



ROMANIA
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

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

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

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

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

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

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

Romania has taken steps to strengthen tax administration, enhance transparency, and create legal means to resolve contract disputes expeditiously. Mergers and acquisitions are subject to review by the Competition Council. The Competition Law allows Romania's Supreme Defense Council to review strategic mergers and acquisitions, in addition to review by the Competition Council. To date, the Supreme Defense Council has not acted on any merger or acquisition. Romania's accession to the European Union (EU) on January 1, 2007 has helped solidify institutional reform. However, judicial, legislative, fiscal and regulatory unpredictability continue to negatively affect the investment climate.

Prospective U.S. investors should exercise careful due diligence, including consultation with competent legal counsel, when considering any investment. The Government of Romania (GOR) has, on occasion, allowed political interests or budgetary imperatives to supersede accepted Western business practices in ways harmful to investor interests. In 2013, the government instituted a windfall profit tax on additional profits from natural gas and electricity liberalization. A tax on special construction projects, again passed without a prior impact assessment or stakeholder consultations, was instituted as of 2014.

Investments involving the public authorities (central government ministries, county governments, or city administrations) are generally more complicated than investments or joint ventures with private Romanian companies. Large deals involving the government – particularly public-private partnerships and privatizations of key SOEs – can become stymied by vested political and economic interests, or bogged down due to a lack of coordination between government ministries. Although the Public-Private Partnership (PPP) Law was revised in 2011 to remove anticompetitive provisions, the law still lacks clear terms on risk sharing, PPP project management, and investment recovery. As a result, investor interest in PPPs has been weak. How the new PPP law is eventually implemented will be of considerable interest to investors over the next few years.

Other Investment Policy Reviews

The Romanian government underwent an OECD Investment Policy Review in 2005. It has cooperated with the World Bank to produce reports on the general investment climate, which can be found at the following links:

<http://documents.worldbank.org/curated/en/2015/01/23810437/romania-judicial-reform-p090309-implementation-status-results-report-sequence-16>

<http://documents.worldbank.org/curated/en/2014/10/20357282/doing-busienss-2015-going-beyond-efficiency-romania>

Laws/Regulations of Foreign Direct Investment

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

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

Given the state of flux of legal developments, investors are strongly encouraged to engage local counsel to navigate the various laws, decrees, and regulations, as several pieces of investor-relevant legislation were challenged in both local courts and the Constitutional Court. There have been few hostile take-over attempts reported in Romania and as a result, Romanian law has not focused on limiting potential mergers or acquisitions. There are no Romanian laws prohibiting or restricting private firms' free association with foreign investors.

Industrial Promotion

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

Limits on Foreign Control

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

Privatization Program

The State Asset Administration Authority (AAAS) is responsible for privatizing state-owned industrial assets and managing them during the privatization process. The newly created Ministry of Energy, SMEs and Business Climate oversees energy assets. The Ministry of Economy has authority over state-controlled natural gas carrier Transgaz and national electricity carrier Transelectrica. The Ministry of Transportation (MOT) has authority over the entities in

the transportation sector, including rail freight carrier CFR Marfa. Romania's privatization law permits the responsible authority to hire an agent to handle the entire privatization process, though ultimate decision-making authority remains with the Government.

Joint ventures between state-owned energy companies and private investors for electric power production have been stalled due to decreasing energy consumption and declining energy prices.

The terms of Romania's precautionary stand-by agreement with the IMF include the sale of minority stakes in several state-owned energy companies through initial public offerings (IPOs) and secondary public offerings (SPOs) on the Bucharest Stock Exchange (BVB). To date, successful transactions have included a 15 percent SPO for natural gas transmission operator Transgaz in April 2013 (following a 10 percent IPO in November 2007), an IPO for 10 percent stake in nuclear power producer Nuclearelectrica in September 2013, an IPO for a 15 percent stake in natural gas producer Romgaz in October 2013, and an IPO on the BVB and London Stock Exchange for the majority privatization of state-controlled electricity distributor Electrica in June 2014. The government has rescheduled for 2015 the 15 percent IPO for integrated coal mining and coal-fired power production company Oltenia Energy Complex, pending company restructuring. The IPO of hydropower producer Hidroelectrica, which had been planned for mid-2014, is delayed until after insolvency proceedings are concluded.

The GOR announced in 2012 its intention to privatize chemical manufacturer Oltchim and the copper mine Cuprumin; both transactions failed. Oltchim entered insolvency proceedings in January 2013; the proceedings are ongoing.

