

Romania

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Romania	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering assessment Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>wheat, corn, barley, sugar beets, sunflower seed, potatoes, grapes; eggs, sheep</p> <p>Industries:</p> <p>electric machinery and equipment, textiles and footwear, light machinery and auto assembly, mining, timber, construction materials, metallurgy, chemicals, food processing, petroleum refining</p> <p>Exports - commodities:</p> <p>machinery and equipment, metals and metal products, textiles and footwear, chemicals, agricultural products, minerals and fuels</p> <p>Exports - partners:</p> <p>Germany 18.9%, Italy 12.3%, France 7.1%, Turkey 5.5%, Hungary 5.5% (2012)</p> <p>Imports - commodities:</p> <p>machinery and equipment, chemicals, fuels and minerals, metals, textile and products, agricultural products</p> <p>Imports - partners:</p> <p>Germany 17.5%, Italy 11%, Hungary 9.1%, France 5.7%, Russia 4.4%, Poland 4.3%, Austria 4.2%, Kazakhstan 4.1% (2012)</p>	

Investment Restrictions:

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.

Companies owning foreign capital may acquire land or property needed to fulfill or develop company goals.

For a period of seven years after Romania's accession to the EU, foreign investors may not purchase agricultural land, forests, or forestry land (except for farmers acting as commercial entities). Investors can purchase shares in agricultural companies that lease land in the public domain from the State Land Agency.

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Section 1 - Background

The principalities of Wallachia and Moldavia - for centuries under the suzerainty of the Turkish Ottoman Empire - secured their autonomy in 1856; they were de facto linked in 1859 and formally united in 1862 under the new name of Romania. The country gained recognition of its independence in 1878. It joined the Allied Powers in World War I and acquired new territories - most notably Transylvania - following the conflict. In 1940, Romania allied with the Axis powers and participated in the 1941 German invasion of the USSR. Three years later, overrun by the Soviets, Romania signed an armistice. The post-war Soviet occupation led to the formation of a communist "people's republic" in 1947 and the abdication of the king. The decades-long rule of dictator Nicolae CEAUSESCU, who took power in 1965, and his Securitate police state became increasingly oppressive and draconian through the 1980s. CEAUSESCU was overthrown and executed in late 1989. Former communists dominated the government until 1996 when they were swept from power. Romania joined NATO in 2004 and the EU in 2007.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Romania is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Romania was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, Romania was deemed Compliant for 8 and Largely Compliant for 17 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

MoneyVal Plenary - 1st June 2017: Fourth round follow-up: interim follow-up report by Romania

Romania's 4th round MER was adopted in April 2014. Two years later, in April 2016, the country presented a first interim report under the regular follow-up process. The Secretariat noted that, although a number of legislative remedial actions had been prepared, limited concrete progress had been achieved. Romania was asked then to report back at the present Plenary and was encouraged to apply for removal from followup on that occasion.

At the present Plenary, the Secretariat noted that three key legislative processes were still underway: amendments to the AML/CFT Law aimed at addressing major deficiencies under R.26; a new AML/CFT intended to transpose the 4th EU AML Directive into national legislation; and amendments to the Emergency Ordinance on the implementation of international sanctions. Since none of those draft pieces of legislation were in force by the time it prepared its analysis, the Secretariat was not in a position to conduct a detailed evaluation of progress reported by Romania. However, it noted that the envisaged changes could address a number of significant gaps identified under the core and key Recommendations in the MER. During the Plenary meeting, Romania informed the Secretariat that the amendments to the AML/CFT law had been promulgated by the President of the Republic on 31 May.

Decision taken:

Considering the expected timeframe for the adoption of the other two pieces of legislation (i.e. by the end July regarding the new AML/CFT law; by end of year regarding the amendments to the Emergency Ordinance), the Plenary asked Romania to report back at the 56th Plenary in April 2018, with a view to applying for exit from follow-up on that occasion. This would be in line with the four-year deadline for exit from follow-up set by the revised Rule 13 of MONEYVAL's 4th round rules of procedure.

29 July 2014 - MONEYVAL report on the 4th round assessment visit in Romania

Key findings

Romania has taken several important steps to improve compliance with the FATF Recommendations and has registered progress in several areas since the 3rd round evaluation. Several pieces of legislation were amended and new acts, ordinances and government decisions were issued to address deficiencies identified in the 3rd round evaluation, to implement the requirements of international legal instruments, and notably to transpose the relevant European Union legislation.

Many indicators suggest that Romania is susceptible to money laundering and terrorist financing, and that it is attractive to organised criminals and tax evaders. This is due in part to its strategic position at the eastern border of the European Union, as it is both part of the Balkan route and of the Euro-Asiatic route. Romania's economy remains to a large extent cash based and the size of the shadow economy ranges approximately 30% of the GDP. Proceeds of crime generated in Romania are estimated to be a high percentage of the GDP, primarily derived from tax evasion and smuggling. Though Romania is not a major financial hub and its exposure to foreign proceeds of crime may be limited, there are nevertheless indicators suggesting that organized criminal groups from the neighboring countries and Italy invest in Romanian assets. Romanian organised criminal groups in Romania participate in a wide range of criminal activities in Europe ranging from prostitution and extortion to drug trade and have collaborated to establish international criminal networks for internet fraud activities and related money laundering schemes. Romania has not yet conducted a money laundering (ML)/financing of terrorism (FT) risk assessment.

The core elements of Romania's anti-money laundering and countering the financing of terrorism (AML/CFT) regime are established in the provisions of several specialized pieces of legislation, including notably the AML/CFT Law 656/2002 as updated and supplemented by several secondary legislative implementing acts, the Law on the Prevention and Repression of Terrorism 535/2004 as amended¹, as complemented by the Criminal and Criminal Procedure Codes², and sectoral regulations, orders and decisions on AML/CFT requirements issued by the supervisory authorities. Numerous positive changes have occurred since the third round as regards the institutional set up of the authorities responsible for the registration, licensing and supervision of several financial and non-financial institutions, with new structures/institutions established for the banking sector, casinos, currency exchange offices and the investment, insurance and pension sectors.

