USD 150 million, on condition the GOR manages to privatize all state-owned farms (total area: 250,000 ha) by the end of the year. Out of the World Bank's Private Sector Structural Adjustment Loan (PSAL1 - USD 300 million) Romania has received USD 150 million. As regards the IMF, its board has approved the extension of its stand-by agreement with Romania until February 28, 2001. The first tranche of the USD 535 million stand-by loan ($116 million) was disbursed in June 2000, while the others will be disbursed in August and November 2000, and in February 2001. The importance of the extension of the stand-by agreement lies mainly in the fact that it sends a positive signal to foreign institutional investors, gives the green light to disbursements under ASAL, PSAL1, and EU's BOP support, and encourages reasonable interest rates on private international capital market placements.

Romania has sought to diversify its sources of external financing. As of mid-1999, it had received two loans from the international private credit market: a USD 108 million club loan (provided by about 13 foreign banks) and a USD 63 million loan supplied by another club loan, instead of the IMF-required USD 450 million as bail-in. Unfortunately, Romania's most recent international country risk ratings do not make it easy for the country to borrow from the private international credit market. These ratings have been the same since 1999, although Romania succeeded that year in avoiding default and increasing forex reserves. Romania's current international credit ratings are B- for long-term foreign debt, BB- for long-term domestic debt, and B for short-term foreign debt (Fitch IBCA); B3 for long-term bonds and Ca1 for long-term bank deposits (Moody's), and B-/C for foreign currency debt (Standard & Poors).

Adequacy of the Infrastructure System

Transportation - Due to its strategic location at the crossroads of Europe and Asia, Romania has the potential to become one of the busiest transportation areas in Central and Southern Europe. Improving the condition of the country's road network, restructuring railways, and upgrading the seaport of Constanta have become imperative.

Romania has a network of public roads totaling 153 thousand kilometers, of which 14.7 thousand are national roads which carry 65 percent of the total road traffic, 27 thousand are county roads, and the rest local roads. Only 113 kilometers are motorways, and only 4.5 thousand kilometers are classified as European-class roads. This is an inadequate road network under the current conditions, when total traffic on main Romanian roads has increased by about 60 percent and international traffic by about 300 percent. To improve the condition of the road network, Romania has obtained loans from multilateral lending institutions for the following major projects in this sector:

- Road rehabilitation ($180 million). The project provides for the rehabilitation of 1053 km. of national roads, is funded by the World Bank, EBRD and the European Investment Bank, and is almost completed;
- Border crossing upgrading ($10.5 million funded by EU-Phare). Six main border-crossing points will be modernized to ensure adequate flow of international road traffic;
- Road safety ($10.5 million). This includes signaling and marking of 5,000 km. of roads designated as European.

Additional infrastructure projects have been discussed with the World Bank, EBRD, and EU-PHARE for motorway extension and building a bridge over the Danube.
The Romanian government supports the redesigning of the Fourth Pan-European corridor crossing Romanian territory from West to East and including into the Seventh Pan-European corridor the Danube-Black Sea canal. Objectives for the next ten years include the complete rehabilitation of 4,500 km of European class roads with funding supplied through international loans coupled with foreign grants and local funding, the modernization of 10,000 km of national roads (valued at $270 million) with government and municipalities' funding, and the resumption of the motorway building program (especially Corridor 4C, from the port of Constanta to the Western border, and the links with Corridor 9, Bucharest-Giurgiu and Bucharest-Siret).

Romanian railways rank seventh in Europe in freight tonnage with about 40 billion kilometer-tons transported yearly. In 1999, the Romanian National Railway Company (SNCFR) owned 11,365 kilometers of track (of which 45 percent is electrified), about 130,000 freight cars, 6,400 passenger coaches, and 3,200 electric/diesel locomotives. It employed about 103,000 people. SNCFR has recently launched an ambitious rehabilitation program providing for the refurbishing of 1,500 coaches, upgrading of 5,000 freight cars, modernization of 1,600 locomotives, and procurement of track maintenance and data processing equipment, as well as needed spare parts. Railway modernization projects, which also include the extension of the Bucharest subway network, enjoy the support of the World Bank, EBRD, and EU-PHARE.

Telecommunications - Romania's telecommunications system has been deregulated, expanded, and modernized to a great extent during the last ten years. Public operators have been granted autonomy and are scheduled to be fully privatized; private operators have proliferated in mobile cellular telephony, CATV, radio/TV broadcasting, data transmission, and VSAT communications; the market for terminals has been completely liberalized; and companies involved in telecommunications equipment manufacturing, installation, and maintenance have been opened to free competition and privatization. Basic telephony services are still the monopoly of the national operator Romtelecom, but as of January 2003 they will be liberalized. In the meantime, special licenses can be granted, via tenders, to private suppliers of basic telecommunications services in rural regions. Romtelecom was partially privatized in late 1998, when OTE, the Greek national operator, bought 35 percent of its shares. The other large public operator, Radiocom, is scheduled to be partially privatized by end-2000.

As part of Romania's telecommunications modernization program, Romtelecom channeled priority investment towards the digitalization of its network. At end-1999 it had a total of 4.4 million lines, of which 35 percent were digital. The average telephone density reached 17 percent (30 percent in urban areas, but only 4 percent in rural areas, where some 2,000 villages still have no telephone service at all). Romtelecom's projects for the year 2000 include further digitalization of the network: the launching of the SS7 signaling system and of ISDN, which will support a faster growth of data transmission systems and the integration of voice, data, and image transmission; the implementation of a national voice mail system; and the expansion of the intelligent payphone network.

Mobile communications have developed dramatically in Romania over the last three years. Currently, there are four providers of cell telephony, with a total of over 2 million subscribers: Telemobil (LEMS 450 MHz), Mobifon (GSM 900 MHz), Mobilrom (GSM 900 MHz), and Cosmorom (DCS 1800 MHz).

Internet penetration in Romania is currently small (1.5% of population, i.e. about 350,000 users), but the growth rate of the sector is significant (5-6% per month). There are over 150 ISPs. Computer literacy and good English language skills of the population, the existence of a widespread cable TV network (about 3 million subscribers) and the very good penetration (about 9%) of mobile telephony (as a basis for mobile Internet) are factors which will support increased Internet access. Factors negatively impacting Internet and e-commerce development include the insufficient number of PCs (only about 700,000 for a population of 22 million, but growing at an annual rate of 30%), limited use of credit cards, and high fees charged by Romtelecom for the use of its lines. An Internet user pays $1/hour to the ISP and $4/hour to Romtelecom. The substitute for Romtelecom's phone lines is coax cable. Cable TV companies have networks in all cities and in many rural areas. Romania Cable System (RCS) and United Pan-European Communications (UPC) own the largest cable TV networks, and together have about 1 million subscribers. UPC has announced its intention of offering TV, telephone and Internet over its network. Internet users are concentrated in the larger cities (Bucharest, Cluj, Timisoara, Iasi). Home users rely mostly on modems; institutions (schools, universities, foundations, etc.) are generally connected via dedicated lines; and business companies use both cable and dial-up connections.

There are at least five portals in Romanian providing listings of links by categories and search engines. Some of them provide news content as well as e-commerce B2C offers. In most cases, the contents and the search engines are of poor quality. The use of credit cards in Romania is in its initial stages. While the number of stores that accept payment by credit card increases, the customers are not yet well educated regarding their use. Banks lack the infrastructure necessary for clearing payments by Internet. The Romanian Development Bank-Societe Generale has announced that by the end of 2000 it will have 200,000 card users; other major banks may have similar numbers of credit card users.

Large local advertising companies do not offer Internet advertising to customers. There is at least one small company that offers advertising space on domestic sites, but the demand for its services is still limited. At least five local dailies have web editions, but none is real-time.

III. POLITICAL ENVIRONMENT

Nature of Political Relationship with the United States

The United States and Romania have very close relations. The visit of President Clinton to Bucharest in July 1997, and of President Constantinescu to the United States a year later, marked a continued strengthening of bilateral contacts. The Strategic Partnership established in 1997 provided a framework for closer cooperation in regional political, economic, and military affairs. The U.S. Congress founded a Romanian Caucus in mid-1998, and the Romanian Senate established a Strategic Partnership caucus in April 1999.

Both the government and opposition advocate integration into Euro-Atlantic structures. Romania's hopes for admission into NATO were disappointed at the 1997 Madrid summit and the 1999 Washington summit. Nevertheless, at considerable economic and political cost, the government resolutely supported NATO actions in Kosovo.

Major Political Issues Affecting Business Climate

Romania has consolidated its democratic political system and is continuing to make progress toward the establishment of a market economy. Elections in 1996 brought in a centrist coalition government in which Christian Democrats, Liberals, Social Democrats, and ethnic Hungarians share power. The coalition has held together despite early strains, particularly since Prime Minister Mugur Isarescu was appointed in December 1999 with a mandate to reinvigorate economic reform efforts.

Although the transition to a market economy remains slow, the Isarescu government has pursued this course in the face of resistance and inertia. State-owned enterprises are being privatized, although the largest industries continue to receive government funds. However, rising unemployment and falling living standards for the third year in a row, have taken a toll on public support for economic restructuring.

Synopsis of Political System, Schedule for Elections

Romania is a constitutional republic with a multiparty parliamentary system. Parliament includes a 343-member Chamber of Deputies and a 143-member Senate, representing 40 counties plus Bucharest municipality. The president is elected by universal suffrage. The position is non-partisan under the terms of the constitution. The President has responsibility for foreign and security affairs.

The president designates a candidate for prime minister following consultations with the political parties represented in parliament. The designated prime minister, his cabinet, and their governing program must be approved by parliament before taking office.

The president, deputies, and senators are elected to four-year terms, but early elections may be held under certain circumstances. The next elections are expected in November 2000, but could come as late as March 2001 under the terms of the constitution.

Orientation of Major Political Parties

A) Governing Coalition:

The Democratic Convention (CDR) was established as a pre-electoral coalition of opposition parties and civic organizations prior to local elections in 1992. In the 1996 elections, it nominated Emil Constantinescu for president and won about 30 percent of the seats in Parliament. Its main constituent parties are the National Peasant Party/Christian Democrats (PNTCD) and the National Liberal Party (PNL), which are united in their support for economic reforms initiated by Prime Minister Victor Ciorbea (until March 1998), Radu Vasile (until December 1999) and Mugur Isarescu (since then).

The Union of Social Democracy (USD) is the other major political alliance in the ruling coalition. The USD was established in September 1996 by the Democratic Party (PD) and the Social Democratic Party (PSDR). In 1996, the USD won 13 percent of the vote in both the Senate and the Chamber of Deputies. Both parties have a social democratic orientation, but generally support the government’s center-rightist reform program.

The Democratic Union of Hungarians in Romania (UDMR) was formed to protect the interests of Romania’s ethnic Hungarian minority. In 1996 the UDMR won 7 percent of the vote in both houses of Parliament. It supports the government’s policy of rapid economic reform.

B) Opposition Parties:

The Party of Social Democracy of Romania (PDSR), the former ruling party under President Ion Iliescu and Prime Minister Nicolae Vacaroiu, considers itself social democratic in orientation. Although Romania made steady if unspectacular progress toward establishing a market economy under PDSR rule in 1992-1996, the PDSR was frequently criticized for not moving strongly enough on reform. In 1996, the PDSR won about 22 percent of the seats in Parliament, making it the largest single parliamentary party.

The Alliance for Romania (APR) was formed in 1997 by former Foreign Minister Teodor Melescanu and other disaffected members of the PDSR. In the June 2000 local elections the APR attracted 8.5 percent of votes. The APR is considered a likely partner in the government to be formed after the 2000 general elections.

The Greater Romania Party (PRM) espouses nationalist policies verging on xenophobia. In 1996 it won 5 percent of the vote in the Senate and 4 percent in the Chamber of Deputies.

The Party of Romanian National Unity (PUNR) was formed in response to the establishment of the UDMR and generally opposes concessions to Romania's ethnic Hungarian minority. It combines ethnic nationalism with left-leaning economic tendencies. In 1996 it won 4 percent of the vote in both houses of Parliament. The party split in 1998 and its more chauvinist faction formed the Alliance for the Unity of Romania (AUR).

IV. MARKETING U.S. PRODUCTS AND SERVICES

Establishing a Local Office

Foreign companies have numerous options available for organizing business operations in Romania.

Representative offices: Foreign corporations are entitled to set up representative offices in Romania. Representative offices are not entitled to carry on economic activities on their own behalf or on behalf of the parent. Therefore, a representative office can carry on activities of advertising, provision of information, marketing research or similar operations of a ''preparatory or auxiliary'' character.

Establishing a representative office with the Ministry of Industry and Trade is a straightforward matter. A nominal annual fee is levied and general information must be provided on the name and address of the office, its intended activities, and the name and address of the representative(s).

Branches and subsidiaries of foreign companies: A foreign corporation can carry out business in Romania through a branch or a subsidiary (Romanian legal person). Branches may only operate in the same field of activity as their parent company. Branches are not specifically defined in the Romanian legislation and therefore Romanian authorities are not very familiar with branch operations.

In Romania, the branch of a foreign company is subject to the national law of the parent company and Romanian public order rules (i.e. tax law, currency regulations etc.). Legally, the branch has no separate status from the foreign company itself; it is merely carrying on business in Romania. The foreign company will be liable to the employees and creditors of the branch for the actions of, and debts contracted by, its managers and agents on behalf of the branch.

Branches must be registered with the Commercial Register of the Romanian Chamber of Commerce and with the local tax authorities.

Subsidiaries established in Romania are Romanian legal persons subject to Romanian law. The subsidiary of a foreign company in Romania is a Romanian legal entity and, consequently, it is subject to Romanian law. It is liable on its own behalf for the actions taken by its management.

Company Law No. 31/90 (subsequently revised in 1997, 1999) provides for the following main forms of business organization in Romania:
— general partnership, which must have a paid-in capital, and in which the partners have unlimited and joint liability;
— limited partnership, which must have a paid capital, and in which the general partners have unlimited and joint liability. The limited partners are liable only up to the value of their equity;
— limited partnership by shares, whose capital is divided into shares and whose obligations are guaranteed by the capital and by the unlimited and joint liability of the general partners. The limited partners are liable only for the payment of their shares;

— limited liability company ("SRL"), whose obligations are guaranteed by its net assets (''patrimoniu"). The shareholders are liable only for the payment of their contribution to the registered capital;
— joint stock company ("SA"), whose obligations are guaranteed by the capital. The responsibility of the shareholders is limited to their individual contributions to the capital;

All commercial enterprises must be registered with the Commercial Register of the Romanian Chamber of Commerce; they take on separate legal status beginning with the date of this registration. The Commercial Register is an organization mandated to maintain statistical information on business activity in Romania. It also ensures that trade names, for example, are not duplicated.

The forms of subsidiary most commonly used by foreign investors are the limited liability company (SRL) and the joint stock company (SA).