The government is resuming the privatization procedure for state-controlled rail freight carrier CFR Marfa, after failing to privatize it in 2013. The privatization is tentatively scheduled for completion in June 2015 but as of March 2015 the procedure had not started.

Romania has implemented the Electricity Directive and the Gas Directive of the EU's Third Energy Package, introducing a structural separation between transmission system operator activities, and generation, production and supply activities. Ownership unbundling rules apply to investors with participations in energy transmission, generation, production, and/or supply activities. According to the Third Energy Package directives, the same person cannot control generation, production and/or supply activities, and at the same time control or exercise any right over a transmission system operator (TSO). Furthermore, the same person cannot control a TSO and at the same time control or exercise any right over generation, production and/or supply activities. Consequently, the Ministry of Economy has overview of the national natural gas carrier Transgaz and national electricity carrier Transelectrica, while the Ministry of Energy has authority over state-controlled electricity producers.

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

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

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

Screening of FDI

Mergers and acquisitions are subject to review by the Competition Council. The Competition Law allows Romania's Supreme Defense Council to review strategic mergers and acquisitions, in addition to review by the Competition Council. To date, the Supreme Defense Council has not acted on any merger or acquisition. Otherwise, foreign greenfield and brownfield investments are subject to the same legal requirements as investments by Romanian companies.

Competition Law

In 2010, Romania extensively revised its competition legislation, bringing it closer to the EU *acquis communautaire* and best corporate practices. A new law on unfair competition came into effect in August 2014. Companies with a market share below 40 percent are no longer considered to have a dominant market position, thus avoiding a full investigation by the Romanian Competition Council (RCC) of new agreements, saving considerable time and money for all parties involved. Resale price maintenance and market and client sharing are still prohibited, regardless of the size of either party's market share. In a positive move, the authorization fee for mergers or takeovers has been capped at 25,000 Euros. The Fiscal Procedure Code requires companies to front a deposit equal to 20 percent of the fine while awaiting a court decision on the merits of the complaint.

To increase the absorption of EU funds, revisions to the public procurement law in December 2012 raised the open tender threshold for public projects to 5 million Euros. Government projects falling under the 5 million Euro threshold have the option of being tendered through a "call for bids" to at least three companies. Additionally, the amendments stipulate that public procurement awards can only be challenged with the National Complaint Council (NCC). The NCC's decision is binding, even if the contracting authority or a bidder challenges the decision in court. If the complaint against an award decision is determined to be unfounded, the contracting authority can withhold a percentage of the challenger's bid participation fee as a penalty. EU funded procurement procedures of private beneficiaries are subject to a simpler procedure that entails publication of a call for bids on a website hosted by the Ministry of

European Funds. Private beneficiaries are allowed to purchase services or equipment from related parties.

Investment Trends

The Heritage Foundation's Economic Freedom Report indicates improvements in freedom from corruption, labor freedom, and the management of government spending that outweigh a decline in business freedom. However, judicial independence is precarious, and the government has struggled to meet EU anti-corruption requirements. Despite progress, the business environment remains inefficient. The World Bank's Doing Business report indicates that Romania continues to rank below the world average in dealing with construction permits, and setting up utility services.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	69 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	48 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	34 of 142	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USA 9,060	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

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

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

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

Romania implemented regulations liberalizing foreign exchange markets in 1997. The inter-bank electronic settlement system became fully operational in 2006, eliminating past procedural

delays in processing capital outflows. Commission fees for real-time electronic banking settlements have gradually been reduced.

Capital inflows are also free from restraint. Romania concluded capital account liberalization in September 2006, with the decision to permit non-residents and residents abroad to purchase derivatives, treasury bills, and other monetary instruments.

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

Remittance Policies

Not applicable/information not available.

3. Expropriation and Compensation

The law on direct investment includes a guarantee against nationalization and expropriation or other equivalent actions. The law allows investors to select the court or arbitration body of their choice to settle disputes. Several cases involving investment property nationalized during the Communist era remain unresolved. In doing due diligence, prospective investors should ensure that a thorough title search is done to ensure there are no pending restitution claims against the land or assets.

4. Dispute Settlement

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

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

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

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

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

Bankruptcy

Romania's bankruptcy law contains provisions for liquidation and reorganization that are generally consistent with Western legal standards. These laws usually emphasize enterprise restructuring and job preservation. To mitigate the time and financial cost of bankruptcies, Romanian legislation provides for administrative liquidation as an alternative to bankruptcy. However, investors and creditors have complained that liquidators sometimes lack the incentive to expedite liquidation proceedings and that, in some cases, their decisions have served vested outside interests. Both state-owned and private companies tend to opt for judicial reorganization to avoid bankruptcy.