Despite the changes made since the last evaluation, the AML/CFT framework is not yet fully in line with the FATF Recommendations. The legal framework and its implementation fall short of the international standards, regarding inter alia certain customer due diligence requirements, the framework related to suspicious transactions, internal controls, compliance and audit, requirements to give special attention to higher risk countries. Romania should as a priority clarify and consolidate its AML/CFT legislation, notably by making necessary amendments to the AML/CFT Law and implementing acts as recommended in the report.

Furthermore there remain a number of concerns about the level of implementation, including in respect of the AML/CFT supervisory action by the various supervisory authorities and the sanctioning for non-compliance with the requirements. Overall, banks and, to a certain extent, non-bank financial institutions appear to have an appropriate understanding of the applicable requirements under the national AML/CFT framework. Implementation of the AML/CFT requirements by designated non-financial businesses and professions (DNFBPs) was not sufficiently demonstrated. Resources of all authorities need to be increased and

supervisory action be strengthened to ensure that both financial and non-financial institutions are adequately implementing the AML/CFT requirements

Whilst investigations, indictments and convictions of money laundering offences are taking place and overall results have positively increased, there is evidence that the implementation of the ML offence could be further strengthened. This would involve taking additional measures to address the structural and capacity deficiencies in the law enforcement and judicial process and setting out clear priorities in criminal policy instruments in respect of the necessity to adequately investigate and prosecute ML offences, with a focus on serious, organised and transnational crime and major proceed-generated offences.

Romania has improved its ability to freeze, seize and confiscate property, and the introduction of provisions on extended confiscation and related implementing measures, if consistently implemented, will undoubtedly reinforce the confiscation regime. The system has clearly started to achieve effective outcomes, notably as regards the application of provisional measures and the amounts of assets frozen and seized.

The institutional arrangements of the National Office for the Prevention and Countering of Money Laundering, the Romanian financial intelligence unit (FIU), clearly need revising and several additional efforts and changes are required to ensure that the FIU can fully and effectively perform its core functions.

As regards requirements related to the physical cross border transportation of currency, the effectiveness of the whole system raises serious concerns which should be addressed as a matter of priority. There have been no changes, though previously recommended, to the legal framework in respect of the powers of competent authorities in this field, and the limited results achieved by authorities, both in terms of detection and sanctioning are surprising.

Further efforts are also required to ensure that the general AML/CFT coordination mechanism in place is effectively reviewing the Romanian AML/CFT system and its effectiveness on a regular basis, that the changes to be made to the legal and institutional framework, the AML/CFT strategy and related policies are adequately identified and address the risks and vulnerabilities of the system, and that co-operation or coordination mechanisms at the operational level are being used effectively.

IMF Report: Romania: 2012 Article IV Consultation and Sixth Review

Extract:

The authorities have undertaken a number of measures to improve the legal and institutional structural to combat money laundering and corruption. In 2011, a law that imposes international standards on prevention and sanctioning of money laundering became effective. Financial institutions are applying enhanced customer due diligence on all foreign politically exposed persons (PEPs) and follow a risk-based approach in the application of enhanced customer due diligence on domestic PEPs in accordance with recommendations of the Financial Action Task Force.

Databases on depositors, landowners, and shareholders are maintained to assist the authorities in identifying beneficial owners of assets and a protocol exists for the sharing of information, including on suspicious transactions, between the local financial intelligence unit and national anti-corruption agency (ANI). A national anti-corruption strategy was recently endorsed by the government and parliament and the Ministry of Justice has taken the lead in coordinating its implementation and establishing benchmarks to monitor its implementation.

US Department of State Money Laundering assessment (INCSR)

Romania was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Romania's geographical location makes it a natural transit country for trafficking in narcotics, arms, stolen vehicles, and persons by transnational organized criminal groups. As a result, Romania is vulnerable to financial activities associated with such crimes, including money laundering. Romania's economy remains to a large extent cash-based, and the size of the shadow economy is approximately 22 percent of GDP. Fiscal evasion and proceeds of crime generated in Romania are estimated to be approximately 15 percent of GDP.

Though Romania is not a major financial hub and its exposure to foreign proceeds of crime may be limited, there are nevertheless indicators suggesting that organized criminal groups from the neighboring countries and Italy invest in Romanian assets. Romanian organized criminal groups participate in a wide range of criminal activities in Europe, including prostitution, cigarette smuggling, extortion, and trafficking in narcotics, and have collaborated to establish international criminal networks for internet fraud activities and related money laundering schemes. Romania has some of the highest rates of cybercrime and online credit card fraud in the world. Studies have found Romanian servers to be the second largest source of cybercrime transactions worldwide. Although a majority of their victims reside in the United States, Romanian cybercriminals are increasingly targeting victims elsewhere in Europe as well as in Romania itself.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage/real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; financial investment service providers; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; casinos; persons responsible for privatizations; nongovernmental organizations (NGOs); real estate brokers; and individuals or corporate traders of goods and/or services with a minimum 15,000 euro (approximately \$16,400) cash turnover

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,683: January 1 - October 31, 2015

Number of CTRs received and time frame: 5,791: January 1 - October 31, 2015

STR covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage/real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; money transfer agencies; real estate brokers, retailers, and commercial service providers; NGOs; and officials in charge of the privatization process

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 96: January 1 – October 31, 2015

Convictions: 50: January 1 – October 31, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Romania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Romania's financial intelligence unit (FIU) established technical rules on making notifications and authorizing requests for external transfers of information. The FIU and Ministry of Justice attended capacity-building programs on asset forfeiture. The FIU faces the challenges of limited financial, human, and technical resources.

The Government of Romania should continue to improve communication between reporting and monitoring entities, as well as between prosecutors and the FIU. In order to improve the rate of money laundering prosecutions and convictions, the Romanian authorities should not become overly reliant on suspicious transaction reports (STRs) and other forms of financial intelligence, but instead should empower law enforcement and customs authorities to detect and investigate money laundering at the street level, including at borders and ports. The government should improve implementation of existing procedures for the timely freezing, seizure, and forfeiture of criminal or terrorist-related assets. Romania also should continue to prioritize combating corruption.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Romania conforms with regard to all government legislation required to combat money laundering.

EU White list of Equivalent Jurisdictions

Romania is on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Romania is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2015:

Although not a significant source country for illicit drugs, Romania remains a major transshipment point for drugs along both the Southern and Northern Balkan routes. Significant volumes of precursor chemicals originating mainly in China also transit Romania for Western Europe. Romania continued to improve its investigatory capacities in 2014, despite resource challenges due to the lingering effects of the global economic crisis.