A limited liability company (SRL) can be set up by one or more shareholders (but not more than 50) and must have a minimum capital of RL 2 million (about $100.00). At present, capital contributed by a foreign investor is converted to lei at the prevailing market exchange rate in effect at the time the capital is contributed for accounting purposes only. Companies may maintain bank accounts in foreign currency. The registered capital is divided into equal shares whose value cannot be less than RL 100,000 (about $5.00) each.

A joint stock company (SA) requires a minimum of five shareholders (no maximum) and a minimum prescribed capital of RL 25 million (about $1,250.00). A joint stock company may be set up privately or by public subscription. The registered capital is divided into equal shares whose value cannot be less than RL 1,000 (about $0.05) each.

There is no limit on foreign ownership and participation in the share capital of a Romanian company. A foreign investor is allowed 100% ownership in a Romanian company.

Setting up a legal entity in Romania generally takes 3 to 6 weeks to complete. The registration procedure for a limited liability company or a joint stock company includes the following main steps:
- The constitutive documents (company memorandum and/or articles of association) must be prepared, approved by the shareholders and notarized;
- The subscribed capital must be paid upon registration of the company. In case of a joint stock company (SA) each shareholder must pay at least 30% of the subscribed capital. For an SRL-type company there is no term by which capital contributions (referred to as social capital) should be paid up;
- The company must be registered with the Trade Register, which issues a Certificate of Registration. The company legally exists from the date of its registration with the Trade Register.
- Once it is registered as a business entity, the company must register with the local tax authorities and be issued with a fiscal code.

The branch registration procedure is technically quite similar to the above, but in practice it is often more cumbersome.

Creating a Joint Venture

Most foreign companies involved in local manufacturing and practically all associations with large companies are organized under joint-venture agreements. The main advantages offered by joint ventures include quick market access by the use of existing facilities and the knowledge of the local business environment. Having the right partner may considerably speed up and ease the process of creating and developing optimal local business.

Use of Agents and Distributors

Agents and distributors can contribute importantly to a U.S. company's success on the Romanian market. Well-qualified candidates for employment exist in Romania. Romanian specialists are educated, have a good understanding of technical matters, and, with a minimal training, can rapidly master new marketing techniques.

The U.S. Commercial Service, through its Agent/Distributor Service and Gold Key Service, can help new-to-market U.S. companies find experienced local companies willing to act as agents, distributors or representatives. However, as a general rule, finding an agent/distributor in Romania's complex economic situation requires U.S. companies to invest sufficient time on their own to satisfy themselves that the selected partners are fully capable and reliable.

Finding a Local Partner; Finding a Local Attorney; Finding a business advisor

Company incorporation, daily activity and payment of fiscal liabilities, as well as conflicts resulting from possible late payments, debt recovery, and bankruptcy may generate the need for local legal and business (tax) assistance. USFCS maintains a list of law and business advisory firms with expertise in both Romanian and U.S. law; it is available on request.

Romania's civil law for contracts is set out in the Civil Code, which follows closely the French civil code, and the Commercial Code, which is modeled on the Italian commercial code. Generally, the specialized body of law, the Commercial Code, would have precedence over the general body of law, the Civil Code. The existing body of law covers the areas of title and pledging title, protective creditor remedies, and debt recovery.

Romanian law recognizes the existence of mortgages for immovable property and pledges for movable property. Thus, assets can be pledged as collateral for loans and as guarantees. Also, the law provides that the guarantee agreement has the value of a writ of execution.

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

Apart from the above rights of creditors, the Romanian law provides also for certain legal instruments called "guarantees" (e. g. pledges, mortgages, possessory liens, etc.) which confer to the guaranteed creditor certain additional prerogatives, consisting in general, either in a priority right against other creditors or in the possibility that in case of a breach from the debtor, to execute a third party called "guarantor".

Romanian justice continues to be slow and bureaucratic. Therefore, avoiding conflicts of any type is the best policy. It is strongly recommended that sales be based on confirmed irrevocable letters of credit opened with banks that are correspondents of American banks or are confirmed by such banks. In case of conflicts, legal assistance not only exists but has improved considerably. Western law firms, including some American ones, are available in Romania.

Romanian bankruptcy legislation provides for creditors the possibility to impose on the insolvent companies to go either into reorganization or liquidation. Therefore, if a company succeeds to overcome the incapability to pay its debts, by way of reorganization, it might not go into liquidation. Nevertheless, if the reorganization is not successful than the judge will order the starting of the liquidation procedure. Unfortunately, the lack of specialization of judges and lawyers in the bankruptcy field, makes it difficult to bring these kind of cases to court and to obtain consistent outcomes.

Investigating the Bona Fides of Banks, Agents, Business Partners, Contractors and Subs, and Customers

In Romania, there are no specialized institutions for providing survey services on a regular basis. Currently, the only source of information about a company is the Trade Registry, which, for a moderate fee, can release data from its database. Banks can benefit from the services provided by the NBR regarding the indebtedness ratio and payment history of their potential clients.

Nevertheless, U.S. companies would be well advised to use the International Company Profile (ICP) services provided by the U.S. Commercial Service. ICP's provide information on the reputation, reliability, and financial status of a prospective trading partner. For a fee of $100, a company can obtain the required information, in a confidential report, along with a recommendation from the Senior Commercial Officer as to the suitability of the potential business partner.

Distribution and Sales Channels

An encouraging sign of transition in Romania has been the steady growth of the private sector, which accounted for 61.5 percent of GDP in 1999. The public sector is limited to about 2,000 state companies.

At the end of May 2000, there were more than 816,000 registered private firms, accounting for 98 percent of all companies incorporated since 1990. The other 2 percent represent state owned companies or companies with mixed capital, state and private. Although generally small and medium-sized, the private companies represent a good nucleus for U.S. firms seeking distribution channels.

Private firms are typically limited liability companies with few partners and low capitalization. Shortage of capital and limited collateral channeled entrepreneurs towards activities where initial investments are low, and returns can be made rapidly, like services and trade. In 1999, turnover in the services sector rose by 5.3 percent in real terms compared to the previous year, indicating a healthier performance in the private service sector. The companies engaged in foreign trade tend to focus on consumer goods. Importing has been in many cases the first and only activity of new private businesses. State-owned companies, too, are now free to make their own business decisions and engage in foreign trade directly, with no need for intermediaries. Moreover, these companies are entitled to retain 100 percent of their after-tax foreign earnings for their own use.

Factors that have a restrictive influence on the functioning of distribution channels include:
— Obtaining information on the market is difficult due to the lack of published information;
— The wholesaling and retailing systems are still not completely structured;
— The general policy for the leasing of state-owned assets (shops, hotels, and other facilities), though vastly improved, is not well-defined;
— Little improvement in the availability of local credit is seen in the short term.

Franchising and Direct Marketing

Franchising has had a rather slow development in Romania, mainly because it calls for large initial capital. In spite of this, such companies as Coca-Cola, Pepsi Co., Pizza Hut, KFC, Shell, and AGIP have managed to find Romanian franchisees. As the country's economy becomes stronger, franchising is expected to become more prevalent on the Romanian market.

Under the current business environment in Romania, it is recommended that direct marketing be done only after a thorough study of local conditions. Potential problems that have to be considered are:
— Legislation has changed frequently;
— The relationship with the local municipal administration and other authorities is not always easy. Much still depends on the personality of public officials;
— Commercial and fiscal legislation is sometimes unclear, reflecting a certain legal confusion existing in Romania;
— International accounting standards and procedures are in early stage of implementation;
— The level of exposure to Western business practices has been generally low. For this reason, providing solid training for employees is important. It is recommended that the foreign manager should have experience in dealing with Central European countries and be highly visible in the company's daily activity.

Selling Factors and Techniques Best Suited to the Local Culture

Quality, price and payment conditions are the most important factors in determining who will succeed in concluding business in Romania. The Romanian market, like all former East-European markets, is still cash poor. A company's willingness to entertain long-term credit arrangements, possibly barter transactions, and concepts like processing contracts will put it in a better competitive situation vis-a-vis others interested in doing business in Romania.

Product distribution is another important factor. Also, the local partners are important in order to get highest market coverage, large volumes and reasonably good cash positions. Understanding the type of distribution required by a product and adapting it to the Romanian market's specifics is mandatory for any company. While distribution of industrial goods in Romania is quite similar to the one existing in most European countries, in the case of Fast Moving

Consumer Goods (FMCG) the situation looks completely different. Retail trade is very fragmented, with many small independent outlets and few emerging retail chains. There are very few professional distributors and in most cases they lack the financial sources, the logistics and the know-how required by a profitable distribution activity. Moreover, Romanian distributors' business ethic is substantially different as compared to their Western peers.

Special note should be made of the fact that US companies face strong competition from EU countries on the Romanian market. Goods from the European Union enjoy generally lower duty rate compared to similar goods from the United states. Again, price, payment conditions and service can offset such effects.

Product Pricing and Licensing

The product pricing structure is not basically different from that used in developed countries: ex-works prices are increased by wholesale and retail markups as well as with government and, sometimes, local taxes.

All prices have been liberalized, with the only exception of the price of electricity and gas supplied for domestic consumption, which continues to be controlled by the government. With the restructuring and privatization of the electricity and gas authorities in the near future, price liberalization will become complete.

Advertising and Trade Promotion

Accompanying Romania's change to a market economy has been a notable growth in the variety and quality of advertising. Total advertising rose from USD 27 million in 1993 to over 306 in 1999, with multinational companies active in the FMCG sector and mobile operators being the top advertisers.

Television, which attracted over 60 percent of the total ad spending, is the predominant media, followed by press, outdoor advertising, radio and movie advertising. Television includes two state-owned national networks, a large number of state-owned local networks, and several privately-owned networks which tend to cover the whole country (Pro TV, Tele 7 ABC, Antena 1, Prima TV, Acasa, Atomic TV).

Radio is also important. There are three national state-owned AM radio networks which can be characterised by their target audience segment (popular, cultural and youth). In addition, there is a national FM network (Europe FM) and a large number of FM stations in Bucharest and other major cities, which have a broad audience appeal, of which the most popular are: Contact, Pro FM, Radio 21, RadioTotal.

The press includes both newspapers (daily and weekly) and magazines. Only 20 percent of the population is reported to read one or more newspapers a day. There are about 10 national dailies, of which the most important are: "Adevarul", "Evenimentul Zilei", and "Romania Libera". Several of them have established their readership based on political philosophy (such as "Romania Libera", the government oriented newspaper); others are mass-market newspapers (such as "Evenimentul Zilei", the most read periodical), or sport-oriented newspapers. There are also daily and weekly newspapers published in the major cities. Specialty publications (i.e. sports, business, entertainment and family) are a major aspect of the weekly newspaper and magazine segment. About 50 percent of the population listens to the radio and over 60 percent watches television almost daily.

Movie advertising is a rapidly growing form of advertising as it allows a high quality message to be delivered.

Additionally, outdoor billboard advertising is growing rapidly and becoming more sophisticated. Billboard locations are multiplying and simple painted billboards are being replaced by backlit models. Advertising on public transportation vehicles is also common.

The advertising agency industry is experiencing rapid growth of both branches/local representatives and domestic agencies. Major agencies with international affiliation include: Ogilvy&Mather Advertising, McCann-Erickson Romania, Ammirati Puris Lintas Bucharest, Tempo Advertising, Graffiti/BBDO, Saatchi and Saatchi, and Young and Rubicam.

Specialized services, such as market research and market testing are available from independent suppliers (IRSOP and

IMAS) as well as established institutes (Institute of World Economy and Romanian Chamber of Commerce and Industry). However, experienced companies and people in marketing studies are rare.

The best-known business newspapers and journals in English are the following:
— Quarterly Bulletin (economic, financing, monetary and credit trend information together with statistics of the National Bank). Publisher: National Bank
— Romanian Insights. Publisher: Romanian Chamber of Commerce and Industry
— Bucharest Business Week. Publisher: Americelt Publishing SRL, Bucharest
— In Review, Romania's Magazine for Business (monthly), and
— The Business Review (weekly). Publisher: Business Media Group SRL, Bucharest
— Romanian Economic Daily. Publisher: Nine O'clock Publications

Other publications in English are: Romanian Economic Newsletter (published quarterly in the USA to report on and analyze Romanian economic developments); Business Central Europe (published monthly by the Economist Newspaper Group, London); and Balkan News (a weekly newspaper published by Balkan News in Athens).

Sales Service and Customer Support

As already mentioned, finding good local partners is a matter of careful effort. The lack of good local service companies is also a problem. However, with suitable training this problem can be satisfactorily solved. The lack of exposure to Western practices in the past has left a legacy of indifference to after sales service. U.S. companies should pay attention to ameliorating these attitudes in their operations.

Government Procurement Practices

In some segments of the Romanian market, state-owned firms continue to be the only possible business partner for foreign companies. Although bureaucracy and corruption can be quite a challenge for Western business executives, it is apparent that local authorities are, as a whole, anxious to work with foreign companies and that changes in the legal framework generally are headed in the right direction. In those industries considered as "strategic" by the Romanian government, such as natural resource exploitation and essential basic industries and infrastructure, major purchases are made by international tender, sole sources being generally avoided. The law on public procurement currently in place aims to make the procedures more transparent.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Following is a listing of sectors that should provide the best opportunities for U.S. exports to Romania in the short and medium term. Non-agricultural sectors have been ranked by estimated growth of U.S. exports over the coming year, expressed as a dollar value. Agricultural best prospects have not been ranked.

NON-AGRICULTURAL SECTORS

1 - TELECOMMUNICATIONS EQUIPMENT (TEL)

During 2001-2003, the Romanian telecommunications sector is expected to continue its dynamic growth. Major procurements which can have an important U.S. component will be related to the following projects: Further expansion of the GSM 900 cellular system; implementation of the DCS 1800 system; upgrading of data transmission systems (supported by the launching of SS7 and ISDN); expansion of Internet services; expansion of digital WLL systems, mainly with a view to increasing telephone density in rural areas and in busy urban environments; further expansion and modernization of the cable TV network.

Data Table

	1998	1999	2000
		(USD Millions)	
A) Total Market Size	1,000	1,010	1,200
B) Total Local Production	350	370	400

C) Total Exports	0	0	0
D) Total Imports	650	640	800
E) Imports from the U.S.	50	45	60

Note: The above statistics are unofficial estimates.

2 - COMPUTER HARDWARE (CPT)

Imports cover about 55 percent of the Romanian computer hardware market, and come mainly from such traditional U.S. suppliers as IBM, Compaq, Hewlett-Packard, and Cisco. Projections for the 2001-2003 period estimate that the market will grow by an average of 12 percent annually. Best prospects include: PC6x86, PC5x86, Pentium II-333MHz, network interfaces and other communication interfaces (modems, faxes, etc.), as well as multimedia equipment.

Data Table

	1998	1999 (USD Millions)	2000
A) Total Market Size	150	160	180
B) Total Local Production	73	75	91
C) Total Exports	5	5	10
D) Total Imports	82	90	99
E) Imports from the U.S.	50	60	80

Note: The above statistics are unofficial estimates.