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

According to World Bank Doing Business report, resolving insolvency in Romania takes 3.3 years on average and costs 11 percent of the debtor's estate, with the most likely outcome being a piecemeal sale of the company. The average recovery rate is 30 cents on the dollar. Globally, Romania stands at 99 in the ranking of 189 economies on the ease of resolving insolvency. An October 2013 emergency ordinance amending the insolvency law was declared unconstitutional. A revised law is expected to be implemented in mid-2014. An individual insolvency law is expected to be approved in 2015.

Investment Disputes

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

International Arbitration

Romania increasingly recognizes the importance of arbitration in the settlement of commercial disputes. Many agreements involving international companies and Romanian counterparts provide for the resolution of disputes through third-party arbitration.

Romanian law and practice recognize applications to other internationally-known arbitration institutions, such as the ICC Paris Court of Arbitration and the Vienna United Nations Commission on International Trade Law (UNCITRAL). Romania also has an International Commerce Arbitration Court administered by the Chamber of Commerce and Industry of Romania.

ICSID Convention and New York Convention

Romania is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, meaning local courts must enforce international arbitration awards under certain circumstances. Romania is also a party to the European Convention on International Commercial Arbitration concluded in Geneva in 1961 and is a member of ICSID.

Duration of Dispute Resolution

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

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

5. Performance Requirements and Investment Incentives**WTO/TRIMS**

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

Investment Incentives

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

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

In practice, GOR budget constraints and a less-than-fully transparent application process have limited access to these forms of state aid. Different ministries and government entities manage

the various state aid schemes, and the rules and procedures are complex. Companies interested in state aid are encouraged to seek competent counsel and when developing a business plan, to set aside a generous amount of time for moving through all the bureaucratic stages required for state aid scheme approvals.

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

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

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

Research and Development

As an EU-member state, Romania cannot discriminate against firms to participating in government-financed or subsidized research and development programs based on the origin of the firms. Yet the government's financing of the research and development programs is minimal since the R&D market is largely private.

Performance Requirements

There are no performance requirements imposed as a condition for establishing, maintaining or expanding an investment. However, current legislation makes it very costly to engage non-EU citizens in Romania. Foreign companies often resort to expensive staff rotations, special consulting contracts, and non-cash benefits. Work permits are issued for a maximum of one year for a fee of 200 Euros (payable in the RON equivalent of that day's exchange rate), except for students and seasonal workers, who pay 50 Euros. These permits are automatically renewable with a valid individual work contract.

Data Storage

The government does not require investors to establish or maintain data storage in Romania. Romania does not follow "forced localization" policy, as there is no legislation requiring this. Romania does not have in place requirements for foreign IT providers to turn over source code or provide access to surveillance for the time being as Romania's Constitutional Court has twice ruled such specific legislative drafts are unconstitutional.

6. Right to Private Ownership and Establishment

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

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

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

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

7. Protection of Property Rights

Real Property

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

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

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

Most of the urban land has clear title, yet over 10 percent of the agricultural land does not have clear title, and the National Cadaster Agency is slowly working to identify property owners and register land titles.

Intellectual Property Rights

As elsewhere in the EU, Internet piracy – both Torrent sites peer-to-peer (P2P) file sharing and business-to-consumer piracy – remains the top IPR concern. Despite limited attention on IPR enforcement at the policy level, cooperation between law enforcement authorities, including prosecutors and police officers, and intellectual property-based private industry continues to be close and effective at the working level, leading to innovative approaches to prosecuting IPR crimes within this constrained legal and fiscal environment. In order to increase the odds of IPR cases being heard in court, law enforcement authorities, when appropriate, are bundling related charges of fraud, tax evasion, embezzlement, and organized crime activity alongside IPR violations. Not only has this increased the odds of IPR cases going to court, it also strengthens the evidence of “social harm” stemming from IPR violations; lack of social harm has often been cited as a reason for dismissing IPR cases in the past years, yet 2014 marked an improvement in this respect. Since 2014, Romania has also enforced a distinct law regulating employee inventions. The right to file a patent belongs to the employer for up to two years following the departure of the employee.