Due to its borders with non-EU countries and large commercial port on the Black Sea, Romania is a gateway for heroin originating from Afghanistan and cocaine from Central and South America destined for Western Europe and Turkey. Amphetamine-type stimulants and other synthetic drugs from Western Europe move through Romania's southwest into Turkey and the Middle East. The volume of marijuana seized by Romanian authorities increased in 2014, although comprehensive statistics were not available at the time of this report. The growth in seizures may reflect increased availability of locally-grown cannabis, as well as significant trafficking operations by regional organized crime networks. During 2013, Romanian authorities seized a total of 111.56 kilograms (kg) of heroin, 53.34 kg of cocaine, 164.76 kg of cannabis, 27,506 MDMA (ecstasy) tablets, and 4,908 methadone tablets, along with several other smaller quantities of drugs.

Drug use inside Romania remains stable. There are between 28,000 and 30,000 reported drug abusers in Bucharest, but this may not include the thousands of people living in Bucharest's underground economy addicted to heroin, cannabis and various over-the-counter products. Marijuana and hashish are more widely used than heroin and cocaine, mainly because it is cheaper and more readily available. Use of amphetamine and MDMA (ecstasy) remains steady. New Romanian laws initiated in 2012 targeting the "effects" of new psychoactive substances (NPS) in lieu of their chemical structure have had some impact in reducing the availability of these drugs, though NPS abuse by young people remains a challenge.

Despite ongoing challenges with corruption, there is no evidence that senior Romanian officials or the Romania government engages in, encourages, or facilitates illicit production or distribution of narcotics, psychotropic drugs or other controlled substances or the laundering of proceeds from illegal drug transactions.

The United States and Romania are parties to an extradition treaty that entered into force in 2009. In accordance with the treaty, Romania regularly extradites both Romanian nationals and non-nationals to the United States. A U.S.-Romanian mutual legal assistance treaty has been in force since 2001. Romania continues to work closely with the United States and regional counterparts on successful criminal investigations.

US State Dept Trafficking in Persons Report 2016 (introduction):

Romania is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Romania is a source, transit, and destination country for men, women, and children subjected to forced labor and women and children subjected to sex trafficking. Romanians represent a significant source of sex and labor trafficking victims throughout Europe. Romanian men, women, and children are subjected to labor trafficking in agriculture, construction, domestic service, hotels, and manufacturing, as well as forced begging and theft in Romania and other European countries. Romanian women and children are victims of sex trafficking in Romania and other European countries. Romani children are particularly vulnerable to forced begging and forced criminality. Romania is a destination country for a limited number of foreign trafficking victims, including sex trafficking victims from Moldova and Poland and labor trafficking victims from Bangladesh, China, the Philippines, and Serbia. Romanians living in privately run institutions for the mentally disabled were vulnerable to forced labor. Government officials have been convicted of human trafficking crimes, and there have been reports of local officials obstructing trafficking investigations.

The Government of Romania does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The organized crime directorate led the government's strong law enforcement efforts, but police and judges lacked training on working with trafficking cases and victims, which had detrimental effects on compensation for victims and sentencing for perpetrators. The government's protection efforts remained inadequate, particularly in victim assistance. The government and NGOs identified a large number of victims, but assisted only 37 percent, leaving most victims without services and vulnerable to re-trafficking. The government did not provide funding to NGOs offering victim assistance, although the national anti-trafficking commission began to develop mechanisms to provide grants to NGOs. Victims had difficulty obtaining medical services, psychological counseling, and identity protection during criminal trials. Official complicity was not adequately addressed.

Latest US State Dept Terrorism Report - 2009

The Romanian Intelligence Service (SRI) assessed that the terrorism threat in Romania was low, both in Romania and to Romanians and Romanian interests abroad. Romania also began implementation of the "National Anti-Terrorism Strategy," which proved an effective mechanism for preventing the use of Romanian financial institutions, including the national banking system, for the purpose of financing terrorist-related activities. The Romanian Supreme Council for National Defense (CSAT) viewed terrorism as a high priority and ensured political and material support for the National System for Preventing and Countering Terrorism (NSPCT), in particular by assigning the SRI as the national authority for counterterrorism and the technical coordinator of the NSPCT.

Romania continued to provide a wide array of public, military, and diplomatic support to global counterterrorism efforts. On July 1, Romanian President Traian Basescu declared that Romania's mission in Iraq was completed; from January through June, Romania was the third largest troop contributor in Iraq, by invitation of the Government of Iraq. Approximately five Romanian soldiers remained in Iraq after July 1, as part of the NATO training mission. As of December, approximately 1,050 Romanian troops were serving as part of coalition and NATO Alliance efforts in Afghanistan, primarily in the Zabol and Kandahar regions. Romania

also continued to make airspace, ground infrastructure, and naval facilities available to U.S. and NATO forces.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	48
World Governance Indicator – Control of Corruption	58

Corruption is a serious problem in Romania and raises the risks of doing business in the country. Foreign investors complain of complicated procedures, arbitrary application of rules and requests for bribes when resolving administrative tasks related to business operations. The Romanian Criminal Code and other supporting laws criminalize active and passive bribery, including bribery of foreign officials. A company can be held criminally liable for corruption offenses committed by individuals acting on its behalf. The government, however, does not enforce anti-corruption laws effectively and impunity is widespread. Early 2017 saw large numbers of protesters take to the streets of Bucharest to protest a decree that would have shielded many officials from corruption charges. The decree was ultimately rescinded. Petty corruption is a problem in Romania as irregular payments and bribes are common practice. The law does not distinguish between bribes and facilitation payments, and gifts and hospitality may be considered illegal depending on their intent and the benefit obtained.

Information provided by GAN Integrity.

Corruption and Government Transparency - Report by US State Department

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

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

Romanian law and regulations contain provisions intended to prevent corruption, but enforcement is generally weak. However, the National Anti-Corruption Directorate (DNA) continued to investigate and prosecute corruption cases involving medium- and high-level cases political, judicial, and administrative officials throughout 2013. Conflicts of interest,

respect for standards of ethical conduct, and integrity in public office in general remained a concern for all three branches of government. Individual executive agencies were slow in enforcing sanctions, and agencies' own inspection bodies were generally inactive.