3 – COMPUTER SOFTWARE (CSF)

This sector’s growth potential over the next three years (about 15 percent annually) will definitely favor U.S. exports. Imports cover about 75 percent of the Romanian software market. About 75 percent of all foreign software products in Romania are American. Microsoft and Oracle lead the import market, being followed by SAP (Germany), Scala (Sweden), Informix (U.S.), Baan (The Netherlands), and several Japanese companies. The software import market is expected to grow importantly in conjunction with the implementation of some large Government-supported IT projects to be completed in the near term (e.g. computerization of the public administration of 2,800 localities, computerization of Romania’s General Cadastre, integrated system for the collection of taxes on global income, integrated information system for the National House of Health Insurance, rehabilitation and restructuring projects in the areas of transportation and energy, etc.)

Data Table

	1998	1999 (USD Millions)	2000
A) Total Market Size	26	29	32
B) Total Local Production	8	10	13
C) Total Exports	2	3	5
D) Total Imports	20	22	24
E) Imports from the U.S.	15	17	18

4 - AIRCRAFT AND PARTS (AIR)

Romanian demand for aircraft and parts is expected to witness a moderate but constant increase over the next years, with the aggregate market size for 2001-2003 reaching an estimated value of $500 million. The market will be dominated by purchases made by the national carrier, Tarom. Major procurement includes 8 ea. B-737-700/800’s (est. value: $280 million) and 2 ea. A-330’s (est. value: $160 million). Purchases to be made by general aviation companies (small jet planes, micro-light aircraft, and helicopters) will also contribute to this market’s upsurge. In addition, the country’s four aircraft factories and all of the auxiliary facilities producing for the aerospace industry are expected to import aircraft parts and supplies for their manufacturing programs.

Data Table

	1998	1999 (USD Millions)	2000
A) Total Market Size	70	36	56
B) Total Local Production	25	20	15
C) Total Exports	5	4	4
D) Total Imports	50	20	45
E) Imports from the U.S.	42	2.1	25

Note: The above statistics are unofficial estimates, except for the 1998 and 1999 figures on imports from the U.S., which come from official U.S. Department of Commerce statistics.

5 - MEDICAL EQUIPMENT (MED)

The Romanian import market for medical equipment is dominated by German, Austrian, and Italian companies. U.S. companies with a more significant share of the market include: General Electric, Baxter, Hewlett Packard, Beckman Instruments, Picker Accuson, Alaris Medical Systems, Stryker, ATL, Diasinics, Control X, Gendex, Becton Dickinson, Johnson & Johnson, and 3M. To counter Western European competition, U.S. companies should consider establishing joint ventures and making direct investment, particularly by the acquisition of hospitals, health centers, clinics, or medical equipment factories which are slated for privatization.

Data Table

	1998	1999 (USD Millions)	2000
A) Total Market Size	80	83	92
B) Total Local Production	17	10	10
C) Total Exports	0	2	3
D) Total Imports	63	75	85
E) Imports from the U.S.	19	10	20

Note: The above statistics are unofficial estimates, except for the 1998 and 1999 figures on imports from the U.S., which are official U.S. Department of Commerce statistics.

7 - PHARMACEUTICALS AND DRUGS (DRG)

In spite of heavy competition from Western European companies, U.S. manufacturers of pharmaceuticals have a relatively strong position on the Romanian market. Their share of this market is expected to grow because U.S. products are well-received by the population. Several major U.S. companies have representatives and distributors in Romania: Eli Lilly, Pfizer, BMS, Procter and Gamble, Abbot, Goedecke Parke Davis, Pharmacia-Upjon, and Smith-Kline Beecham. There is growing need for new products and innovative therapy for, mainly, cardiovascular and respiratory diseases, oncology and hematology. For the next 3 years, OTC drugs, prescription medicine, and hospital products have best sales prospects.

Data Table

	1998	1999 (USD Millions)	2000
A) Total Market Size	396	380	390
B) Total Local Production	170	160	165
C) Total Exports	12	20	25
D) Total Imports	238	240	250
E) Imports from the U.S.	36	38	50

Note: The above statistics are unofficial estimates.

8 - ENVIRONMENTAL EQUIPMENT AND SERVICES

Currently, Romania faces acute problems concerning water, air, and soil pollution. The environmental compliance costs for the country's accession to the EU are estimated at $20 billion over the next 20 years, of which approximately 50% for the water sector, 25% for air pollution control, and 25% for waste management.

U.S. companies specializing in environmental protection equipment and services stand good chances of initiating and developing exports to Romania. Over the next few years, procurements by Romanian municipalities/local governments will focus on improving traditional infrastructure technologies for water supply networks, waste water treatment, solid waste minimization, recycling and disposal, etc. Additional imports will be generated by major rehabilitation and modernization projects for the national oil, gas, and power companies, as well as by extensive mine-closing projects.

A growing demand for general and specific environmental consulting (implementation of environmental management systems - EMS - according to international standards - ISO 14001) should provide good business opportunities for U.S. experts in this field. Services of companies specializing in environmental audit-type services will also be in demand.

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

MEAT

Romania's domestic meat production is insufficient to meet total consumption. In 1999, Romanian imports of U.S. poultry and beef variety meats reached $4.0 million. For 2000, total U.S. poultry and meat exports are expected to drop to about $3 million because of non-tariff barriers introduced by the Romanian Government. The main competitors are Canada, EU, and CEFTA countries.

Data Table

	1998	1999 (USD Millions)	2000
A) Total Consumption	130	95	85
B) Total Local Production	70	75	65
C) Total Exports	10	5	3
D) Total Imports	60	30	20
E) Imports from the U.S.	13	4	3

Note: The above statistics are unofficial estimates, except for the 1998 and 1999 figures on imports from the U.S., which are official USDA data.

VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS

Membership in Free Trade Arrangements

Romania is a founding member of the World Trade Organization, has ratified most codes of the Tokyo Round, and has been an active participant in the Uruguay Round.

On February 1, 1993, Romania signed an Association Agreement with the European Union (EU), the very first step in Romania's long-term plans for European integration. This Association Agreement has been ratified by the European Parliament as well as by the Parliaments of all EU member countries. Romania is currently negotiating its accession to the EU.

Romania has also concluded agreements with the European Free Trade Association (EFTA) and the Central European Free Trade Association (CEFTA).

Tariff and Non-Tariff Barriers

The Romanian market is open, requiring no special conditions for access or operation.

Romania is a signatory to the conventions on Preferential Trade among Developing Countries (“The 16”) and Generalized System of Trade Preferences among Developing Countries.

Romania adopted an 8-digit customs tariff in March 1993. This tariff is similar to the International Harmonised System of Combined Nomenclature.

A potential obstacle for U.S. exporters is the preferential tariff treatment for European competitors. The free trade arrangements with the EU, EFTA, and CEFTA are already triggering customs duty discrimination against some U.S. products. To give just an example, products under Chapter 84, Heading 8461 - Machine tools for planing, are currently taxed 20 percent if imported from the United States, 7 percent if imported from EU and EFTA, and exempted from customs duties if imported from CEFTA countries. Over the next years, taxes for many of the products imported from EU, EFTA, and CEFTA countries will be reduced to nil creating a barrier to U.S. products.

Tariff Rates

The customs duty rates vary depending upon the product being imported. The weighted average of customs duty is 11.7 percent with notable exceptions for ores and fuels, for which the taxation is nil or reduced to 3-10 percent. However, tariffs are considerably higher for such items as cigarettes, furs, carpets, vehicles, photographic equipment and supplies, bicycles, TV sets and sound and video registration equipment. Duties applied to industrial equipment are generally about 15 percent ad valorem.

The only import incentives currently available are those provided to private SMEs under Law 133. Also, customs incentives are granted for goods imported inside Romanian Free Trade Zones and disfavored areas, as provided by specific regulations.

The following imported goods are exempted from duties: a) samples and models with no commercial value, as well as promotional materials, if certain conditions are met; b) humanitarian materials and legacies.

Prohibited Imports

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

Import Taxes and License Requirements

Imports from all countries are currently subject to a 2 percent “customs services surcharge”. This surcharge will be abolished as of the beginning of 2001.

With few exceptions, imports from all countries are subject to value-added-tax (VAT). VAT generally applies to the supply of goods, transfer of real estate, and services. Exempted activities include healthcare, scientific, educational, and charitable activities, banking and financial services, insurance, and schoolbooks editing.

The tax reform in late 1999-early 2000 lowered the standard VAT rate to 19 percent; no reduced rate is available, and zero rate applies for export of goods and services for which the hard currency was effectively cashed in Romania.

Imported raw materials designed exclusively to the manufacturing of finished products which are exported within 45 days from importation are eligible for VAT exemption. Under the new legislation, the products and services previously taxed at the lower rate of 11 percent are now subject to the standard rate. These include: milk and dairy products, fish and fish products, meat and meat products, edible oils, medicines, livestock, fertilizers, and agricultural services. Under the new law, essential products and services as bread, electricity for domestic use, fuel, wood, and coal for domestic use, public transportation, and public utilities, which previously were VAT exempt, are now subject to the standard VAT rate.

Import licenses are required for such products as pharmaceuticals, chemicals, and toiletry. Also, sanitary and safety standards as well as special approvals for wastes and residues, toxic substances, explosives and firearms are in force.

Customs Regulations and Contact Information

An important objective during the transition to a market economy was the protection of Romanian companies from goods being dumped or subsidized. Accordingly, in 1992 Romania introduced anti-dumping duties for goods imported at very low or dumping prices and countervailing duties for goods which have received subsidies. Safeguard measures can also be implemented to assist domestic producers adversely affected by imports. Safeguard measures may consist of additional customs duties or quantitative restrictions (quotas). The Ministry of Trade investigates and sets remedies in cases of dumping, subsidized imports and import surges.

In Romania, customs duties are ad valorem duties. The customs value of imported goods is based on: a) the external price of the transaction, converted into lei at the market exchange rate; and b) charges not included in the price of goods, such as freight, handling and insurance on external route.

If documentation concerning the value of imported goods is not available, the specific World Trade Organization (WTO) provisions will apply; import prices usually charged for such goods or similar items could be then used as the basis for valuation. Romania values goods on the basis of the WTO Valuation Code (i.e. Article VII of GATT). As stated above, for most items customs valuation is based on the contract value (i.e. transaction value). Customs duties must be paid at the time the goods are imported into Romania.

The main Romanian customs contact is:

General Customs Department
Address: Str. Matei Millo 13, Bucharest
Tel: (40-1) 315-5854 or 315-5959
Fax: (40-1) 613-8251
Director General: Nini Sapunaru

Temporary Goods Entry Requirement

In accordance with EU customs regulations, Romania applies inward processing relief operations. The inward processing relief operates either through a “duty suspension” or a “duty draw back” method. As a general rule, under the “duty suspension” method the importer should not pay duty at importation and will become liable to duty if later places any products onto Romanian market. Under this structure the importer will only guarantee the import duties through a bank letter of guarantee.

The “duty drawback” system permits a refund of import duties previously paid at the time that the goods in question are exported from Romania after having been transformed, processed or repaired or after having been incorporated into products being exported.

Special Import/Export Requirements and Certifications (e.g. health, pharmaceuticals, pre-

shipment inspection)

Regular import documentation is required by the Customs Office depending on each specific import/export operation. Generally, the consignments must be accompanied by the invoice, by specific lists describing the goods in detail (if needed), by international transport documents and by documents of origin (if applicable).

Additional documentation (e.g. corporate documents/by-laws of the Romanian importing entity, customs forms, such as: statement of value, customs declaration, etc.) should be presented by the importing entity at the customs office of destination where the clearance formalities are completed. Depending on the type of the customs regime (e.g. bonded warehousing, temporary admission/leasing), relevant contracts between the parties should also be presented for clearance purpose. Also, specific documents are required to introduce guns, ammunition, drugs, and environmentally dangerous products.

Labeling

Goods imported into Romania must comply with rules and regulations concerning health, safety and labeling; these rules are similar to those in other developed jurisdictions.

Warranty and Non-Warranty Repairs (e.g. duties/taxes charged on replacement parts or on goods brought in temporarily for repairing and re-export).

Imported goods can be replaced/repaired during the warranty period. The damaged ones can be exported and re-imported under import duty exemptions. To benefit from the exemption upon the re-import of the goods the replacement/repairs should be performed within the warranty period and the re-imported goods should have the same tariff classification and same technical characteristics as the exported ones.

In case the intention is to replace/repair the goods and the warranty clause has expired, then the re-importation is only partially exempted (i.e. the customs value is represented by the value of repairs).

The goods brought temporarily into Romania for repairs can be placed under the inward processing regime (described above).

Free Trade Zones

Free Trade Zones (FTZs) operate under Law No. 84/1992. General provisions include unrestricted entry and re-export of goods as well as exemption from customs duties and value added tax (for specific activities performed inside). They also include an exemption from profit taxes for the duration of a company's operations in the free trade zones. The law further permits the leasing or transfer of buildings or lands for terms of up to 50 years to either legal person or natural persons, Romanian and non-Romanian.

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

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

VII. INVESTMENT CLIMATE

A.1. Openness to Foreign Investment

Since 1990, Romania's stated policy has been to encourage foreign direct investment. In general, the debate within the coalition government is not over whether to promote a market economy that is open to foreign investment, but over how to achieve that objective. There remains resistance to foreign investment in some quarters, including representatives of the nationalist political parties and from some managers of state-owned enterprises who fear that foreigners' purchases of state-owned companies at "bargain basement" prices will give them too much influence in the economy. Others fear losing the only job they know how to do in an economy with a 12 percent unemployment rate. This mentality has led, for example, to managers and employees of state-owned enterprises designated for liquidation or privatization initiating legal and other procedural challenges which have slowed or stopped the process.

A more significant impediment to foreign investment is Romania's unpredictable legal and regulatory system. Tax laws are changeable and unevenly enforced. Tort cases can require lengthy, expensive procedures and judges' rulings face uncertain enforcement. Like other countries in the region, Romania has worked to create a legal framework consistent with a market economy and investment promotion. Gradually it is moving to strengthen tax administration, enhance transparency and create legal means to reach expeditious resolution of contract disputes. The government enacted in May 1999 a package of legislation approved by the World Bank that addresses many of the failings in Romania's legal framework concerning private enterprise.

Despite the significant changes in the legal framework, foreign investment in Romania has not kept pace with expectations. Following the election of President Constantinescu's center-right reform-minded government in November,1996, many investors expected to see a significant increase in foreign portfolio investment. A sharp increase in the first half of 1997 was followed by a massive departure of capital in mid-year, when prices and exchange controls were deregulated and inflation raged over 150 percent. Concern over the slow pace of restructuring and privatization, combined with the effects of the Asian and Russian crises have since dampened enthusiasm among foreign investors. The net result in 1998 was an in-flow of only $189 million in investment on both the Bucharest Stock Exchange and the RASDAQ.