Romania's Customs Authority reported the seizure of approximately 6.73 million pieces of counterfeit goods in 2014, compared to 2.96 million pieces in 2013. Cigarettes, chocolate – an item that appeared with confiscated quantities for the first time in 2014, toys, clothing, packaging materials, key-rings, footwear, and leather goods accounted for the majority of those seizures. The amount of seized pharmaceuticals rose to 6,440 pieces, up 56 percent from 2013. Other goods that posted significant higher seized quantities were: cigarettes – more than three times to 4.8 million pieces, leather goods – almost double to 22,863 pieces, and chewing candies to 20,736 pieces. Significant drops in seized quantities featured with mobile phones and accessories – down nearly 20 times to 10,165 pieces, cosmetics - down 26 percent to 14,169 pieces, clothing – down 79 percent to 63,070 pieces, and footwear – down 61 percent to 28,074 pairs. According to both the Customs Authority and the national police, the vast majority of the counterfeit goods seized in Romania originate in China. Also, there are some Turkish counterfeited imports.

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

Romania is on the Special 301 Watch List primarily due to weak enforcement efforts against on-line copyright piracy. Customs officers can seize ex-officio, and then destroy counterfeit goods after the rights holder first inspects the goods and drafts a declaration. The government is responsible for paying for the storage and destruction of the counterfeit goods. Counterfeit goods are not prevalent in the local market.

The World Intellectual Property Organization (WIPO) provides 186 Country Profiles. These are available at: <http://www.wipo.int/directory/en>.

Romania is a party to the Paris Convention for the Protection of Industrial Property, and subscribes to all of its amendments. Romanian patent legislation generally meets international standards, with foreign investors accorded equal treatment with Romanian citizens under the law. Patents are valid for 20 years. Romania has been a party to the European Patent Protection Convention since 2002. Patent registration can be filed online. Since 2014, Romania has also enforced a distinct law regulating employee inventions. The right to file a patent belongs to the employer for up to two years following the departure of the employee.

In 1998, Romania passed a trademark and geographic indications law, which was amended in 2010 to make it fully consistent with equivalent EU legislation. Romania is a signatory to the Madrid Agreement relating to the international registration of trademarks and the Geneva Treaty on Trademarks. Trademark registrations are valid for ten years from the date of application and

renewable for similar periods; beginning 2014, trademark registrations can be filed online. In 2007, Romania ratified the Singapore Treaty on the Law of Trademarks.

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

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

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

Resources for Rights Holders

American Chamber of Commerce:

11 Ion Campineanu St, Union International Center, 4th Floor Bucharest
amcham@amcham.ro, +40 21 312 4834

State Office for Inventions and Trademarks (OSIM)

5 Ion Ghica St, Bucharest

office@osim.ro, +40 21 306 0800

http://www.osim.ro/cons/2013/agentii_consilieri.pdf [List of trademark lawyers]

Romanian Office for Rights of Authors

118 Calea Victoriei, Bucharest

office@orda.gov.ro, +40 21 317 5080

8. Transparency of the Regulatory System

Cumbersome and non-transparent bureaucratic procedures are a major problem in Romania. Foreign investors point to the excessive time it takes to secure necessary zoning permits, environmental approvals, property titles, licenses, and utility hook-ups. National and local officials often cannot provide potential investors with clear and comprehensive information on what permits or approvals are needed, or how they are to be obtained. Set fees for certain services, such as utilities, may not exist or may be subject to “negotiation” with local authorities or utility providers. Romania enacted a "Silent Approval" Law in 2003 to reduce bureaucratic delays, but it has yet to be universally enforced or recognized. Additionally, regulations can change frequently, often without advance notice or proper analysis of the impact the changes will have on the economy and business environment. Modifications can also be vaguely worded

and/or poorly explained. These unforeseen changes add to the costs of doing business and can alter an investor's business prospects overnight.

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

9. Efficient Capital Markets and Portfolio Investment

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

The Bucharest Stock Exchange (BVB) resumed operations in 1995, after a hiatus of 50 years. The BVB operates a four-tier system that, at present, lists a total of 82 companies, with 21 companies listed in the premium tier. The official index, BET, is based on a basket of the 10 most active stocks listed. BET-TR is total return on market capitalization index, adjusted for the dividends distributed by the companies included in the index. The BVB also has an alternative trading system (ATS) with 33 listed companies, and an "over-the-counter" market (RASDAQ) that currently lists 894 different stocks. The BVB allows trade in corporate, municipal, and international bonds, and in 2007, the BVB opened derivatives trading. The BVB's integrated group includes trading, clearing, settlement, and registry systems. The BVB's Alternative Trading System (ATS) allows trading in local currency of 33 foreign stocks listed on international capital markets, of which eleven are U.S. blue chip stocks. In 2015, the BVB launched a market (AeRO) dedicated to SMEs and start-ups.