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.

Section 3 - Economy

Romania, which joined the EU on 1 January 2007, began the transition from communism in 1989 with a largely obsolete industrial base and a pattern of output unsuited to the country's needs. Romania's macroeconomic gains have only recently started to spur creation of a middle class and to address Romania's widespread poverty. Corruption and red tape continue to permeate the business environment.

In the aftermath of the global financial crisis, Romania signed a \$26 billion emergency assistance package from the IMF, the EU, and other international lenders, but GDP contracted until 2011. In March 2011, Romania and the IMF/EU/World Bank signed a 24-month precautionary standby agreement, worth \$6.6 billion, to promote fiscal discipline, encourage progress on structural reforms, and strengthen financial sector stability; no funds were drawn. In September 2013, Romanian authorities and the IMF/EU agreed to a follow-on standby agreement, worth \$5.4 billion, to continue with reforms. This agreement expired in September 2015, and no funds were drawn. Progress on structural reforms has been uneven, and the economy still is vulnerable to external shocks.

Economic growth rebounded in 2013-15, driven by strong industrial exports and excellent agricultural harvests, and the fiscal deficit was reduced substantially. Industry outperformed other sectors of the economy in 2015. Exports remained an engine of economic growth, led by trade with the EU, which accounts for roughly 70% of Romania trade. Domestic demand was a second driver, due to the mid-2015 cut, from 24% to 9%, of the VAT levied upon foodstuffs. In 2015, the government of Romania succeeded in meeting its annual target for the budget deficit, the external deficit remained low, even if it rose due to increasing imports. For the first time since 1989, inflation turned into deflation, allowing for a gradual loosening of monetary policy throughout the period.

An aging population, significant tax evasion, insufficient health care, and an aggressive loosening of the fiscal package jeopardize the low fiscal deficit and public debt and are the economy's top vulnerabilities.

Agriculture - products:

wheat, corn, barley, sugar beets, sunflower seed, potatoes, grapes; eggs, sheep

Industries:

electric machinery and equipment, auto assembly, textiles and footwear, light machinery, metallurgy, chemicals, food processing, petroleum refining, mining, timber, construction materials

Exports - commodities:

machinery and equipment, other manufactured goods, agricultural products and foodstuffs, metals and metal products, chemicals, minerals and fuels, raw materials

Exports - partners:

Germany 19.8%, Italy 12.5%, France 6.8%, Hungary 5.4%, UK 4.4% (2015)

Imports - commodities:

machinery and equipment, other manufactured goods, chemicals, agricultural products and foodstuffs, fuels and minerals, metals and metal products, raw materials

Imports - partners:

Germany 19.8%, Italy 10.9%, Hungary 8%, France 5.6%, Poland 4.9%, China 4.6%, Netherlands 4% (2015)

Banking

The number of foreign banks in Romania has increased from 5 in 1990 to more than 30 in 2010, and all are authorized to engage in a full range of traditional banking functions. Romania's membership in the EU and greater integration into world financial markets exposed its economy to the banking problems of the last two years. The dominant role of foreign banks in the market has brought benefits, but also made Romania a captive to the decisions of these banks' home offices, and their shareholders. However, Romania has proven a profitable market for these banks, and none have expressed plans to exit the market.

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% of the market combined.

While the National Bank of Romania must approve 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.

Stock Exchange

The Bucharest Stock Exchange (BVB) resumed operations in 1995, after a hiatus of 50 years. The BVB operates a three-tier system that, at present, lists a total of 100 companies, with 21 companies in the highest tier. The official index, BET, is based on a basket of the 10 most active stocks listed, while the BET-C index follows the trend of all stocks listed on the BVB. The BVB also has a RASDAQ (OTC) market segment that

Executive Summary

Romania welcomes all forms of foreign investment. The government provides national treatment for foreign investors, meaning that the government does not differentiate treatment due to source of capital. 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 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. Romania’s judicial effort to combat high and medium-level corruption has become increasingly credible. The present government plans to launch ambitious and wide-ranging efforts to cut red tape, encourage investment, and reform Romania’s public administration. Another positive highlight has been the Romanian government’s sale of a minority stakes in several State Owned Enterprises (SOEs) in key sectors, such as energy generation and exploitation. Through these Initial and Secondary Public Offerings, the Romanian government has exposed its SOEs to heightened standards of corporate governance and has attracted additional international investors, bolstering Romania’s capital markets. Nevertheless, the development and enforcement of corporate governance codes in SOEs remains incomplete. Privatization stalled in 2015 and 2016.

While the current Government has initiated changes to procedures to increase stakeholder consultations and regulatory impact assessments, it has used emergency measures to pass legislation, to overcome difficulty in timely passage through parliament. Past governments levied taxes on energy infrastructure that were due to expire in December 2015; the current government extended these taxes by one year to December 2016. The government is in the process of revising upstream oil and gas taxation.

Additionally, the parliament routinely fails to consult with stakeholders or undertake impact analyses before passing economic legislation. The arbitrary passage of ill-conceived economic legislation can serve as a disincentive to U.S. and multinational investment. The new government has made significant strides to combat corruption, particularly at the national level, but corruption remains an ongoing challenge. Inconsistent enforcement of existing laws, including those related to the protection of intellectual property rights, also serves as a disincentive to investment. Continuing to attract and retain additional foreign direct investment will require further progress on transparency, stability, and predictability in economic decision-making, and reduction of non-transparent bureaucratic procedures.

Table 1

Measure	Year	Index or Rank	Website Address

TI Corruption Perceptions index	2015	58 of 168	http://www.transparency.org/cpi2015/#results-table
World Bank's Doing Business Report	2016	37 of 189	http://www.doingbusiness.org/~media/GIAWB/Doingpercent20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf
Global Innovation Index	2015	54 of 141	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD) stock positions)	End 2015	USD 1.33 billion	Host government
World Bank GNI per capita	2014	USD 9,520 amount	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Romania actively seeks foreign direct investment, presenting a market of 19 million consumers, a relatively well-educated workforce at competitive wages, a strategic location, and abundant natural resources. 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, legislative and regulatory unpredictability, as well as weak public administration continue to negatively impact the investment climate.