Foreign direct investment has likewise not flooded Romania as anticipated, but continues merely to trickle in. In 1999, particularly in comparison with other countries in Central and Eastern Europe such as Hungary, the Czech Republic, and Poland, foreign investment in Romania remained very low.

Investments that involve the government of Romania, either through sovereign guarantees or by the involvement of entities such as the State Ownership Fund, are generally more complicated than greenfield investments or joint ventures with private Romanian companies. Large deals involving the government of Romania frequently become stymied by vested political and economic interests and bogged down by indecision within governmental ministries. Greater success has been encountered with less complex deals involving small to medium-sized private and state enterprises. Sectors that provide good opportunities for investment are information technology, real estate, agriculture, energy, some heavy industry, telecommunications, banking, and tourism.

Successful U.S. companies tend to share a common approach to doing business in Romania. Firstly, they establish themselves in Romania so that they are able to analyze the local situation and develop the most effective corporate strategy. Doing business in Romania requires a presence on the ground. Secondly, they come with a strategy that communicates long-term commitment to the Romanian market and government. This often paves the way for successful negotiations with the State Ownership Fund, labor unions, and local partners.

One difficulty for investors is that the legal framework for investment in Romania is constantly changing. One example was the suspension (by the 1999 state budget law) and subsequent abrogation (in January 2000) of incentives previously granted to domestic as well as foreign investors, which seriously undermined investor confidence. It is recommended that any prospective foreign investor consult appropriate legal counsel to get the most up-to-date information.

The legal framework for foreign investment in Romania is provided by the following laws:

Commercial Register Law (No. 26/1990; revised 1998)
Commercial Company Law (No. 31/1990; revised 1997, 1999)
Accountancy Law (No. 82/1991, revised 1999)
Free Trade Zones Law (No. 84/1992)

Value Added Tax (Emergency Ordinance No. 17/2000)
Local Taxes (Law No. 27/1994; revised 1999, 2000)
Government Ordinance Regarding Tax on Profit (No. 70/1994; revised 1996, 1997, 1999, 2000)
Bankruptcy Law (No. 64/1995; revised 1997, 1999)
Petroleum Law (No. 134/1995)
Copyrights and Neighboring Rights Law (No. 8/1996)
Competition Law (No. 21/1996)
State Aid Law (No. 143/1999)
Stimulation of Direct Investments (Government Ordinance No. 92/1997; revised 2000)
Stimulation of Private SMEs (Law No. 133/1999, revised 2000)
Bank Privatization Law (No. 83/1997, revised 1999);
Government Ordinance on Privatization (No. 88/1997; revised 1999);
Government Ordinance on the Privatization of Agricultural Companies (No. 198/1999);
Government Ordinance on Leasing (No. 51/1997, revised 2000)

New economic reform legislation was passed in 1999 amending the Privatization Law, the Bankruptcy Law, the Commercial Company Law, the Leasing Law and the Secured Transaction Law. This body of legislation provides that foreign investors are granted national treatment, have free access to domestic markets, and are allowed to participate in privatizations.

There is no limit on foreign participation in commercial companies. Foreign investors are entitled to establish wholly foreign-owned enterprises in Romania (although joint ventures are the normal pattern) and to convert and repatriate 100 percent of after-tax profits. They are allowed to participate in the management and administration of the investment, as well as to assign their contractual obligations and their rights to other Romanian or foreign investors. Foreign investments in Romania are governed by the provisions established by the foreign investment law in force at the time of incorporation, unless a subsequent law contains more favorable provisions.

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

- set up new commercial companies, subsidiaries or branches, either wholly-owned or in partnership with Romanian natural or legal persons;
- participate in the increase of the registered capital of an existing company or the acquisition of shares, bonds, or other securities of such companies;
- acquire concessions, leases or agreements to manage economic activities, public services, or the production of sub-units belonging to commercial companies or state-owned public corporations;
- acquire ownership rights over non-residential real estate improvements, including land, via establishment of a Romanian company;
- acquire industrial or other intellectual property rights;
- conclude 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, know-how and management expertise, or proceeds and profits from other businesses carried out in Romania.

Currently, company incorporation is handled by the Romanian Trade Registry. This process, which, in the past, could take up to several months can now be completed in a matter of weeks. In an encouraging step, the Trade Registry is working to incorporate all the required registrations into the business registration process with the cooperation of the relevant authorities. The new procedure is working now in Bucharest, and is expected to be fully operational throughout Romania.

Foreign investment must comply with environmental protection regulations and must not negatively affect Romania’s national security, defense interests, public order, or public health. The regulatory norms generally require the publication of environmental balance sheets for privatizations involving the sale of a majority of a company’s shares. Such balance sheets are also required for the sale of any company’s assets that, under applicable environmental laws and regulations, are considered to have a negative environmental impact.

In practice, these regulations can be difficult to comply with. There are few environmental engineering or consulting companies present in Romania and in many cases the clean-up of past environmental damage will be cost-prohibitive to foreign investors.

At present, if a public institution is selling a majority stake in a company, the company must submit a report to the local environmental agency office. This office then issues an assessment as to whether or not additional environmental reviews/audits are necessary. Given the level of damage inflicted by the state sector in the past, sales of several major enterprises could be difficult if the purchasers are forced to pay for clean up of past damage. Under the 1999 Privatization Law, the buyer of shares has to pledge environment investment to clean up past damages and upgrade the technology to make it environmentally friendly. To mitigate investors' environmental risk, the law provides that public institutions which sell companies on which environmental damages are eventually assessed are liable to indemnify the purchaser from any environmental damage not listed in the environmental balance sheet at the time of the sale. However, notwithstanding the new law, the State Ownership Fund typically endeavors to exclude itself from this liability by requesting inclusion in the sales contract of language holding buyers liable for environmental damage revealed after the sale.

Previously, the State Ownership Fund had exclusive authority to sell shares and assets in state-owned Romanian commercial companies. Under current law, the government body that has authority over the company (the State Ownership Fund, the economic ministry, or the local administration) also has the authority to privatize it. The government authority can hire an agent to handle the project from the restructuring to the final privatization. This is the case for 62 companies slated for restructuring/privatization/liquidation under a World Bank program in 2000. Sales of shares take one of the following forms: public offering on the Bucharest Stock Exchange or RASDAQ, negotiation, auction, depositary receipts issued by investment banks on the international capital markets (GDR, ADR, EDR) or a combination of these methods. Public institutions may, at their discretion, agree to accept payment over time for shares being sold through negotiation or auction. When a company sells real assets, payment over time is permitted only for Romanian citizens and SMEs.

The new law also stipulates that the Ministry of Finance must issue a certificate listing all debts of an enterprise upon request and that the company will not be liable for any debts not listed in this certificate.

New legislation in 1999 also allowed the Ministry of Finance to take direct control from the SOF of highly indebted companies through a "debt for equity swap". Under this mechanism, the shares are sold (usually on the OTC market) at the market price. The price paid for the shares is deducted from company's debts to the state, and the remaining amount is rescheduled over 5 years. This is intended to be a means of securing immediate service of state debt and was conceived as one of the ways to deal with the arrears of state-owned companies to the state budget. The privatization of a first pool of five companies resulted in recouping arrears to the state worth Lei 200 million (USD 10 million).
In cases where former owners win title to an asset in the patrimony of a company that has been privatized, the asset will be restituted in kind and the company compensated by the public institution that has privatized it. If restitution is not possible in kind, the public institution will compensate former owners.

A.2. Conversion and Transfer Policies

Romanian legislation does not put any restrictions on converting or transferring funds associated with direct investment. All profits made by foreign investors in Romania may be converted into hard currency, and transferred abroad, after payment of taxes. Proceeds from the sale of shares, bonds, or other securities, as well as from winding-up an investment can also be repatriated. There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital gains, returns on intellectual property or imported inputs.

In February 1998, the Romanian government implemented new regulations that liberalized the foreign exchange market on the current account. There continue to be some procedural delays in processing capital outflows, however.

The National Bank of Romania is studying the eventual liberalization of capital account transactions, but in the wake of recent disruptions caused by capital outflows in Asia and other developing economies the Ministry of Finance and NBR will proceed cautiously and implementation is not expected in the short term. The Ministry of Finance is particularly concerned about "hot money", that is, about potentially large inflows of short-term capital investment and the potential impact on exchange rate stability.

A.3. Expropriation and Compensation

The law on direct investment includes a guarantee against nationalization and expropriation and other equivalent actions. The law also allows investors to choose the court or arbitrary body they want to settle any potential litigation. Since 1989 there have been no cases involving expropriation of U.S. property, although there are many unresolved cases involving property nationalized during the communist era.

A.4. Dispute Settlement

Property and contractual rights are recognized, but enforcement through Romanian courts is difficult. Foreign companies engaged in trade or investment in Romania often express concerns with respect to the international commercial experience of Romanian courts. Judges generally have little experience in the functioning of a market economy, international business methods, or the application of new Romanian commercial laws.

Many agreements involving international companies and Romanian counterparts provide for the resolution of such disputes through third-party arbitration. Arbitration offers an effective means of dispute resolution which avoids long trials before non-specialized legal courts. The parties may choose one or more arbitrators who are specialists in international commerce or a particular industry.

Romania recognizes the importance of arbitration in the settlement of commercial disputes. It is a signatory to the New York convention of 1958 regarding the recognition and execution of foreign arbitration awards. Romania is also a party to the European convention on international commercial arbitration concluded in Geneva in 1961 and a member of the International Center for the settlement of investment disputes. Romanian law and practice recognize applications to other internationally renowned arbitration institutions, such as the ICC Paris Court of Arbitration. Arbitration awards are enforceable through the Romanian courts under circumstances similar to those in western countries.

In addition, Romania has an International Commerce Arbitration Court administered by the Chamber of Commerce and Industry of Romania (The “Arbitration Court”). The regulations and procedural rules provide for the Arbitration Court to be a permanent non-governmental arbitration institution. The Arbitration Court is independent financially, administratively and organizationally. The Chamber of Commerce and Industry of Romania is also non-governmental, and is a self-governing, public interest organization, which organizes arbitration proceedings through the Arbitration Court. The Arbitration Court has cooperation agreements with arbitration institutions in the United States, Austria, Switzerland, India, South Korea, and other countries.

Romania’s bankruptcy law contains provisions for liquidation and reorganization that are generally consistent with western legal standards. It emphasizes enterprise restructuring and job preservation. Legal education and the training of existing judges and lawyers has lagged behind law making, making it difficult to bring bankruptcy cases to court with consistent outcomes. To deal with this and mitigate the time and financial costs, the Law No. 99/1999 provides for administrative liquidation as an alternative to bankruptcy. Thus, the company and its creditors no longer have to go through a lengthy and costly judicial process.

A.5. Performance Requirements and Incentives

There are no performance requirements imposed as a condition for establishing, maintaining or expanding an investment. Romania’s legislation has seesawed between granting, amending and suspending investment incentives, while creating or ending special treatment for FDI, since 1991. In late 1999-early 2000, Romania revised its tax system to bring it closer to EU models and more in line with the recommendations of the World Bank and IMF. Two new emergency ordinances adopted by the Isarescu government brought significant changes to the business and investment environment. The ordinances lowered the corporate income tax to 25 percent from 38 percent and reduced the value added tax (VAT) to 19 percent from 22 percent while expanding the tax base. An investment tax credit of 10 percent was introduced for machinery and equipment only, and a lower tax rate of 10 percent was set on reinvested profits. The measures also aim to enhance exports by providing VAT exemption for exported goods and a corporate profit tax rate of 5% for profits made from export. Generally, exported goods are eligible for VAT exemption if the sale proceeds are cashed in a Romanian bank. As an exception to the rule, goods exported under barter agreements are also eligible for VAT exemption. Also, imported raw materials designed exclusively for the manufacturing of finished products which are exported within 45 days from importation are eligible for VAT exemption. A new ordinance passed in May 2000 makes it possible for importers and exporters to get customs clearance on site rather than at the border.

To compensate for the budget revenue losses from such fiscal relaxation, the government has abrogated most of the incentives granted under previous legislation, resulting in a business and investment environment with few incentives. After the abrogation of the ordinance providing tax incentives for companies investing in excess of $50 million, only the French carmaker Renault and the German tire manufacturer Continental continue to enjoy tax incentives under the ordinance, benefiting from a grandfathering clause. Otherwise the changes do not grandfather any other past incentives – many of which were due to expire in any case.

Currently, customs and tax incentives are available for operators in the six free trade zones and for investments in the 21 economically disadvantaged regions of the country. The Parliament reinstated in May 2000 the custom duty and VAT-related incentives for private small and medium sized companies. However, the availability of incentives is dependent on the economic situation and the government has frequently suspended incentives in order to tighten fiscal policy. Investors are encouraged to check with the embassy to determine the current status of investor incentives.

Like other Central and Eastern European countries, Romania provides tariff preferences for EU goods under its association agreement with the EU.

A.6. Right to Private Ownership and Establishment of Enterprises

The Romanian constitution, adopted in December 1991, guarantees the right to ownership of private property. Mineral rights, air rights, and similar attributes are excluded from private ownership.

Foreign investors involved with commercial companies having partial or full foreign capital may acquire land or property necessary for fulfilling or developing the company's corporate goals. If the company is dissolved or liquidated, the land must be sold within one year of the company's closure and may be sold only to a buyer(s) with the legal right to purchase such assets. Agricultural land cannot be purchased by foreign investors at this time. In order to enhance private access to state-owned land, the Government passed in December 1999 an ordinance on the privatization of agricultural companies. Under this ordinance, investors can buy shares in such companies and can lease from a newly created State Land Agency land which is in the public domain.

The process of establishing a company in Romania, although recently streamlined, can be bureaucratic and time consuming. The Romanian Trade Registry is responsible for company registration.

A.7. Protection of Property Rights

Romania is a signatory to international conventions concerning intellectual property rights, TRIPS included, and has enacted legislation protecting patents, trademarks, and copyrights. While the legal framework is generally good, enforcement remains weak. Romania has yet to pass border enforcement provisions required under the WTO, which are being reviewed by the Parliament. As the result of persistent problems in the enforcement of intellectual property rights, the International Intellectual Property Alliance (IIPA) has recommended that the Office of the Special Trade Representative (USTR) place Romania on its Special 301 Watch List for 2000. The IIPA has estimated that Romanian piracy of motion pictures, sound recordings, computer programs/software, and books cost U.S. industry $31 million dollars in 1999.

Patents: Romania is a party to the Paris Convention for the protection of industrial property and has subscribed to all of its amendments. Foreign investors are therefore entitled to the same treatment as Romanian citizens. A modern Patent Law (No. 64/91) broadens and clarifies the basis on which a patent is granted. Several other laws (No. 129/92, on the protection of industrial drawings and designs; No. 16/95, on the protection of integrated circuit designs, etc.) have helped bring Romanian patent legislation up to international standards. Patents are valid for 20 years. The period for contesting a patent application is six months. Legislation providing for transitory ("pipeline") patent protection was enacted in early 1998.