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

Money and Banking System, Hostile Takeovers

There are 38 banks and credit cooperative national unions currently operating in Romania. The largest, Romanian Commercial Bank (BCR) was privatized in 2006 by sale to Erste Bank of Austria and has a 17.8 percent market share. The second-largest is the French-owned Romanian Bank for Development (BRD-Société Générale) with 12.9 percent market share, followed by privately-owned Transylvania Bank (9.0 percent), Austrian-owned Raiffeisen (7.4 percent), state-owned CEC Bank (7.2 percent), Italian-controlled UniCreditTiriac Bank (7.0 percent), and Dutch-owned ING (5.2 percent).

The banking system is stable and well provisioned. However, according to the National Bank of Romania, non-performing loans now account for 13.9 percent of total bank loans and interest; the solvency rate of the banking system is 17.3 percent.

The GOR has encouraged foreign investment in the banking sector, and there are no restrictions on mergers and acquisitions. The only remaining state-owned banks are the National Savings Bank (CEC Bank) and EximBank, comprising 8.2 percent of the market combined.

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

10. Competition from State-Owned Enterprises

SOEs are active in all the sectors of the economy. According to the EC Country Focus for Romania released in January 2015, SOEs generate eight percent of the total output of the non-financial corporations and employ close to four percent of the Romanian workforce. SOEs play an important role in transportation, energy, and postal activities. For example, according to the EC country focus, in the energy sector SOEs account for 44 percent of the turnover and 77 percent of the number of employees in the sector.

There is not an exhaustive list of SOEs published. According to EC estimates, at the end of 2013 there were 247 SOEs subordinated to the central government and 1,177 SOEs subordinated to the local government. The government has a uniform definition of SOEs as an entity in which the state holds more than 50 percent. There is no pre-established SOE percentage allocation for R&D and there are no official statistics available on how much companies, state-owned or private, allocate for R&D.

According to the Romanian public procurement laws, SOEs have to compete for public procurement contracts under the same rules as the private entities. Romanian public procurement legislation does not discriminate between private companies and SOEs. SOEs purchase from and supply goods and services to private sector/foreign firms and their purchases are subject to the Public Procurement Law, which mirrors the EU Procurement Directives. There are no separate conditions for SOEs regarding market share. Incentives such as state aid are subject to the EC approval. According to EU state aid rules, companies can apply either for individual ("ad-hoc aid") or under state aid schemes. The SOEs and the private companies are subject to the same rules and scrutiny when applying for state aid. SOEs are subject to the same tax burden and tax rebate policies as their private sector competitors. There is no discrimination between SOEs and private companies in terms of access to land and raw materials. The SOEs are not subject to hard budget constraints. The central or local authority that has oversight of the respective SOE approves the annual budget including planned spending and profit targets.

OECD Guidelines on Corporate Governance of SOEs

Generally, Romanian SOEs have an executive management and a non-executive board of administration. Additionally, general shareholder meetings take place periodically. Romanian SOEs are subject to the Company Law and to the Corporate Governance Code developed with

assistance from the World Bank and the IMF. These two pieces of legislation mirror the OECD Principles of Corporate Governance of SOEs. The Code is not enforced evenly regarding the selection of private managers, but the general governance principles stipulated in the two pieces of legislation are generally enforced. The Corporate Governance Law, the Public Procurement Law, the Competition Law and the state aid legislation ensure a level playing field between SOEs and private sector enterprises.

There is an independent board of directors for the SOEs. The line ministries are not involved in the daily management of the SOEs. The state designates its representatives in the general shareholder meeting and in the board of administration as non-executive board members, proportionally with state's equity in the SOEs. The state does not have preferred shares and it does not have a golden share or a veto right in SOEs. The Corporate Governance Code requires that professional SOE managers and board members be selected by independent head hunting agencies. However, this requirement is not enforced evenly and the state continues the practice of appointing politically connected individuals as non-executive board members.

Third party market analysts have highlighted the uneven enforcement of the Corporate Governance Code. The EC January 2015 country focus for Romania indicates that SOEs generally perform sub optimally compared to counterparts in the private sector. The EC report recommends across the board implementation of the Corporate Governance Code, discontinuing the practice of appointing politically connected people as state representatives in SOEs' board of administration, and enforcing transparency on SOE reporting. The EC also recommends that the GOR should decide which assets are strategic and privatize those that are not strategic.