As in any foreign country, prospective U.S. investors should exercise careful due diligence, including consultation with competent legal counsel, when considering an investment in Romania. Past governments in Romania have, on occasion, allowed political interests or budgetary imperatives to supersede accepted Western business practices in ways harmful to investor interests. The 2013 windfall profit tax on additional profits from natural gas and electricity liberalization was initially due to expire in December 2015, however, the government extended the tax to December 2016. A 2014 tax on special constructions, again passed without a prior impact assessment or any consultation with stakeholders, was extended during the reporting period until December 2016. Romania is in the process of revising its upstream oil and gas taxation.

Investments involving the public authorities (central government ministries, county governments, or city administrations) can be more complicated than investments or joint ventures with private Romanian companies. Large deals involving the government – particularly public-private partnerships and privatizations of key State-owned enterprises (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 Heritage Foundation's Economic Freedom Report indicates that Romania continues to place a high priority on restoring fiscal sustainability and improving competitiveness by easing and rationalizing the regulatory burden, however, lingering institutional shortcomings make it difficult to enhance respect for the rule of law. High levels of corruption exacerbated by a relatively inefficient judicial system weaken the prospects for dynamic long-term development. 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. Transparency International's annual review cited substantial improvement in perceived corruption in Romania.

Laws/Regulations on Foreign Direct Investment

Romania became a member of the European Union on January 1, 2007. The country has worked assiduously to create an EU-compatible legal framework consistent with a market economy and investment promotion. 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. 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. The 2003 Fiscal Code and Fiscal Procedure Code, amended several times since their passage, were revised in September 2015.

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 have been challenged in both local courts and the Constitutional Court. There have been few hostile take-over attempts reported in Romania,

yet 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.

Business Registration

The National Trade Registry has an online service available in Romanian at <https://portal.onrc.ro/ONRCPortalWeb/ONRCPortal.portal>. Romania has a foreign trade and investment promotion department in the Ministry of Economy and has stated its intent to create an Agency for Foreign Investment and Trade Promotion. Romania defines microenterprises as having less than nine employees, small enterprises as having less than 50 employees, and medium sized enterprises as having less than 250 employees. Regardless of ownership, microenterprises and SMEs enjoy "de minimis" and other state aid schemes from EU funds or from the state budget.

Industrial Promotion

The Ciolos cabinet priorities include simplifying tax payments and restructuring the tax administration, implementing monitoring of SOE corporate governance, improving transparency of public expenses and of public project implementation, implementing public procurement directives, revising the national anti-corruption strategy, appointing leadership positions in the judiciary through a transparent process and creating and funding the new asset management agency. Romania is in the process of revising its energy strategy. The government offers income tax exemption for certain categories of highly skilled information technology professionals.

Limits on Foreign Control and Right to Private Ownership and Establishment

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. The Romanian capital account was fully liberalized in 2006, prior to gaining EU membership in 2007. 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 Ministry of Energy oversees energy generation and distribution assets, and uranium and coal mining. The Ministry of Economy, Commerce and Relations with the Business Environment has authority over state-controlled natural gas carrier Transgaz, national electricity carrier Transelectrica, national salt company Salrom, national waters company SNAM, and copper mining Cuprumin. 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 2013-2015 precautionary stand-by agreement with the IMF included 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 2016 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 is delayed until after insolvency proceedings are concluded.

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, Commerce and Relations with the Business Environment 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.

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 with relevant legislation. The state aid schemes aim to enhance regional development and job creation through financial support for new jobs or investment in new manufacturing assets. The Ministry of Finance issues public calls for applications under the schemes. GOR failure to consult with, and then formally notify, the European Commission properly has resulted in delays and complications in some previous privatizations.

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. Some investors have experienced problems due to the occasional failure of GOR entities to fully honor contractual obligations following conclusion of privatization agreements. Investors receiving state aid, whose investments have been affected by the global economic crisis, have found renegotiation of their state aid agreements to be cumbersome, in part due to local authorities' failure to acknowledge that market conditions have changed.

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

Screening of FDI

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

Competition Law

Romania has 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. Romania is in the process of implementing the Public Procurement Directives into the national legislation, which was passed in May 2016.

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.

Remittance Policies

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. Proceeds from the sales of shares, bonds, or other securities, as well as from the conclusion of an investment, can be repatriated.

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 2015 International Narcotics and Control Strategy Report (INCSR).

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 obstacles to the binding nature of court decisions.

Mediation as a tool to resolve disputes is gradually becoming more common in Romania, and a certifying body, the Mediation Council, sets standards and practices. The professional association, the Union of Mediation Centers in Romania, is the umbrella organization for mediators throughout the country. 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 2011.

According to the World Bank's Doing Business report, resolving insolvency in Romania takes 3.3 years on average and costs 10.5 percent of the debtor's estate, with the most likely outcome being a piecemeal sale of the company. The average recovery rate is 32.7 cents on the dollar. Globally, Romania stands at 46 in the ranking of 189 economies on the ease of resolving insolvency.

Investment Disputes

Of the known investor-State arbitration cases against Romania, five are currently pending with the International Center for Settlement of Investment Disputes (ICSID).

International Arbitration

Romania increasingly recognizes the importance of investor-State dispute settlement in providing assurances that the rule of law will be enforced. 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 International Chamber of Commerce (ICC) Paris Court of Arbitration and the United Nations Commission on International Trade Law (UNCITRAL). Romania also has an International Commerce Arbitration Court administered by the Chamber of Commerce and Industry of Romania.

ICSID Convention and New York Convention

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

Duration of Dispute Resolution – Local Courts

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 can total around 30 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 January 1, 1995. Romania does not maintain any measures alleged to violate its WTO TRIMS obligations.

Investment Incentives

Currently, customs and tax incentives are available to investors in six free trade zones. State aid is available for investments in free trade zones under EU regional development assistance rules. Large companies may receive aid up to 50 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 50 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. When granting state aid, the Ministry of Finance requires that the state revenues through taxes equals the state aid granted. Numerous foreign and American firms have successfully applied for and received Romanian State Aid.

The Green Certificate System, part of the Renewable Energy Law, 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 deferred release of the certificates, and limits the validity of the certificates released to one year. Energy intensive industrial consumers benefit from exemptions from acquiring green certificates.

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 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.

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. 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, and 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 and deliberately working to identify property owners and register land titles.