Trademarks: In 1998 Romania passed a new law on trademarks which is generally consistent with international standards. Romania is a signatory to the Madrid Agreement relating to the international registration of trademarks. Trademark registrations are valid for 10 years from the date of application, being renewable for similar periods. The first applicant is entitled to the registration. The period for contesting a trademark is six months.

Copyrights: Romania is a member of the Bern Convention on copyrights. Its 1996 law on protection of copyrights and neighboring rights is among the most modern in this field. It is consistent with EU provisions and incorporates many suggestions made by U.S. experts. In 1998, the Romanian parliament ratified the latest versions of the Bern and Rome conventions. A new Romanian Office for Copyright protection (ORDA), directly subordinated to the Romanian Government, was established in 1997. However, copyright law enforcement is not regarded as a high priority of prosecutors, judges, ORDA inspectors, and police officers. As a result, since 1996, there have been only [number] convictions for IP law violations, although the Romanian market contains 65-90 percent pirated products.

Credit security: The Law no. 99/1999 amended the secured transaction law and substantially improved the security interest system. The provisions refer to all movable, tangible or intangible assets, such as deposit accounts, bills of lending, shares, trademarks, patents, copyrights and other intellectual property rights, either industrial or commercial, lease of movable assets or object of leasing operations. Under the law, a secured claim originating in a foreign country is valid in Romania provided that is duly recorded. It is an improvement to credit security enforcement, since before the law became effective, the only way for a creditor to satisfy its claim was through court proceedings and judgement. The law also states that an easy to access electronic system (Electronic Security Records) is to be created. Unfortunately, as of mid-2000, the system was not yet operational.

Mortgages: The new Law No. 190/1999 on mortgage loans for real estate investments simplified certain mortgage loan requirements, allowing a debtor’s receivables to be used as a guarantee, and specifically addressing the protection of both borrowers and creditors, in an effort to minimize the risk undertaken by the lender.

Semiconductor chip layout design: Law No. 16/1995 protects semiconductor chip layout design. In order to benefit of the provisions of this law, the designs have to be properly registered as per the government decision no. 535/1996.

A.8. Transparency of the Regulatory System

Cumbersome and non-transparent bureaucratic procedures are a major problem. Foreign investors point to the excessive time it takes to secure the necessary zoning permits, property titles, licenses, and utility hook-ups. Furthermore, regulations change frequently, sometimes literally overnight, and without advance notice. The government does not have an effective means of communicating with foreign investors or with Romanian private businesses about changes in the regulatory framework. These changes, which can significantly add to the costs of doing business, make it difficult for investors to develop effective business plans. Many successful foreign investors choose to work with a local Romanian partner to alleviate some of these problems.

Many foreign investors feel they are unfairly targeted by Romanian tax authorities for audits and reviews and that Romanian authorities view them as “cash cows” that can be milked to fill government coffers. Unlike most Romanian companies, foreign investors generally have good financial records that make them easier to investigate. Foreign investors also tend to be more conscious of the need to remain in compliance with local laws and regulations.

The presence of large state-owned government-subsidized enterprises in the economy is also a major impediment to the efficient mobilization and allocation of investment capital. A new EU-inspired law on state aid came into effect in January 2000, aiming to regulate and keep under control state aid in any form (as either direct state subsidies, debt rescheduling schemes, or discount prices). However, implementation of the law has been slow and preferential debt rescheduling by the Ministry of Finance and Ministry of Labor has resulted in major distortions on the market. Furthermore, state aid schemes continue to be non-transparent.

A.9. Capital Markets and Portfolio Investment

Romania seeks to develop efficient capital markets. However, because of the slow pace of privatization, capital markets have only recently become fully operational in Romania. Ordinance No. 18/93 and Government Decision No. 552/92 established a National Securities Commission (CNVM) charged with regulating the securities market in order to protect investors. The process principally provides for: registration and licensing of brokers and financial intermediaries, filing and approval of prospectuses, and approval of market mechanisms.

Romania officially opened the Bucharest Stock Exchange (BSE) on June 22, 1995. On November 20, 1995, the stock exchange made its first transactions after a hiatus of 50 years. The BSE now operates a two-tier system that lists a total of 125 companies with 26 companies on the first tier. The official index, BET, is based on a basket of the 10 most active stocks listed on the first tier. The BSE has a home page at http://www.bse.ccir.ro.

In September 1996, the Romanian over-the-counter stock market, RASDAQ, was inaugurated. It is supported by several independent registries and is a depository for Romanian securities. Over 5,500 companies are listed on the RASDAQ though typically around 600 companies are traded each day. RASDAQ has a home page at http://www.rasd.ro.

Given the trading volume and pace of privatization many brokers feel the broker/dealer industry is close to saturation. Tight competition has brought trading fees down and lack of liquidity among listed companies makes it difficult to place large purchase orders. Together with unsatisfactory disclosure and annual audit reports this lack of liquidity has tended to keep large institutional investors away. Country funds, hedge funds, and venture capital funds however continue to participate actively in the capital markets or through direct investment in private enterprises.

The Romanian mutual funds industry developed earlier than the rest of the capital market and initially concentrated on small commercial loans. Strong performance in 1993-1994 encouraged further growth of the industry. In late May 2000, the largest mutual fund (FNI) collapsed as a result of a fraudulent management by the managing company SOVINVEST and lack of supervision by CNVM. These recent problems with Romanian mutual funds and CNVM have had a negative impact on the capital markets.

Complaints continue to be aired by one of the largest U.S. investment funds present in Romania regarding the abuse of minority shareholder rights. To date the Romanian government has not responded to complaints by U.S. investment funds regarding the abuse of minority shareholder rights and failure to do so could slow foreign direct investment in state-owned enterprises particularly the purchase of minority stakes via the capital markets. Consequently, the World Bank is to include minority shareholders' rights protection derived from corporate governance rules in the upcoming PSAL 2 matrix of conditionalities.

A.10. Political Violence

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

A.11. Corruption

Romanian law and regulations contain provisions intended to prevent corruption, but enforcement is generally weak. Corruption is currently punishable under a variety of statutes in the penal code. A money laundering law was passed in February 1999 and an anti-corruption law was passed in May 2000. Prison sentences are sometimes imposed for white collar crimes, but powerful and influential individuals most often evade punishment.

The government is preparing to accede to the OECD convention on combating bribery, but is not yet a signatory.

U.S. firms have complained of government corruption in Romania. The customs service, municipal zoning offices, local financial authorities, and other bodies are affected to some degree by this problem. In some cases, demands for payoffs by mid- to low-level officials can reach the point of harassment. According to Transparency International, Romania is among the one-third of countries in the world considered to be the most corrupt.

President Constantinescu has made fighting corruption a central theme of his administration, which took office in late 1996. He established a national commission to combat organized crime and corruption, and the government re-organized its control board, financial guard, and other institutions charged with fighting corruption, but with few tangible results.

Bribery is punishable by fines or imprisonment, but not both. Fines permitted under the existing penal code are too low to be effective deterrents. There is no deduction for bribery in the tax code.

Romania is a member country of the Southeast European Cooperation Initiative, and it has signed and ratified the Agreement on Cooperation to Prevent and Combat Transborder Crime of May 1999. Bucharest hosts the SECI Regional Center for Combating Corruption and Organized Crime, Romania being one of the three members of the Joint Cooperation Committee.

B. Bilateral Investment Agreements

Romania has concluded bilateral investment protection agreements or treaties with the following countries: Albania, Algeria, Argentina (1994), Armenia (1995), Australia (1994), Austria (1997), Bangladesh (1987), Belarus (1995), Belgium + Luxembourg (1997), Bolivia (1996), Bulgaria (1991), Cameroon (1981), Canada (1997), Chile (1995), China (1995), Croatia, Cuba (1997), Czech Republic (1985), Cyprus (1993), Denmark (1995), Egypt (1997), Finland (1993), France (1995), Gabon (1982), Germany (1981), Ghana, Greece (1997), Hungary (1991), Indonesia, Israel (1992), Italy (1991), Jordan (1995), Kazakhstan (1997), Kuwait (1992), Lebanon (1995), Lithuania, Malaysia (1997), Moldova (1994), Mauritania (1989), Mongolia (1996), Morocco, Nigeria, Norway (1991), Netherlands (1984), Pakistan (1979), Paraguay, Peru, Philippines, Poland (1991), Portugal, Qatar (1997), Russia (1992), Senegal (1984), Singapore, Slovakia, Slovenia (1996), South Korea (1997), Spain (1995), Sri Lanka (1982), Sudan, Switzerland (1994), Tunisia (1996), Turkey (1994), Turkmenistan (1995), Ukraine (1995), United Kingdom (1995), USA (1994), Uruguay (1993), Uzbekistan (1997), Yugoslavia (1996).

The U.S.-Romanian Treaty on the reciprocal encouragement and protection of investment (signed May 1992, ratified by the U.S. party in 1994) guarantees national treatment for U.S. and Romanian investors. It provides a workable dispute resolution mechanism, liberal capital transfer, prompt and adequate compensation in the event of an expropriation, and avoidance of trade-distorting performance requirements.

C. OPIC and Other Investment Insurance Programs

Following the signing of an investment incentive agreement in June 1992, the Overseas Private Investment Corporation (OPIC) began operations in Romania in late 1992. Four major projects have been approved to date totaling $22 million in loans and up to $86 million in investment insurance.

Since 1992, Romania has been a member of the Multilateral Investment Guarantee Agency (MIGA).

D. Labor

Romania offers a large skilled labor force at comparatively low rates in most sectors. Annually, the university system matriculates a high percentage of technically oriented graduates and positive reports have been received from U.S. businesses that employ Romanian engineers and software designers. With appropriate on-the-job training, local labor can perform well with new technologies and more exacting quality requirements. However, there is a shortage of western-trained managers.

Since the revolution of December 1989, labor-management relations have occasionally been tense as a result of economic restructuring efforts and attendant personnel layoffs. Unemployment is officially 12 percent of the country’s active labor-force. Trade unions are vocal defenders of their prerogatives. The government adheres to the ILO convention protecting worker rights, and in accordance with a 1997 ILO recommendation is seeking to amend legislation restricting the right to strike.

Many Romanian state enterprises maintain that the first priority for an enterprise is to preserve jobs rather than turn a profit. Individual dismissals for poor performance must be carefully documented and are subject to legal challenge by the affected employee. Some foreign investors have run into labor problems when they have tried to trim staff in loss-making product lines.

Steep salary taxes may also generate problems. A new law on global income tax was passed in August 1999 and came into effect in January 2000, including non-cash benefits in the basis for calculating salary tax. Romania currently levies a maximum tax rate of 40 percent on gross salaries above $250 per month.

The law makes it very costly to locate expatriate staff in Romania. Foreign companies often resort to expensive staff rotations, special consulting contracts, and non-cash benefits. A new law was passed in December 1999, describing the new legal requirements applicable to work permits required for foreigners employed in Romania. As a rule, such permits are issued for a period of six months for an equivalent fee of $200, and may be renewed for subsequent six-month periods at $100 per renewal.

E. Free Trade Zones

Free trade zones and warehouses operate under Law No. 84/1992. General provisions include unrestricted entry and re-export of goods as well as exemption from customs duties and value added tax. They also include an exemption from profit taxes for the duration of a company's operations in the free trade zones. The law further permits the leasing or transfer of buildings or lands for terms of up to 50 years to either legal or natural persons, Romanian and non-Romanian.

Currently, there are six free trade zones:

— Sulina (located at the mouth of the Danube),
— Constanta-Sud (located close to the port of Constanta, at the entrance to the Black Sea-Danube canal),
— Galati (located about 100 km from the Danube mouth),
— Braila (located 30 km up the Danube from Galati),
— Curtici-Arad (located about 30 km from the cross border with Hungary), and
— Giurgiu (located on the Danube, 60 km south of Bucharest).

These free trade zones operate under the authority of the Ministry of Transportation.

F. Foreign Direct Investment Statistics

Despite some substantial gains in recent years, direct investment flows into Romania remain far below the levels that the economy needs to promote economic growth. According to data provided by the Trade Registry, cumulative foreign direct investment for the 1990-1999 period totaled $6.35 billion.

As of end-1999, the largest direct foreign investors in Romania were France ($719.7 million), the U.S. ($586.0 million), Germany ($558.6 million), Holland ($554.5 million), the U.K. ($552.8 million), and Greece ($472.4 million). These are net figures, including amounts resulting from their participation in the privatization of some Romanian enterprises.

The number of companies with foreign capital amounted to 71,449 at the end of 1999, representing about 9 percent of all companies registered in Romania. In 1999, FDI totaled $1,128 million, which represents 3.3 percent of GDP for 1999. Preferred areas for foreign investment include oil exploration (Shell, Amoco, Enterprise Oil, Occidental), the automobile and automotive component industry (Renault, Daewoo, Siemens, Daimler Benz), banking and finance (Credit Lyonnais, GE Capital, Société Générale, Wasserstein Perella Group, ABN Amro Bank, ING Bank, Citibank), telecommunications (France Telecom, OTE, Telesystem International Wireless Services, Airtouch-Vodafone), commercial construction and development (Bouygues), hotels (Hilton, Howard Johnson, Holiday Inn, Compagnie Immobiliere Phoenix, Ilbau Holding), and consumer products (Procter and Gamble, Unilever, Henkel, Colgate Palmolive).

At the end of 1999, the U.S. rose from the sixth to the second place among foreign direct investors to Romania, with a total investment of USD 586.0 million, up from USD 391.1 in 1998. The increase was particularly impressive since total FDI rose by 23 percent and the official GDP declined by 3.2 percent. More than half of U.S. investments in 1999 were concluded through the State Ownership Fund. In addition to direct investment, U.S. portfolio investment in Romanian capital markets increased by about USD 60 million, based on estimates by the National Securities Commission, and no less than 60 percent of Romania's capital market inflows come from American portfolio investments. There were more than 200 new American investors in 1999. Americans invested new capital in a wide variety of industries, such as software development, telecommunications, television, engineering design, computer manufacturing, retail, viticulture, foods and packaging, ferrous ores extraction, metals and timber processing, insurance and banking. Significant U.S. investors include Coca-Cola, Pepsi, McDonalds, Kraft Jacobs Suchard, Philip Morris, Reynolds Tobacco, Procter and Gamble, Colgate-Palmolive, GE Capital, IBM, Oracle, Amoco, Citibank, AIG, Airtouch, Trinity, Noble Ventures and Precision Castparts. Among the U.S. companies that made new or expanded investments in 1999 were: Citibank, GE Capital, Romanian-American Enterprise Fund, Advent International, New Century Holding, Smithkline Beecham, Hewlett-Packard, Sara Lee, Precision Castparts, Trinity Industries.