Sovereign Wealth Funds

Romania currently does not have a sovereign wealth fund

11. Corporate Social Responsibility

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

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

OECD Guidelines for Multinational Enterprises

Romania is an adherent to the OECD Guidelines for Multinational Enterprises. Romania's National Contact Point is located at the Department for Infrastructure Projects, Foreign Investment, PPP and Export Promotion; contact information here:
<http://mneguidelines.oecd.org/ncps/romania.htm>

12. Political Violence

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

13. Corruption

Despite some improvement, corruption remains a serious problem. Romania was ranked 69th of 175 countries in Transparency International's 2014 Corruption Perception Index, among the lowest ranked EU member states, on par with Bulgaria, Greece, and Italy. The EC's 2015 Report on Progress under the Cooperation and Verification Mechanism (CVM) in Romania highlighted the track record of the key anti-corruption institutions as an important step towards demonstrating sustainability.

Romanian law and regulations contain provisions intended to prevent corruption, but enforcement is generally weak. However, the National Anti-Corruption Directorate (DNA) continued to investigate and prosecute corruption cases involving medium- and high-level political, judicial, and administrative officials throughout 2014. Conflicts of interest, respect for standards of ethical conduct, and integrity in public office in general remained a concern for all three branches of government. Individual executive agencies were slow in enforcing sanctions, and agencies' own inspection bodies were under-resourced.

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

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

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

The laws extend to politically exposed persons, yet, at the same time, the CVM noted that political attacks on the fundamentals of reform showed that there was no consensus to pursue the objectives of the CVM. The report recommends that Romania should ensure that the Code of Conduct for parliamentarians includes clear provisions so that parliamentarians and the parliamentary process respect the independence of the judiciary, steps up both preventive and repressive actions against conflict of interests, favoritism, fraud and corruption in public procurement, and continues to improve the fight against low level corruption, both through prevention and dissuasive sanctions.

Only private joint stock companies use internal controls, ethics, and compliance programs to detect and prevent bribery of government officials, due to their adherence in principle to corporate governance rules, rather than any pro-active government stance. U.S. investors have complained of both government and business corruption in Romania, with the customs service, municipal officials, and local financial authorities most frequently named. In some cases, demands for payoffs by low- to mid-level officials reach the point of harassment.

Romania is a member of the Southeast European Law Enforcement (SELEC). Romania does not provide protections to NGO's involved in investigating corruption.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Romania is member of the UN Anticorruption Convention. Romania is not a member of the OECD Anti-Bribery Convention

Resources to Report Corruption

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

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

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

- ORGANIZATION: Expert Forum
 - ADDRESS: Str Aurel Vlaicu 87, etaj II, apartament 3, București,
 - TELEPHONE NUMBER: +40 21 211 7400
 - EMAIL ADDRESS: office@expertforum.ro
-
- TITLE: Director
 - ORGANIZATION: Freedom House Romania
 - ADDRESS: Bd. Ferdinand 125, Bucuresti
 - TELEPHONE NUMBER: +4021 253 28 38
 - EMAIL ADDRESS: guseth@freedomhouse.ro

14. Bilateral Investment Agreements

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

Bilateral Taxation Treaties

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

15. OPIC and Other Investment Insurance Programs

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

16. Labor

Romania has traditionally offered a large, skilled labor force at comparatively low wage rates in most sectors. The labor pool has tightened in highly skilled professions, in particular the information technology sector. The university system is generally regarded as good, particularly in technical fields, though foreign and Romanian business leaders have urged reform of outdated higher education curricula to better meet the needs of a modern, innovation-driven market. Payroll taxes remain steep, resulting in an estimated 25-30 percent of the labor force working in the underground economy as "independent contractors," where their salaries are neither recorded nor taxed. Even for registered workers, under-reporting of actual salaries is common.

Romania has shortages of healthcare staff as doctors and nurses leave Romania to work in other parts of the EU, motivated not only by the higher salaries offered abroad, but also by the antiquated medical practices they face in Romania. Over 2,500 doctors opted to work abroad in 2014, out of which one fifth are family doctors. Approximately 3,000 new doctors enter into the system after graduating from medical school; the public hospitals, which currently employ 13,500 doctors, are estimated to need 26,000 doctors at full capacity.

The Labor Code is the law regulating the labor market in Romania including contracting, controlling how regulations are applied, and jurisdiction. It applies to both national and foreign citizens working in Romania or abroad for Romanian companies. As an EU-member state, Romania has no government policy that requires the hiring of nationals.