Intellectual Property Rights

In USTR's Special 301 report, Romania is on the watch list. 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 the lower priority placed 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 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 was often cited as a reason for dismissing IPR cases in the past years. 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 6.16 million pieces of counterfeit goods in 2015, compared to 2.96 million pieces in 2013 and 6.76 million pieces in 2014. Cigarettes, batteries, toys, bearings, posters, condoms, clothing, and footballs accounted for the majority of those seizures. The amount of seized pharmaceuticals declined to 1,322 pieces, down 79.5 percent from 2014. Goods that posted significant higher seized quantities were: batteries – 483,035 pieces from only 140 pieces in 2014, posters and condoms with confiscated quantities for the first time in 2015, footballs to 54,600 pieces from only 430 pieces in 2014, footwear – almost double to 51,635 pairs from 2014. Significant drops in seized quantities featured toys – down 34.5 percent to 293,223 pieces and cosmetics – down 22.6 percent to 10,461 pieces. 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 inspect the goods and draft 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>.

Patents

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

Trademarks

In 1998, Romania passed a trademark and geographic indications law, which was amended in 2010 to make it fully consistent with equivalent EU legislation. Romania is a signatory to the Madrid Agreement relating to the international registration of trademarks and the Geneva Treaty on Trademarks. Trademark registrations are valid for ten years from the date of application and renewable for similar periods; beginning 2014, trademark registrations can be filed online. In 2007, Romania ratified the Singapore Treaty on the Law of Trademarks.

Copyrights

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

pirated content, copyright infringement of music and film is widespread throughout Romania.

Semiconductor Chip Layout Design

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

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

Resources for Rights Holder

Contact at Mission/AIT:

- NAME of IP Attaché or Economic Officer: Soribel Feliz
- TITLE: Economic Officer
- TELEPHONE NUMBER: +40212003418
- EMAIL ADDRESS: bucharestecon@state.gov

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/>."

Country/Economy resources:

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

7. Transparency of the Regulatory System

Foreign investors point to the excessive time required to secure necessary zoning permits, environmental approvals, property titles, licenses, and utility hook-ups. The newly established Public Consultation Ministry has taken the lead to improve transparency and consultation in government decision making. The government plans to roll out a reduction in cumbersome bureaucratic paper work in summer 2016. The government is also developing an action plan to reduce bureaucracy affecting private companies, which it plans to release in fall 2016. 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"). The draft

pieces of legislation pending with the government are available in Romanian at <http://www.sgg.ro/acte-normative/>. As a general rule, the agenda of cabinet meetings should include links to the draft pieces of legislation (government decisions, ordinances, emergency ordinances, or memoranda) slated for government decision.

8. Efficient Capital Markets and Portfolio Investment

Romania welcomes portfolio investment and is working to increase the efficiency of its 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 two-tier system that, at present, lists a total of 84 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 306 listed companies. The BVB allows trade in corporate, municipal, and international bonds, and in 2007, the BVB opened derivatives trading. Starting July 2015, investors can use gross basis trade settlement, and beginning March 2015, trades can be settled in two net settlement cycles. 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 306 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. By the end of 2015, 277 domestic and two foreign companies were listed on the AeRO.

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

Money and Banking System, Hostile Takeovers

There are 36 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 16.9 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 Transilvania Bank (10.6 percent), Austrian-owned Raiffeisen (8.0 percent), Italian-owned UniCredit (7.5 percent).

The banking system is stable and well provisioned. However, according to the National Bank of Romania, non-performing loans, even declining, still account for 13.6 percent of total bank loans and interest; the solvency rate of the banking system is 17.5 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 8.3 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 Romania of plans to provide local services based on the EU passport.

9. Competition from State-Owned Enterprises

OECD Guidelines on Corporate Governance of SOEs

The State Asset Administration Authority (AAAS) is responsible for privatizing state-owned industrial assets and managing them during the privatization process. The Ministry of Energy oversees energy generation and distribution assets, and uranium and coal mining. The Ministry of Economy, Trade, and Business Climate has authority over state-controlled natural gas carrier Transgaz, national electricity carrier Transelectrica, national salt company Salrom, national waters company SNAM, and copper mining Cuprumin. The Ministry of Transportation (MOT) has authority over the entities in the transportation sector, including rail freight carrier CFR Marfa.

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

SOEs are required by law to publish an annual report. Majority state-owned companies that are publicly listed, as well as state-owned banks, are required to be independently audited. If properly implemented, legislation on corporate governance of SOEs should ensure the professional selection of board members and managers, and bring more transparency and accountability to the management and oversight of SOEs. The Corporate Governance Code (Government Emergency Ordinance 109 / 2011) does not have language requirements for SOE executive and non-executive board members. However, the corporate governance principles that the Ministry of Economy, Commerce and Relations with the Business Environment applies for the recruitment of board members of SOEs under its purview, now require candidates to have good command of the Romanian language. The government plans to pass additional legislation in spring 2016 to further improve corporate governance of SOEs.

Sovereign Wealth Funds

Romania currently does not have a sovereign wealth fund.

10. Responsible Business Conduct

Romania is in the process of implementing its corporate governance code, but ministry compliance with the code is uneven. Government procurement decisions are governed by public procurement legislation and do not factor in RBC policies or practices. There have been no controversial instances of corporate impact on human rights. Romania has a consumer protection law, but enforcement is uneven. Romania is an adherent to the OECD Guidelines for Multinational Enterprises. Romania's National Contact Point (NCP), tasked with promoting these and located in Romania's Department for Foreign Investment, can be contacted through this website: <http://mneguidelines.oecd.org/ncps/romania.htm>. Romania is not a participant into the Extractive Industries Transparency Initiative (EITI). The revised Accounting Directive requires disclosure of payments made to governments for projects related to the commercial development of oil, natural gas, or minerals.

11. 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.