VIII. TRADE AND PROJECT FINANCING

The Banking System

The banking system has undergone major restructuring in Romania's transition toward a market economy. Key elements have been the transformation of the National Bank of Romania (NBR) into a traditional central bank, and the development of a network of commercial banks. The Law on Banking Activity (Law 33/1991) and the NBR Statutes (Law 34/1991) established the legal framework for banking in Romania. Three other laws have helped enhance the NBR's independence: Law 58 on Banking Activity (March 1998), which makes the central bank's supervisory role stronger, the NBR Statutes Law (May 1998), which establishes the NBR's independence in conducting monetary policy, and Law 83 on Bank Bankruptcy (April 1998), which regulates bank insolvency and bankruptcy.

The number of commercial banks has increased from 5 in December 1990 to 45 in June 2000. These include 37 Romanian entities and 8 branches of foreign banks. Of the Romanian banks (Romanian legal entities), 3 remain wholly state-owned, 7 are private with Romanian capital, 12 are private with Romanian and foreign capital, 11 are fully foreign-owned, and 4 have state and private Romanian/foreign capital. According to the Bank Privatization Law of May 1997, only reputable international financial institutions may acquire more than 20 percent of a state-owned Romanian bank. The NBR's approval is mandatory for any purchases of more than 5 percent of a bank's stock.

Commercial banks are authorized to engage in a wide range of banking functions. They may take deposits, make loans, issue guarantees and letters of credit, trade securities and other financial instruments, provide depository and custodial services, and engage in other activities traditionally performed by large commercial banks. Banks must establish subsidiaries to engage in securities brokerage, trading, and underwriting. With appropriate NBR licenses, they may also engage in foreign currency trading.

While the private share of the banking sector is increasing, the system remains concentrated, with a relatively small number of wholly or predominantly state-owned banks accounting for a substantial majority of loans and deposits.

All commercial banks now operating in Romania have international correspondent relationships, and all are members of the NBR's domestic interbank payment system. Although this system has reduced float and payment clearance delays, inefficiencies remain. Long-term plans for full computerization of the payment system are under consideration. Because checking accounts are largely unknown, most domestic remittances must be made either through the interbank payment system or in cash.

The NBR is responsible for supervising all commercial banks, and may establish rules and regulations to ensure their soundness, including setting minimum reserve requirements, solvency ratios, loan exposure limits, and financial reporting requirements.

In 1999, increased political attention was focused on the pervasive weakness in the banking system. The GOR, in cooperation with the World Bank, initiated a program to restructure the state owned banks. An Asset Resolution Agency was created, and assumed responsibility for non-performing loans, initially from Bancorex, and later for other state-owned banks: Agricultural Bank and BCR. In the first half of 1999, all private and commercial deposits in Bancorex were transferred to the Romanian Commercial Bank and Bancorex license was withdrawn. In the private banking sector, the NBR intervened in two failing banks, Banca Albina and Bankcoop. Both of them eventually closed, while International Religions Bank (BIR) is under National Bank's special supervision and special settlement regime. If BIR doesn't find a strategic investor agreed by the NBR to re-capitalize the bank, it will be shut down, too.

In March 1997, the NBR allowed all chartered banks in Romania, domestic or foreign, to act both as forex brokers and dealers. Banks may use their own daily forex rate, when buying or selling foreign currency. The NBR now calculates a weighted average for all forex rates set by the dealers, which is used for bookkeeping purposes.

The Romanian Commodities Exchange opened in Bucharest in December 1992. It was followed a year later by commodities exchanges in five other cities. Eleven commodity exchanges, brokerage companies and business centers signed a cooperation agreement in Bucharest in May 1995. Almost all commodities exchanges have started to work forward contracts, although the volume of transactions has been limited.
To stimulate the development of capital markets in Romania, the Parliament enacted a securities exchange law in 1994. The law established the National Securities Commission (CNVM) responsible for regulating the primary and secondary securities markets, including the activities of broker/dealers and mutual funds. The Bucharest Stock Exchange (BSE) commenced operations in November 1995 and as of June 2000 had 130 listed companies, and a market capitalization of USD 373.9 million. The trading volume was generally low. In early June 2000, an average trading session amounted to USD 360,000.

An over-the-counter (OTC) securities market, designed to complement the BSE through the effects of the privatization process, opened in September 1996 with assistance from the U.S. Agency for International Development. This market, whose acronym is RASDAQ (Romanian Association of Securities Dealers Automatic Quotation), provides capital for shares of firms (including both newly privatized and other companies) that are unable to meet the more stringent listing requirements of the BSE.

Out of the 207 brokerage agencies licensed to operate on RASDAQ, 10 currently account for over 90 percent of the OTC transactions volume. The total market capitalization on the RASDAQ was $961.8 million by early June 2000. The weekly volume of transactions reached $19 million. In June 20000, there were 5,585 companies listed on RASDAQ. On average, 353 companies are traded on RASDAQ daily. Problems affecting RASDAQ's further development include uneven regulatory policies of the National Securities Commission (CNVM) and high bank interest rates, which have made most individuals prefer bank deposits to portfolio investments. Also, recent problems with Romanian mutual funds and CNVM have had a negative impact on the capital markets.

The Romanian mutual fund industry developed earlier than the rest of the capital markets and initially concentrated in small commercial loans. Strong performances in 1993-94 encouraged further growth of the industry. In late May 2000, the largest mutual fund (FNI - National Investment Fund) collapsed because of a combination including fraudulent management of FNI and lack of supervision by CNVM, which resulted in artificially computed net asset values.

Foreign Exchange Controls Affecting Trade

Since 1990, the Romanian ROL has depreciated steadily. The average 1999 exchange rate was 15,333 lei per one U.S. dollar, representing a 66.7 percent nominal depreciation of the Romanian currency versus the 1998 exchange rate, and 11.9 percent in real terms.

An interbank currency market began operations in 1995. In early 1997, the GOR lifted all forex dealership restrictions. On February 1, 1998, new forex rules, consistent with the IMF's article VIII, were issued by the NBR regarding the domestic current-account convertibility of the leu. The passage to the next step, i.e., capital account convertibility, may take several years.
Although still a managed currency, the leu is fully convertible for business purposes. Foreign investors may freely repatriate profits and dividends in hard currency. They are permitted to maintain leu accounts to purchase goods domestically. Capital exports, although permitted by law as a few exceptions, are generally discouraged.

General Availability of Financing

The cost of borrowing locally is still high. As of March 2000, the commercial banks' average nominal lending rate for non-banking customers reached 63.7 percent, and the deposit average interest rate was 53.3 percent. The NBR's discount rate (the rate at which it lends to commercial banks) dropped to 35 percent.

The December 1998 to December 1999 inflation rate was 54.8 percent. The volume of refinancing declined as a result of the NBR's decision to cut liquidity in the banking system and to issue money through forex purchases. The effect of the NBR's tight monetary policy on small and medium-sized enterprises was severe. Preferential credits are no longer granted for seasonal agricultural works or for industrial exports. Beginning with 1997, all GOR subsidies have been financed directly out of the state budget.

Availability of GSM Credit Guarantees

To promote U.S. agricultural exports to Romania, the U.S. Department of Agriculture has, since 1992, made export credit guarantees available to this country. For FY-00, Romania is eligible for USD 43 million of GSM-102 through the following banks: Romanian Commercial Bank, Banc Post, Turkish-Romanian Bank, Romanian Eximbank, Ion Tiriac Bank, Raiffeisenbank Romania, and Romanian Bank. The GOR has announced that it will use these credits to import U.S. food and agricultural products.

Availability of Loan Guarantees, Insurance and Project Financing from the Export-Import Bank of the United States, OPIC, and the IFIs

The Export Import Bank of the United States (Eximbank) opened for short-term (180 days) coverage for exports to Romania in 1992. Currently Romania is eligible for medium-term and long-term coverage, but only for public sector transactions. Eximbank provides insurance through its affiliated agent, the Foreign Credit Insurance Association.

U.S. project financing and insurance can be provided by the Overseas Private Investment Corporation (OPIC), which offers direct loans, loan guarantees, and political risk insurance. OPIC began operations in Romania in late 1992. Four major projects have been approved to date totaling $22 million in OPIC loans and up to $86 million in investment insurance. One project is co-financed by EBRD.

Other U.S. entities engaged in promoting U.S. exports (USAID, the Small Business Administration, etc.) have initiated a variety of programs and projects for Romania.

A USG-funded, privately-managed Romanian-American Enterprise Fund was approved in April 1993 and started operations in June 1995. It is capitalized at USD 50 million. The purpose of the Fund is to promote private sector development in Romania. It has authority to make equity investments and loans, and offer technical assistance to promote new private initiatives and privatization, with special emphasis on the promotion of small and medium-sized businesses. The Fund may support joint ventures, which match U.S. investors with Romanian partners.

An essential part of project financing under Romania's program of economic restructuring and modernization is expected to come from IFIs. Priority projects supported by multilateral institutions are mainly related to infrastructure modernization in transportation, power generation, telecommunications, and environmental protection. Viable private sector projects may also be supported on a priority basis.

Financing packages for Romanian projects generally include one or more multilateral lenders — the World Bank (or its International Finance Corporation), EBRD, the European Investment Bank — plus foreign and Romanian commercial banks. Romanian government guarantees are issued by the Ministry of Finance for projects of up to USD 30 million. Guarantees for larger projects have to be submitted by the Ministry of Finance to the government for approval. GOR guarantees are approved on the basis of feasibility studies, which must contain a clear description of the financial package for the project.

Financing from international sources also includes grants for technical assistance. The most extensive assistance of this type has come from the EU's PHARE program and from the United Nations. Individual countries have also initiated technical assistance programs. Romania became eligible for U.S. Trade and Development Agency (TDA) program funding in November 1991. Since then it has received 30 grants with a combined value of USD 9 million for feasibility studies covering the most important sectors of the Romanian economy.

Financing and Methods of Payment to Export from Romania to Other Markets, Including the U.S. Market (Re-draft)

A Romanian Export Import Bank has been created to manage credit lines opened by the Central Bank. Examples of such credit lines are the long-term credit for the industrial development project sponsored by the World Bank ($175 million) and the short-term credit ($70 million) for imports of materials and equipment needed for production targeted for export. Maximum long-term credits are USD 8 million, the repayment period being 3 to 17 years.

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

Barter and countertrade, co-production arrangements, deferred payment plans, and self-financing packages are also used to facilitate exports. In general, the more willing the U.S. company is to be flexible, the greater the chances of concluding a contract. Many Romanians, especially small private entrepreneurs, are inexperienced in trade finance, so it is up to the U.S. partner to suggest options.

Contact Information for Commercial Banks with Correspondent U.S. Banking Arrangements

All major Romanian banks have correspondent banks in the United States. Foreign banks with offices in Bucharest also have correspondent U.S. banking arrangements. For a complete list of major banks in Romania, see Chapter 11.

Contact information for local or regional offices of U.S. financial/lending institutions and IFI's is provided in Chapter 11.

IX. BUSINESS TRAVEL

Business Customs

Special customs do not figure significantly in business dealings in Romania; Western business standards apply.

Romanians have genuine regard and admiration for Americans. The quality of U.S. products and services, the efficiency of American management practices, and the reliability of U.S. business partners are widely recognized.

Romanian nationals are friendly, industrious people, and foreigners are usually made very welcome. Shaking hands is the normal form of greeting, and normal courtesies are observed when visiting people's homes. It is important to take business cards to meetings and to give a card to each person present.

Flowers are very popular in Romanian culture, and are given for almost every occasion, including name day celebrations, weddings, and visits to Romanian homes. Casual wear is the most suitable form of dress for most social occasions, but attire should 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. When dining, it is usual to say “pofta buna” (bon appetit) before eating, and “noroc” (cheers) before drinking.

Visa Requirements

American citizens (whether tourists or business people) do not need Romanian visas for visits of up to 30 days. Visas for longer stays are available from Romanian diplomatic and consular offices. To exit Romania without problem, the visa must be still valid, and the traveler must have his “exit form” (talon de iesire), which was filled out when entering the country.

If a Romanian visa expires while the traveler is in Romania or if the traveler’s visit extends to more than one month, the visa can be extended/obtained at the police headquarters in any larger city (the fee is $31). Travelers losing their “exit forms” must contact the Romanian passport office. Americans who lose their passports have to contact the U.S. Consulate in Bucharest and request a temporary one. Issuance of this passport may take more than one day.

Travel Information

Romania is a relatively safe country for foreigners. Although on the rise, the crime rate is not so high as in other parts of CEENIS. However, pick-pocketing is a problem, as are some money exchanging schemes, which have become increasingly common. Some of the scams are rather sophisticated, involving individuals posing as policemen. U.S. travelers who have questions about crime in Romania may contact the U.S. Embassy’s Regional Security Officer (RSO), phone (40-1) 210-4042, ext. 250.

Although major hotels accept both credit cards and travelers checks, it is advisable that travelers bring along enough cash for their stay. Romanian law allows foreigners to bring up to $10,000 in cash into Romania, but requires them to declare any amount above $1,000 as well as any checks they might have upon entry. No amount in excess of that declared upon entry may be taken out of Romania upon departure. Sums larger than $10,000 must be transferred through banks. No more than 500,000 Romanian lei, local currency, may be brought into or taken out of the country. Romanian 100,000-lei bills may not be taken out of the country. There is no requirement to change any specific amount of money per day while in Romania.

Travelers are strongly urged to exchange money only at banks or at official exchange bureaus, including the many private ones, which often offer the best rates.

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

Holidays

— January 1-2 (New Year’s Day)
— (Orthodox Easter Monday)
— May 1 (Labor Day)
— December 1 (Romanian National Day)
— December 25-26 (Christmas Day)

Business Infrastructure

— Language: 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.

— Air and Ground Transportation: Tarom, the Romanian national airline, serves major points in Romania, Europe, Asia, and North America. International carriers currently serving Romania include Aeroflot (Russia), Air France, Alitalia, Austrian Airlines, Balkanair (Bulgaria), British World Airways, CSA (Czech Republic and Slovak Republic), El Al (Israel), KLM (The Netherlands), LOT (Poland), Lufthansa (Germany), Malev (Hungary), SAS (Sweden), Swissair, and Turkish Airlines.

All major cities of Romania have airline service nearby and are connected to the Bucharest hub. Bucharest-Otopeni, Bucharest-Baneasa, Timisoara, Constanta-Kogalniceanu, Cluj-Napoca, Sibiu, and Targu Mures airports are also ports of entry.

In Bucharest, such hotels as Sofitel and Inter-Continental provide scheduled shuttle bus service to and from the Otopeni airport, as well as rent-a-car service. Pick-up for the Hilton Hotel can be provided by the Sky Services company at the Otopeni airport. In addition, taxis are readily available at Otopeni airport at approximately $20. Price should be agreed upon prior to hiring a taxi. Immediately upon leaving the arrival hall (after clearing customs) there are a plethora of bootleg taxi operators. These should be avoided. Regularly marked taxis are available outside the terminal.