Since Romania's revolution in December 1989, labor-management relations have occasionally been tense, the result of economic restructuring and personnel layoffs. Trade unions, much better organized than employers' associations, are vocal defenders of their rights and benefits. Employers are required to make severance payments for layoffs according to the individual labor contracts, internal regulations, and collective bargains. The labor code differentiates between layoffs and firing; severance payments are due only in case of layoffs. There is no treatment of labor specific to special economic zones, foreign trade zones or free ports.

The law allows workers to form and join independent labor unions without prior authorization, and workers freely exercised this right. Although the law permits strikes by most workers, lengthy and cumbersome requirements make it difficult to hold strikes legally. Companies may claim damages from strike organizers if a court deems a strike illegal. Labor unions are independent of the government. Labor dispute mechanisms are in place including any conflicts between employers and employees regarding economic, social, professional interests. The labor conflicts are solved in court according to civil code. They can be initiated by the employee, employer, or labor union.

The law does not effectively protect against anti-union discrimination given there are no accompanying penalties. Some union representatives allege that, due to extensive legal loopholes, enforcement remains minimal, in particular in small and medium sized private businesses. The government generally respects the right of association, and union officials state that registration requirements stipulated by law are complicated but generally reasonable. Collective bargaining is used in case of enterprises with over 21 employees representing written agreements between the employer or patronage and the employees.

The Labor Code has a special chapter of labor abuse, health, and safety in general, not just specific to low-wage assembly operations. However enforcement is questionable. Most of the monitoring and control from the Labor Inspection Department, the public institution responsible for labor abuse and compliance with health and safety standards, applies sanctions for lack of work contracts, but very few for labor abuse or failure to comply with health and safety standards.

Romania as an EU-member state and ILO-affiliated country observes international labor rights. The law prohibits all forms of forced or compulsory labor, and the government effectively enforces the law. The minimum age for most forms of employment is 16, but children may work with the consent of parents or guardians at age 15. The law prohibits minors from working in hazardous conditions, provides a basis for the elimination of hazardous work for children, includes a list of dangerous jobs, and specifies penalties for offenders. In January 2015, after extensive negotiations between unions, employers' associations, and the government, the national minimum wage was set at 975 RON (about USD 223) for full-time employment of 169.333 hours per month, or approximately 6.225 RON (USD 1.49) per hour.

Several labor related laws were enacted in 2014; one of the most important approved the national labor strategy for 2014 -2020. The 2011 amendments to the Labor Code give employers more flexibility to evaluate employees based on performance, and significantly relax hiring and firing

procedures. Labor laws and regulations are not waived or derogated to attract or retain investments.

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

17. Foreign Trade Zones/Free Ports/Trade Facilitation

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

Currently there are six FTZs, primarily located on the Danube River or close to the Black Sea: Sulina, Constanta-Sud Agigea, Galati, Braila, Curtici-Arad, and Giurgiu. The administrator of each FTZ is responsible for all commercial activities performed within the zone. FTZs are under the authority of the Ministry of Transportation.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Romania did not attract significant foreign direct investment (FDI) until after the 1990s, due to delays in post-Communist economic reforms. According to data provided by the National Office of the Trade Registry, the cumulative net stock of FDI from January 1990 to January 2015 totaled USD 55.78 billion, about 27.8 percent of Romania's GDP. Romanian direct investments abroad from January to December 2014 totaled USD 369.6 million.

Major sectors for foreign investment include:

- Automobile and automotive components (Renault, Daimler Benz, Ford, Siemens, Continental, Alcoa, Delphi Packard, Johnson Controls, Honeywell Garrett, Michelin, Pirelli);
- Banking and finance (Citibank, Société Générale, MetLife, ING, Generali, Raiffeisen, Erste Bank, Unicredit, Alpha Bank, National Bank of Greece, Intesa Sanpaolo, Garanti Bank, Credit Agricole, Allianz, Leumi);
- Information Technology (Hewlett Packard, Intel, Microsoft, Oracle, Cisco Systems, IBM);
- Telecommunications (Orange, OTE, Telesystem International Wireless Services, Vodafone, Liberty Media/UPC);
- Hotels (Hilton, Marriott, Best Western, Howard Johnson, Sofitel, Crowne Plaza, Accor, Ramada, Radisson);
- Manufacturing (Timken, General Electric, Cameron, LNM, Marco, Flextronics, Holcim, Lafarge, Heidelberg, Plexus, Toro);
- Consumer products (Procter and Gamble, Unilever, Henkel, Coca-Cola, PepsiCo, Parmalat, Danone, Smithfield Foods);