12. Corruption

Romania's fight against high and medium-level corruption has become increasingly credible, with significant numbers of prosecutions and convictions of corrupt public officials in recent years. Its prosecutorial efforts have become a model in Southeastern Europe. Romania was ranked 58th of 175 countries in Transparency International's 2015 Corruption Perception Index, an eleven-spot leap from the previous year's rank (69), yet still among the lowest ranked EU member states, on par with Greece but ahead of Italy, Turkey, Bulgaria and other countries in its region. In addition, for the first time over the past few years the Transparency International index had Romania rising in the ranking. The European Commission's (EC) 2015 Report on Progress under the Cooperation and Verification Mechanism (CVM) in Romania noted the role of the key institutions of the magistracy - the High Court of Cassation, the Public Ministry and the National Anti-Corruption Directorate, the National Integrity Agency and the Superior Council of the Magistracy - in building up the credibility and professionalism of the judicial system through establishing a track record. The report recommended transparent and merit-based selection procedures as a way to provide robust leadership, avoid political interference in senior appointments and support judicial independence. The report also noted that Romania needs to do more to combat low level corruption, especially in the health and education sectors.

The National Anti-Corruption Directorate (DNA) continued to investigate and prosecute corruption cases involving medium- and high-level political, judicial, and administrative officials throughout 2015, with nearly 1000 indictments. Conflicts of interest, respect for standards of ethical conduct, and integrity in public office in general remained a concern for all three branches of government. Individual executive agencies were slow in enforcing sanctions, and agencies' own inspection bodies were generally inactive. The national fiscal authority (ANAF), however, increased financial audits through its fraud division of private companies.

The Ministry of Justice published in 2012 a national anti-corruption strategy for 2012-2015, 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. With the Ministry of Justice in the lead, Romania is in the process of drafting a new national anticorruption strategy 2016-2020. As of March 2016, consultations with stakeholders were ongoing, with plans to publish the new strategy in summer 2016. The new strategy will include an increased focus on corruption prevention, including education in civics and ethics for civil servants, and a requirement for peer reviews of state institutions.

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.

Romania is in the process of implementing revised Public Procurement Directives and projects passage in spring 2016 of several new laws to improve and make more transparent the public procurement process. The National Agency for Public Procurement has general oversight over procurements and can draft legislation, but procurement decisions remain with the procuring entities. The CVM report points to low acceptance and even resistance to integrity rules within a substantial number of local authorities, with implications for public procurement. The National Integrity Agency plans to implement in 2016 the "Prevent" IT system for ex-ante check of conflicts of interests in public procurement to avoid conflicts of interest by automatically detecting conflict of interests in public procurement before the selection and contract award procedure.

The laws extend to politically exposed persons, yet, at the same time, criticism of magistrates by politicians and in the media and lack of respect of judicial decisions remain frequent. Laws prohibit bribery, both domestically and for Romanian companies doing business abroad. The judiciary remains paper based and inefficient, and Romania loses a number of cases each year in the European Court of Human Rights (ECHR) due to excessive trial length. Judges complain that excessive media coverage of corruption suspects inhibits their ability to oversee a fair trial. Specialized commercial tribunals do exist. Asset forfeiture laws exist, but a functioning asset forfeiture regime remains under development. 80 percent of cases in the court system are property related.

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 government proactive 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 bribes by low- to mid-level officials reach the point of harassment.

Romania is a member of the Southeast European Law Enforcement Center (SELEC). Romania does not provide protections to NGOs 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.

Romania expressed interest to join the new anti-corruption working group of the Open Government Partnership initiative.

Resources to Report Corruption

Contact at government agency responsible for combating corruption:

- ORGANIZATION: National Anticorruption Directorate (DNA)
- ADDRESS: Str. Stirbei Voda nr. 79-81, Bucuresti
- 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" organizations:

- ORGANIZATION: Expert Forum
- ADDRESS: Strada Semilunei, apt 1, Sector 2, Bucuresti,
- TELEPHONE NUMBER: +40 21 211 7400
- EMAIL ADDRESS: office@expertforum.ro
- ORGANIZATION: Freedom House Romania
- ADDRESS: Bd. Ferdinand 125, Bucuresti
- TELEPHONE NUMBER: +4021 253 28 38
- EMAIL ADDRESS: guseth@freedomhouse.ro
- ORGANIZATION: Funky Citizens
- ADDRESS: Colivia, Pache Protopopescu 9
- TELEPHONE NUMBER: +40 0723 627 448
- EMAIL ADDRESS: elena@funkycitizens.org

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

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. In 2004 the U.S. Government negotiated a political understanding with the EU and eight accession countries, including Romania, to cover any possible inconsistencies between pre-existing BITs and the countries' impending EU obligations. A resulting 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.

14. 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.

15. 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 December 2015 totaled USD56.98 billion, about 32.1 percent of Romania's GDP. Romanian direct investments abroad from January to December 2015 totaled USD735.9 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, Deutsche Telekom, Telesystem International Wireless Services, Vodafone, Liberty Media/UPC);
- Hotels (Hilton, Marriott, Best Western, Crowne Plaza, Accor, Ramada, Radisson, Sheraton);
- 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, Muller);
- Retail chains (Metro, Delhaize, Kingfisher, Dm Drogerie, Carrefour, Cora, Selgros, Auchan, Kaufland, Praktiker, Leroy Merlin).

According to Romanian Trade Registry statistics, the value of U.S. direct investment in Romania as of December 2015 was about USD 1.33 billion. The U.S. is the 12th-ranked foreign investor nation, after the Netherlands, Austria, Germany, Cyprus, France, Greece, Italy, Spain, Luxemburg, the UK and Switzerland. U.S.-source investment represented 2.4 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 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 7.96 billion invested. The U.S. is a 10 percent shareholder in the EBRD.

Foreign Portfolio Investment:

In 2015 foreign portfolio investment net inflows amounted to USD611.6 million, out of which USD431.8 million 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)	2015	\$ 177,560M	2014	\$199,000M	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)	2015	\$1,333.9M 12th	2014	\$2,300M	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)	2015	N/A	2014	\$66M	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as percent host GDP	2015	32.1	2014	N/A	N/A

Table 3: Sources and Destination of FDI

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

End-2014 Net Foreign Direct Investment Stock (National Bank of Romania)			Outward Direct Investment	
Total Net Stock	65,615.8	100 percent	N/A	N/A
Netherlands	15,485	23.6 percent		
Austria	10,564	16.1 percent		
Germany	8,136	12.4 percent		
Cyprus	4,659	7.1 percent		
France	4,462	6.8 percent		
"0" reflects amounts rounded to +/- USD 500,000.				