Romania is well served by an international and domestic rail system. The daily Wiener-Waltzer Express from Vienna takes roughly 20 hours to reach Bucharest. The current domestic highway network is extensive, but the road quality is poor. Intercity roads are currently being upgraded. Driving to Bucharest in December-February is not advisable because mountain passes can be hazardous. Driving after dark at any time of year also is not recommended because of pedestrians, animals, or slow-moving vehicles often encountered on the roadway; otherwise, the main roads are reasonably safe.

— Telecommunications: Local telephone service is automatic and fairly dependable. International telephone and telegraph connections are generally good, but delays may occur in placing calls, and they are quite expensive, with price per minute rising with the length of the call. Romania is seven time zones ahead of U.S.-Eastern standard time.

— Housing: Romania offers a wide variety of hotels and long-term living accommodations that can be reserved through international travel agents or by direct contact. Payment for accommodation, meals, and other services can be in lei, convertible currency, traveler's checks, or by major credit cards. U.S. dollars in cash are easily exchanged and very widely accepted as a payment medium. It is advisable to reserve hotel accommodations before arriving in Romania, especially during peak periods.

Office rentals in Bucharest are available at the World Trade Center (Sofitel Hotel), Financial Plaza (Calea Victoriei 15), Union Business Center (Union Hotel), Rokura Business Center (Dorobanti Hotel), and Modern Business Center (Modern Hotel). Office space is also available from the many real estate agencies active in all major cities.

— Health: Due to lack of modern equipment, medical care in Romania is often below Western standards. Hotels sometimes have doctors on call, and more private clinics are opening each year. In case of an emergency, travelers should go to an Emergency Hospital (Spital de urgenta). Address in Bucharest: Calea Floreasca 8 (tel. 212-2468).

— Getting Dollars in Romania: The best way to get dollars in Romania is to bring them with you. Traveler's checks will be accepted for payment of hotel, airline, car rental and railroad bills. Traveler's checks can be cashed for dollars for a fee at major commercial banks.

To transfer funds to and from Romania, travelers can use the MoneyGram service offered by the Romanian Commercial Bank and the Ion Tiriac Bank or the Western Union service offered through Banca Romaneasca and the Romanian Development Bank.

Temporary entry of goods

Articles exempted from duty include: Personal effects and medicine required, in rational amounts, for the duration of the trip, personal jewelry, personal laptops, books, publications and recordings of all types, slides and other similar items for personal use, articles received as prizes or distinctions at official events, alcoholic beverages (2 liters of liquor, 4 liters wine, 4 liters beer), cigarettes (200 cigarettes, 50 cigars, 250 gr. tobacco) for use of individuals over 16 years of age, other articles of all kinds with an aggregate value of 100 Euros.

In addition to the above-listed items, travelers may bring into Romania, with payment of duty, goods in accompanied or non-accompanied luggage with an aggregate value of 1,200 Euros.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of

Documents, U.S. Government Printing Office, Washington, DC 20402; tel. (202) 512-1800; fax (202) 512-2250. Business travelers to Romania seeking appointments with U.S. Embassy Bucharest officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (40-1) 210-4042, fax at (40-1) 210-0690, or E-mail at Bucharest.Office.Box@mail.doc.gov

X. ECONOMIC AND TRADE STATISTICS

Note: Unless otherwise noted, data for 1998 and 1999 are official Romanian statistics and data for 2000 are U.S. Embassy projections.

Appendix A: Domestic Economy

		1998	1999 (USD Millions)	2000 (proj.)
GDP		38,157.4	34,026.9	35,000.0
GDP Growth Rate (%)		-5.4	-3.2	+1.5
GDP Per Capita (USD)		1,695.6	1,512.3	1,555.5
Government Spending (% of GDP)		36.7	35.4	35.0
Inflation (%)		40.6	54.8	33.0
Unemployment (%)		10.3	11.5	11.0
Foreign Exchange Reserves		3,791.8	3,653.5	3,600.0
Average Exchange Rate for $1.00		8,874.8.	15,332.9	21,000.0
Debt Service Ratio (% of foreign income)	25.8	34.6	29.0	
U.S. Economic Assistance*		38.0	35.0	35.0

* USAID figures.

Appendix B: Trade Statistics

	1998	1999 (USD Millions)	2000 (proj.)
Total Romanian Exports (FOB)	8,301.0	8,505.0	10,205.0
Total Romanian Imports (CIF)	11,821.0	9,592.0	11,030.0
U.S. Exports	498.7	362.4	360.0
U.S. Imports	319.7	316.9	400.0

XI: U.S. AND ROMANIAN CONTACTS

Note: For each contact, the following information has been entered: organization, contact name and title, address, phone, and fax.

WASHINGTON-BASED USG CONTACTS

U.S. Department of Commerce

U.S. Commercial Service
Office of International Operations

Carlos Poza, Regional Director for Europe
Betty Smith, Deputy Director for CEE
U.S. Department of Commerce - Room 3130
14th and Constitution Avenue, N.W.
Washington, DC 20230
Tel. (202) 482-1599; Fax: (202) 482-3159

Market Access and Compliance
Central and Eastern Europe Division
Jay Burgess, Director
Jonathan Kimball, Romania Desk Officer
Tel. (202) 482-4915; Fax: (202) 482-4505
U.S. Department of Commerce - Room 3319
14th and Constitution Avenue, N.W.
Washington, DC 20230

Central and Eastern European Business Information Center (CEEBIC)
Jennifer Gothard, International Trade Specialist
U.S. Department of Commerce
Ronald Reagan Building
1401 Constitution Avenue, N.W.
Washington, DC 20230
Tel. (202) 482-0808; Fax: (202) 482-3898

U.S. Department of State
David Summers, Romania Desk Officer - Room 5219
2201 C St., N.W.
Washington D.C. 20520
Tel. (202) 647-4272; Fax: (202) 736-4853

U.S. Trade and Development Agency - USTDA
Ned Cabot, Regional Director, Europe
Aileen Crowe, Country Manager
1621 N. Kent St., Suite 200
Arlington, VA 20009
Tel. (703) 875-4357; Fax: (703) 875-4009
Web Site: www.tda.gov

Overseas Private Investment Corporation
James Gale, Regional Business Development Manager for CEE and NIS
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel. (202) 336-8629; Fax (202) 408-5145
Web Site: www.opic.gov

Export-Import Bank of the United States
Frank Graebner, Int’l Business Development Officer
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel. (202) 565-3924; Fax (202) 565-3932
Web Site: www.exim.gov

U.S.-BASED MULTIPLIERS RELEVANT FOR ROMANIA

U.S. Chamber of Commerce
Gary Litman, Executive Director, CEE Business Councils
1615 H Street, N.W.

Washington, D.C. 20062-2000
Tel. (202) 463-5460; Fax: (202) 463-3114

Romanian-American Chamber of Commerce
Mark A. Meyer, Chairman
Chevy Chase Metro Building
Two Wisconsin Circle, Suite 1030
Washington, D.C./Bethesda, MD 20815
Tel. (301) 656-9022; Fax: (301) 656-9008

Embassy of Romania
Ambassador Mircea Geoana
1607 23rd St., N.W.
Washington, D.C. 20008
Tel. (202) 232-4747; Fax: (202) 332-4858

Consulate General of Romania
Eugen Serbanescu, Consul General
New York, NY 10016
Tel. (212) 682-9120; Fax: (212) 972-8463

Consulate General of Romania
Nicolae Florin Constantinescu, Consul General
11766 Wilshire Blvd., Suite 1230
Los Angeles, CA 90025
Tel. (310) 444-0043; Fax: (310) 445-0043

U.S. EMBASSY TRADE PERSONNEL

Roda Tinis, Commercial Specialist
Doina Brancusi, Commercial Assistant
Dana Dobrescu, Commercial Assistant
Clement Dan, CEEBIC Contractor
Corina Gheorghisor, Commercial Clerk
Tel. (40-1) 210-4042; Fax: (40-1) 210-0690

International Mail:
Commercial Service
American Embassy
Str. Tudor Arghezi 7-9
Bucharest, Romania

U.S. Mail:
Commercial Section
American Embassy Bucharest
c/o Department of State
Washington, D.C. 20521-5260

ROMANIAN PRESIDENCY

Emil Constantinescu, President
Cotroceni Palace, Bucharest
Tel. (40-1) 312-1159; Fax: (40-1) 411-3131

GOVERNMENT OF ROMANIA

Mugur Isarescu, Prime Minister
Piata Victoriei 1, Bucharest
Tel. (40-1) 222-2456; Fax: (40-1) 222-2457

Ministry of Foreign Affairs
Petre Roman, Minister
Aleea Modrogan 14, Bucharest
Tel. (40-1) 222-3038; Fax: (40-1) 230-7961

Ministry of Finance
Traian Decebal Remes, Minister
Str. Apolodor 17, Bucharest
Tel. (40-1) 410-1784; Fax: (40-1) 312-1630

Ministry of Industry and Trade
Radu Berceanu, Minister
Calea Victoriei 152, Bucharest
Tel. (40-1) 231-0262; Fax: (40-1) 312-0513

Ministry of Transport
Anca Boagiu, Minister
Blvd. Dinicu Golescu 38, Bucharest
Tel. (40-1) 222-3636; Fax: (40-1) 312-0772

Ministry of Agriculture and Food Industry
Ioan Muresan, Minister
Blvd. Carol I No. 24, Bucharest
Tel. (40-1) 315-4412; Fax: (40-1) 312-4410

Ministry of Health
Gabor Hajdu, Minister
Str. Ministerului 2-4, Bucharest
Tel. (40-1) 314-1526; Fax: (40-1) 312-4916

Ministry of Water, Forests and Environment Protection
Romica Tomescu, Minister
Blvd. Libertatii 12, Bucharest
Tel. (40-1) 410-0246; Fax: (40-1) 312-4227

Ministry of Public Work and Territorial Development
Nicolae Noica, Minister
Str. Apolodor 17, Bucharest
Tel. (40-1) 335-3536; Fax: (40-1) 336-8509

National Agency for Communications and Information Technology
Sergiu Stelian Iliescu, President
Blvd. Libertatii 14, Bucharest
Tel. (40-1) 400-1190; Fax: (40-1) 400-1329

National Agency for Science, Technology, and Innovation
Lanyi Szabolcs, President
Str. Mendeleev 21-25, Bucharest
Tel. (40-1) 650-0690; Fax: (40-1) 312-1410

National Agency of Mineral Resources
Mihail Ianas, President
Str. Mendeleev 36-38, Bucharest

Tel. (40-1) 313-2204; Fax: (40-1) 210-7440

National Tourism Authority
Dumitru Moinescu, President
Str. Apolodor 17, Bucharest
Tel. (40-1) 312-3731; Fax: (40-1) 411-2346

National Commission for Statistics
Victor Dinculescu, President
Blvd. Libertatii 16, Bucharest
Tel. (40-1) 312-4875; Fax: (40-1) 312-4873

Romanian Customs
Nini Sapunaru, State Secretary
Str. Matei Millo 13, Bucharest
Tel. (40-1) 315-5858; Fax: (40-1) 312-1395

State Ownership Fund - SOF
Radu Sarbu, President
Str. Stavropoleos 6, Bucharest
Tel. (40-1) 303-6301; Fax: (40-1) 312-4237

Romanian Agency for Regional Development
Liviu Marcu, President
Str. Poterasi 11, Bucharest
Tel. (40-1) 335-2620; Fax: (40-1) 336-1843

Chamber of Commerce and Industry of Romania
Gheorghe Cojocaru, President
Blvd. Octavian Goga 2, sector 3, Bucharest
Tel. (40-1) 322-9501; Fax: (40-1) 322-9502

National Trade Registry Office
Cornelia Rotaru, Director General
Blvd. Octavian Goga 2, sector 3, Bucuresti
Tel. (40-1) 327-3402; Fax: (40-1) 327-3468

State Office for Inventions and Trademarks
Gabor Varga, General Director
Str. Ion Ghica 5, Bucharest
Tel. (40-1) 315-9066; Fax: (40-1) 312-3819

The Fairs and Exhibition Company (ROMEXPO)
Gheorghe Cojocaru, General Manager
Blvd. Marasti 65-67
Tel. (40-1) 224-3746; Fax: (40-1) 224-3545

PUBLIC AUTHORITIES

CONEL - Romanian Power Authority
Tudor Serban, Director General
Blvd. Gen. Magheru 33, Bucharest
Tel. (40-1) 312-3163; Fax: (40-1) 312-0291
Note: Conel has recently been divided into four independent entities

PETROM - Romanian National Oil Corporation

Ioan Popa, President
Calea Victoriei 109, Bucharest
Tel. (40-1) 659-6059; Fax (40-1) 312-9635

ROMGAZ - Romanian National Gas Corporation
Gabriel Coconea, Director General
Str. Unirii nr. 4, Medias, 3125
Tel. (40-69) 841-966; Fax. (40-69) 839-031
Note: Romgaz has recently been divided into six independent entities.