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

According to Romanian Trade Registry statistics, the value of U.S. direct investment in Romania as of January 2015 was about USD 1.35 billion. The U.S. is the 11th-ranked foreign investor nation, after the Netherlands, Austria, Germany, Cyprus, France, Greece, Italy, Spain, Luxemburg, and the UK. U.S.-source investment represented 2.5 percent of Romania's total FDI. As official statistics do not fully account for the tendency of U.S. firms to invest through their foreign, especially European-based, subsidiaries, the actual amount of U.S. FDI is assumed to be higher. Romanian statistics also over-emphasize physical, capital-intensive investments, while overlooking the impact of foreign investment in services and technology. Significant U.S. direct investors (including investments made through branches or representative offices) include:

- Advent Central and Eastern Europe – investment fund;
- AECOM – engineering and design;
- Chartis – general insurance;
- Alico (Met Life) – life insurance;
- Alcoa – automotive, aluminum processing;
- Bunge – grain trading;
- Cargill – grain export and food processing;
- Citibank – banking;
- Coca-Cola – beverage, food;
- Cooper Cameron – gas field equipment manufacturer;
- Delphi – automotive parts;
- EuroTire – mining and heavy equipment tires;
- Flextronics – medical, telecom, automotive;
- Ford – automotive assembly;
- General Electric – diversified industrial products;
- Hewlett Packard – IT equipment, services;
- Hoeganaes – iron powder for automotive;
- Honeywell Garrett – automotive;
- IBM – IT equipment;
- Intel – software development services
- Johnson Controls – automotive;
- Kodak – film processing;
- McDonald's – food;
- Microsoft – software services;
- New Century Holding – investment fund;
- Office Depot – office and business supplies;
- Oracle – IT services, consulting;
- Pepsico – beverage;
- Philip Morris – tobacco products;
- Procter and Gamble – consumer products;
- Qualcomm – telecommunications;
- Sigma Bleyzer – investment fund;
- Smithfield Foods – food production and distribution;

- Timken – industrial bearings;
- Liberty Media UPC – cable television operator;
- Visa – financial services;
- URS – engineering.

In addition to these companies, the European Bank for Reconstruction and Development (EBRD) remains the single largest investor (debt plus equity) in Romania, with some USD 7.25 billion invested. The U.S. is a 10 percent shareholder in the EBRD.

In 2014, foreign portfolio investment inflows amounted to USD 3.69 billion, whereas their outflows reached USD 150.5 million, resulting into a net inflow of USD 3.53 billion. Of net portfolio investment inflows, USD 3.16 billion represented the net acquisition of long-term debt securities.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	200,450	2013	189,600	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	1,355.2	2013	1,841	http://bea.gov/international/factsheet/factsheet.cfm?Area=356
Host country's FDI in the United States (\$M USD, stock positions)	N/A	N/A	2013	50	http://bea.gov/international/factsheet/factsheet.cfm?Area=356
Total inbound stock of FDI as % host GDP	End- January 2015	27.8	End- 2013	41.7%	

*IMF, National Bank of Romania's Balance of Payments. Comment: The IMF and Romania's BOP data are consistent; the annual FDI includes intra-group credit and re-invested profits, on the top of the registered capital reported by the National Office of the Trade Register.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data**From Top Five Sources/To Top Five Destinations (US Dollars, Millions)**

Inward Direct Investment			Outward Direct Investment		
Total Inward	79,145	100%	Total Outward	N/A	100%
Netherlands	19,304	24.4%			
Austria	15,098	19.1%			
Germany	8,903	11.2%			
France	6,030	7.6%			
Italy	3,717	4.7%			

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets**Top Five Partners (Millions, US Dollars)**

Total			Equity Securities			Total Debt Securities		
All Countries	3,236	100%	All Countries	1,189	100%	All Countries	2,047	100%
Luxembourg	597	18%	Luxembourg	481	40%	United Kingdom	428	21%
Austria	580	18%	Austria	439	37%	United States	280	14%
United Kingdom	430	13%	Germany	64	5%	Netherlands	205	10%
United States	317	10%	Poland	47	4%	Austria	140	7%
Netherlands	206	6%	United States	38	3%	Turkey	119	6%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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- ADDRESS: B-dul Dr. Liviu Librescu 4-6
- TELEPHONE NUMBER: +40-21-200-3705
- EMAIL ADDRESS: DraganM@state.gov