SNCFR - Romanian National Railways Company
Viorel Simut, Director General
Blvd. Dinicu Golescu 38, Bucharest
Tel. (40-1) 222-3637; Fax: (40-1) 312-3200

National Road Administration
Danila Bucsa, Director General
Blvd. Dinicu Golescu 38, Bucharest
Tel. (40-1) 223-2606; Fax: (40-1) 312-0984

Romtelecom - National Telephone Operator
Vassilious Tsakoniatis, Director General
Blvd. Libertatii 14, Bucharest
Tel. (40-1) 400-1026/400-3034; Fax (40-1) 410-5581

Radiocomunicatii - National Radiocommunications Company
Stefan Molinaru, Director General
Blvd. Libertatii 14, Bucharest
Tel. (40-1) 400-1101; Fax: (40-1) 400-1228

BANKS

National Bank of Romania
Emil Iota Ghizari, acting Governor
Str. Lipscani 25, Bucharest
Tel. (40-1) 314-2370; Fax: (40-1) 312-3831

Romanian Commercial Bank
Nicolae Danila, Chairman
Blvd. Regina Elisabeta 5, Bucharest
Tel. (40-1) 312-1503; Fax: (40-1) 313-1463

Agricultural Bank
Eugen Radulescu, Chairman
Str. Smirdan 3, Bucharest
Tel. (40-1) 315-5303; Fax: (40-1) 312-6306

Romanian Bank for Development S.A. (Societe Generale Group)
Baltasar Bogdan, Chairman of the Board
Bernard Caussignac, Director General
Str. Doamnei 4, Bucharest
Tel. (40-1) 315-8909; Fax: (40-1) 312-1562

Banc Post S.A.
Elena Petculescu, President
Blvd. Liberatii 18, Bl. 104, Bucharest

Tel. (40-1) 400-1431; Fax: (40-1) 336-1125

Eximbank S.A.
Dan Radu Rusanu, Chairman
Splaiul Independentei 15, sector 5, Bucharest
Tel. (40-1) 336-6129; Fax: (40-1) 336-6176

Banca Romaneasca
Petru Rares, Chairman
Blvd. Unirii 35, Bucharest
Tel. (40-1) 321-1601

MindBank S.A.
Ioan Prundus, Chairman
Calea Plevnei 46-48, Bucharest
Tel. (40-1) 313-0788; Tel\Fax: (40-1) 315-7727

"Ion Tiriac" Commercial Bank
Anthony van der Heijden, Chairman
Bucharest Financial Plaza, Calea Victoriei 15, Bucharest
Tel. (40-1) 303-2600; Fax: (40-1) 303-2603

Creditanstalt Investment Bank
Guy Verduystern, General Manager
City Business Center, Str. Nerva Traian 3, Bucharest
Tel. (40-1) 322-2940; Fax: (40-1) 322-6495

ING Bank
Ralph Hammer, General Manager
Sos. Kiseleff 13-15, Bucharest
Tel. (40-1) 222-1600; Fax: (40-1) 222-1401

Frankfurt-Bukarest Bank
Nicolae Jantea, Director
Bd. Carol I 34-36, Business Center Modern, Bucharest
Tel. (40-1) 250-9908; Fax: (40-1) 250-5609

MISR Romanian Bank (Romanian-Egyptian Bank)
Gheorghe Barbulescu, General Director
Bd. Unirii 66, Bl.K3, Bucharest
Tel. (40-1) 323-6063/323-6169; Fax: (40-1) 323-7611

Romanian-Turkish Bank
Fahim Tobur, Chairman
Str. I. Campineanu 16, Bucharest
Tel. (40-1) 312-1006; Fax: (40-1) 311-1732

Banque Franco-Roumaine - Bucharest Branch
Gilles Bourely, General Director
Piata Charles de Gaulle 3-5, Bucharest
Tel.: (40-1) 223-3040; Fax: (40-1) 223-3600

Citibank NA
Zdenek Turek, Country Corporate Officer
Meelad Khokhar, Credit Corporate Head

Janet Heckman, Vice President, Head of Financial Institutions
Blvd. Iancu de Hunedoara 8, Bucharest
Tel. (40-1) 210-1850, 230-0567; Fax: (40-1) 210-1854

REGIONAL OFFICES OF U.S. FINANCIAL/LENDING INSTITUTIONS

OVERSEAS PRIVATE INVESTMENT CORPORATION
John F. Moran, Director, Business Development Southeast Europe
Address: Andrije Hebranga 11/II, Zagreb, Croatia
Tel. (385-1) 461-0777; Fax: (385-1) 455-3126

U.S. TRADE AND DEVELOPMENT AGENCY
Jeanette K. Miller, Director, Business Development Southeast Europe
Address: Andrije Hebranga 11/II, Zagreb, Croatia
Tel. (385-1) 461-0777; Fax: (385-1) 455-3126

LOCAL OFFICES OF INTERNATIONAL FINANCIAL INSTITUTIONS

WORLD BANK
Ziad Alahdad, Chief of Mission
Address: Blvd. Dacia 83, Bucharest
Tel.: (40-1) 210-1804; Fax: (40-1) 210-2021

INTERNATIONAL FINANCE CORPORATION
Ana Maria Mihaiescu, Chief of Mission
Address: Blvd. Dacia 83, Bucharest
Tel. (40-1) 211-2866; Fax: (40-1) 211-3141

EUROPEAN BANK FOR RECOSTRUCTION AND DEVELOPMENT
Salvatore Candido, Director General
Address: Str. J.L. Calderon 38, Bucharest
Tel. (40-1) 312-2233; Fax: (40-1) 312-2232

INTERNATIONAL MONETARY FUND
Stephane Cosse, IMF Representative
Address: Str. Lipscani 25, Bucharest
Tel. (40-1) 315-5026; Tel/Fax: (40-1) 312-0788

TRADE ASSOCIATIONS

AOAR (Romanian Businessmen’s Association)
Dan Voiculescu, President
Str. Garlei nr.1 (Grivco)
Tel. (40-1) 222-1542, 222-1531; Fax. (40-1) 222-2943

ANEIR (National Association of Romanian Exporters and Importers)
Petru Crisan, President
Str. Doamnei 17-19, sector 3, Bucharest
Tel. (40-1) 313-9223; Fax. (40-1) 312-2572/312-1103

ANIR (National Association of Romanian Investors)
Octav Buruiana, President
Str. Anghel Saligni 8, sector 5
Tel/Fax. (40-1) 315-0845

ASIR (Association of Foreign Investors in Romania)

J.A. Seroussi, President
Blvd. Pache Protopopescu, nr. 25,etaj 4, Bucharest
Tel. (40-1) 252-8200; Fax. (40-1) 252-9021; Tel/Fax. (40-1) 252-9023

CIS (Foreign Investors' Council)
Jean Pierre Taillardat, President (Lafarge Romania)
Russel Greenwood, Vice President (British American Tabacco)
Jeroen van Heesewijk (Philips)
Doina Ciomag, Representative
ING Building, Sos Kiseleff nr. 11-13
Tel. (40-1) 222-1931; Fax. (40-1) 222-1932
E-mail: doina_fic@hotmail.com

ANIS (National Association of Software Companies)
Florin Talpes, Vice President
Str. Fabrica de Glucoza 5, Bucharest
Tel. (40-1) 230-5026; Fax. (40-1) 230-9471
E-mail: anis@softwin.ro

ATIC (Association for Information Technology and Communication)
Vasile Baltac, President
Calea Floreasca 167, Bucharest
Tel. (40-1) 232-0030; Fax. (40-1) 230-5612

ARIES (Romanian Association for Electronic Industry and Software)
Alexandru Borcea, President
Splaiul Independentei 202A, Bucharest
Tel. (40-1) 638-7240; Fax. (40-1) 220-2712
E-mail: aries@hades.ro

ARACO (The Romanian Builders and Contractors Association)
Liviu Daschievici, Director General
Splaiul Independentei 202A, 7th Floor, Room 18, Bucharest
Tel. (40-1) 212-6391/2; Fax. (40-1) 312-9626
E-mail: araco@fx.ro

AMERICAN & MULTINATIONAL ACCOUNTING/AUDITING FIRMS IN ROMANIA

Arthur Andersen SRL
Paolo Biondi, Managing Director
"Modern" International Business Center
Blvd. Carol I 34-36, Bucharest
Tel. (40-1) 250-95-32; Fax. (40-1) 250-9705

DRT-Touche-Tohamatsu Deloitte
Mike Bohan, Managing Partner
Splaiul Unirii 16, Et. 5, Bucharest
Tel. (40-1) 330-57-75; Fax: (40-1) 330-57-60

Ernst & Young
Garry R. Collins, Managing Partner
Str. Dr. Staicovici 75, Bucharest
Tel. (40-1) 410-4449; Fax (40-1) 410-4965

KPMG Romania
Francois Gontard, Managing Director

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Tel. (40-1) 335-9703; Fax. (40-1) 335-9748
E-mail: alexande@kpmg.ro

Price WaterhouseCoopers
Jean Pierre Vigroux, Territorial Senior Partner
Str. Campineanu 11, Union Center
Tel. (40-1) 311-24-55; Fax: (40-1) 312-33-34

Taylor Joyson Garrett
Simon Dayes, Managing Partner
Str. Popa Savu 5, Bucharest
Tel. (40-1) 222-1313; Fax: (40-1) 222-2626

AMERICAN LAW FIRMS IN ROMANIA

Altheimer & Gray
Obie L. Moore, Partner
Str. Pitar Mos 5, Bucharest
Tel. (40-1) 212-3791; Fax. (40-1) 212-3796

Arent Fox
Bryan W. Jardine, Lawyer
Bd. N. Titulescu nr. 1, Bl. A7, Sc. 1,Ap. 16, Bucharest
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Linklaters
Theodore H. Cominos, Partner
Str. Grigore Alexandrescu 44, Bucharest
Tel. (40-1) 310-4390, Fax. (40-1) 310-4391

Buzescu & Co (Foreign Investment Issues)
Peter Buzescu, Managing Partner
Splaiul Independentei 17, Bl. 101, Ap. 57, Bucharest
Tel. (40-1) 335-1366; Fax: (40-1) 335-1735
E-mail: pblex@bx.logicnet.ro

Hall, Dickler
Gilbert P. Wood, Director
Sos. Kiseleff 11-13, Bucharest
Tel. (40-1) 222-88-88; Fax: (40-1) 223-44-44

Herzfeld & Rubin
Lia Trandafir, General Manager
Str. Dionisie Lupu 62, Bucharest
Tel. (40-1) 223-3358; Fax: (40-1) 223-3377

Kaufman, Logan & Epure Consultants
Garrett L. Cecchini, Legal Advisor
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Tel. (40-1) 314-8206; Fax. (40-1) 314-5358

Nestor Nestor - Kingston & Petersen
Ion Nestor, Legal Advisor
Andrew Kinsgston, Legal Advisor
Patricia Petersen, Legal Advisor

Str. Aviator Zorileanu 39, Bucharest
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ROMANIAN MARKET RESEARCH FIRMS

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Constantin Fota, President
Calea 13 Septembrie 13, Bucharest
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Institute of World Economy
Constant Ciupagea, President
Calea 13 Septembrie 13, Bucharest
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IRSOP
Petre Datculescu, Managing Director
Str. Ministerului 2-4
Tel. (40-1) 315-6641/2; Fax: (40-1) 312-0382

The Gallup Organization Romania
Alina Serbanica, Director
Blvd. Nicolae Titulescu No. 1, bl. A7, Intr. 4, Bucharest
Tel. (40-1) 210-5016; Fax: (40-1) 211-0366

XII. MARKET RESEARCH

1. Industry Sector Analysis and International Market Insight reports prepared by Post in FY-99 and FY-00. Updated research schedules are available on the National Trade Data Bank.

Satellite Communications
Romanian Defense Market
Computer Hardware
Computer Software
Civil Aviation
Energy Efficiency Technologies
Interconnection of Romanian and West European Power Systems
Dental equipment
Pharmaceuticals and Drugs
Regional/Business Aircraft and Parts
Airport Development Opportunities

2. Agricultural Commodity Reports

Grain and Feed
Oilseeds and Products
Poultry
Livestock and Products

These reports are prepared on an as-needed basis and can be accessed from the following web site: fastnet.usda.gov

XIII: TRADE EVENT SCHEDULE

IFABO Bucharest
Dates: October 3-6, 2000
Place: Bucharest, Palace of Parliament International Conference Center
Organizer: Export Consult Vienna

Bucharest International Fair (UFI member; officially supported by the USG)
Sector: General industrial equipment
Date: October 9-14, 2000
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

ROCS ’00 - Romanian Computer Show
Date: November 25-28, 2000
Location: Hilton Hotel, Bucharest
Organizer: IDG Romania

Cosmetics-Beauty Hair
Date: November 22-26, 2000
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

Metal Processing – Metal Coating
Sector: Instruments for metal testing, treatment; metal coating
Date: February 20-23, 2001
Location: Bucharest Fairgrounds
Organizer: CORB-Publicom Dept.

Welding
Sector: Welding materials, equipment and technologies
Date: February 20-23, 2001
Location: Bucharest Fairgrounds
Organizer: CORB-Publicom Dept.

Modexpo
Sector: Textiles, ready-made clothes, leather goods
Date: February 28-March 3, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

Denta
Sector: Equipment and pharmaceutical products for dentistry
Date: March 6-9, 2001
Location: Bucharest Fairgrounds
Co-organizers: CORB-Publicom Dept. and Romexpo SA

Fittings-Pumps-Seals
Date: March 13-16, 2001
Location: Bucharest Fairgrounds
Organizer: CORB-Publicom Dept.

Compressors
Sector: Stable and portable air and gas compressors for industry and construction
Date: March 13-16, 2001
Location: Bucharest Fairgrounds
Organizer: CORB-Publicom Dept.

RomMedica (UFI Member)
Sector: Medical equipment and instruments
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; I.E.G. Solingen

RomPharma (UFI Member)
Sector: Medicines for human and veterinary applications
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; I.E.G. Solingen

RomOptik
Sector: Optical equipment and apparatus
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; IEG Solingen

RomLabor
Sector: Laboratory equipment and instruments
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; IEG Solingen

RomControla (UFI Member)
Sector: Testing tools and apparatus
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; IEG Solingen

Romtherm
Sector: Heating, cooling, air conditioning and insulating equipment
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; IEG Solingen

RomEnvirotec
Sector: Equipment and technologies for environmental protection
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; IEG Solingen

Expo Security
Sector: Security, police, alarm, civil, fire & disasters protection system
Date: March 27-30, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

TNT - Tourism National Fair (Spring)
Date: March 29-April 4, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

Construct Expo
Sector: Architecture, construction equipment, technologies and materials
Date: April 25-29, 2001
Location: Bucharest Fairgrounds

Organizer: Romexpo SA

ExpoCement
Sector: Cement industry equipment
Date: May 9-12, 2001
Location: Bucharest Fairgrounds
Organizer: Uzinexportimport

TIBC (UFI member)
Sector: Consumer Goods
Date: May 29 - June 4, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

S.L.M
Sector: Musical instruments, professional sound and light equipment
Date: May 29-June 4, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

CER-GLASS
Sector: Technologies and equipment for ceramics, glass and porcelain industries
Date: May 29-June 4, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

BITME
Sector: Equipment and technologies for textile industry
Date: June 19-22, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; Friedrich Wilhelm – Austria

BIFE-TIMB
Sector: Machinery & equipment for forest exploitation and wood processing
Date: September 5-9, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

Expo-Petro-Gas
Sector: Equipment and technologies for crude oil, gas extraction and processing
Date: September 18-21, 2001
Location: Bucharest Fairgrounds
Co-organizers: Romexpo SA; CCI Prahova

Modexpo
Sector: Textiles, ready made clothes, footwear
Date: September 26-29, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

IF
Sector: Investments
Date: October 8-10, 2001
Location: Bucharest Fairgrounds
Organizer: CORB

Bucharest International Fair (UFI member; officially supported by the USG)
Sector: General industrial equipment
Date: October 8-13, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

Inventika
Sector: Inventions, scientific research and new technologies
Date: October 8-13, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

Denta
Sector: Equipment and materials for dentistry
Date: October 23-26, 2001
Location: Bucharest Fairgrounds
Organizers: Romexpo SA; CORB-Publicom Dept

RomHotel
Sector: Furniture for hotels and restaurants
Date: October 25-28, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

INDAGRA
Sector: Equipment and products for agriculture
Date: November 6-10, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

Expo-Drink
Sector: Wines, alcoholic & non-alcoholic drinks
Date: November 6-10, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

All Pack
Date: November 6-10, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA

PoligrafExpo
Sector: Printing equipment and materials
Date: November 6-10, 2001
Location: Bucharest Fairgrounds
Organizer: CORB-Publicom Dept.

ExpoMil
Sector: Military equipment
Date: November 13-17, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA; CORB-CIA

Cosmetics-Beauty Hair
Date: December 4-9, 2001
Location: Bucharest Fairgrounds
Organizer: Romexpo SA