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	2,958	100 percent	World	1,007	100 percent	World	1,951	100 percent
Luxembourg	587	20 percent	Luxembourg	519	52 percent	United Kingdom	381	20 percent
United Kingdom	387	13 percent	Austria	229	23 percent	Turkey	240	12 percent
Austria	345	12 percent	Germany	75	7 percent	United States	222	11 percent
United States	266	9 percent	United States	44	5 percent	Netherlands	178	9 percent
Turkey	240	8 percent	France	36	4 percent	Hungary	131	7 percent

Section 6 - Tax

Exchange control

The exchange control regulations applicable in Romania are administered by the Romanian National Bank, which can take safeguarding measures relating to monetary capital operations. There is an obligation to notify the Romanian National Bank at least 10 days before the intention to conclude monetary capital operations on a short-time basis. Limitations apply to monetary capital operations applied on a short-term basis which generate incoming/outgoing of capital.

Treaty and non-treaty withholding tax rates

The table below contains the withholding tax rates applicable to dividend, interest and royalty payments by Romanian companies to non-residents under the tax treaties currently in force. In a specific case, where a treaty rate is higher than the domestic rate, the latter will apply.

	<i>Dividends</i>		<i>Interest¹</i>	<i>Royalties</i>
	<i>Individuals</i>	<i>Qualifying</i>		
<i>Treaty countries:</i>	<i>Companies</i>	<i>Companies²</i>		
	(%)	(%)	(%)	(%)
Albania	15	10	10	15
Algeria	15	15	15	15
Armenia	10	5	10	10
Australia	15	5 ³	10	10
Austria	5	0	0/3	3
Azerbaijan	10	5	8	10
Bangladesh	15	10 ³	10	10
Belarus	10	10	10	15
Belgium	10	5	10	5
Bosnia-Herzegovina ⁴	5	5	7.5	10
Bulgaria	15	10	15	15
Canada	15	5 ³	10	5/10
China (People's Republic)	10	10	10	7
Croatia	5	5	10	10
Cyprus	10	10	10	5
Czech Republic	10	10	7	10
Denmark	15	10	10	10
Ecuador	15	15	10	10

Egypt	10	10	15	15
Estonia	10	10	10	10
Ethiopia	10	10	15	15
Finland	5	5	5	2.5/5 ⁵
France	10	10	10	10
Georgia	8	8	10	5
Germany	15	5 ³	0/3 ⁶	3
Greece	20	20	10	5/7 ⁷
Hungary	15	5 ⁸	15	10
Iceland	10	5	3	5
India	20	15	15	22.5
Iran	10	10	8	10
Ireland	3	3	3	0/3 ⁹
Israel	15	15	5/10 ¹⁰	10
Italy	10	10	10	10
Japan	10	10	10	10/15 ¹¹
Jordan	15	15	12.5	15
Kazakhstan	10	10	10	10
Korea (DPRK)	10	10	10	10
Korea, Republic of	10	7	10	7/10 ¹²
Kuwait	1	1	1	15
Latvia	10	10	10	10
Lebanon	5	5	5	5
Lithuania	10	10	10	10
Luxembourg	15	5	10	10
Macedonia	5	5	10	10
Malaysia	10	10	15	12
Malta	5	5	5	5
Mexico	10	10	15	15
Moldova	10	10	10	10/15 ¹³
Montenegro	10	10	10	10
Morocco	10	10	10	10
Namibia	15	15	15	15
Netherlands	15	5 ³	0/3 ^{14, 15}	0/3 ¹⁴
Nigeria	12.5	12.5	12.5	12.5
Norway	10	10	10	10
Pakistan	10	10	10	12.5
Philippines	15	10	10	10/15/25 ¹⁶
Poland	15	5	10	10
Portugal	15	10 ¹⁷	10	10
Russia	15	15	15	10
San Marino	10	0/5	3	3
Saudi Arabia	5	5	5	10
Serbia ⁴	10	10	10	10
Singapore	5	5	5	5
Slovak Republic	10	10	10	10/15 ¹⁸
Slovenia	5	5	5	5
South Africa	15	15	15	15
Spain	15	10	10	10
Sri Lanka	12.5	12.5	10	10
Sudan	15	10	10	10
Sweden	10	10	10	10
Switzerland	10	10	10	0
Syria	15	5	10	12
Thailand	20	15	10/20/25 ¹⁹	15
Tunisia	12	12	10	12

Turkey	15	15	10	10
Turkmenistan	10	10	10	15
Ukraine	15	10	10	10/15 ¹⁸
United Arab Emirates	3	3	3	3
United Kingdom	15	10	10	10/15
United States	10	10	10	10/15 ²⁰
Uzbekistan	10	10	10	10
Vietnam	15	15	10	15
Zambia	10	10	10	15

¹ Many treaties provide for an exemption for certain types of interest such as interest paid to the State local authorities, central bank, export credit institutions or in relation to sales on credit. Such exemptions are not considered in this column.

² Unless otherwise indicated, recipient companies qualify for the reduced rates if they hold at least 25% of the capital or the voting power in the Romanian company, depending on the applicable treaty.

³ This rate applies to participations of at least 10%.

⁴ The treaty concluded with the former Yugoslavia.

⁵ The lower rate applies to royalties for computer software and industrial, commercial or scientific equipment.

⁶ The lower rate applies if, and as long as, Germany, does not levy withholding tax on interest paid to a resident Romanian under its domestic law.

⁷ The higher rate applies to industrial royalties.

⁸ The rate applies to participations of at least 40%.

⁹ The lower rate applies to copyright royalties.

¹⁰ The 5% rate applies to interest paid in connection with the sale on credit of any industrial or scientific equipment, or of any merchandise by one enterprise to another enterprise or on a loan granted by banks.

¹¹ The 10% rate applies to cultural royalties and the 15% to industrial royalties.

¹² The lower rate applies to industrial royalties, know-how and equipment leasing.

¹³ The lower rate applies to industrial royalties (excluding patent royalties) and know-how.

¹⁴ The lower rate applies if, and as long as, the Netherlands does not levy a withholding tax on interest/royalties paid to a resident of Romania.

¹⁵ Interest paid to a bank or financial institution and interest paid on a loan made for a period of more than two years are exempt.

¹⁶ The 10% rate applies to royalties paid by companies registered at the Romanian Agency for Development and carrying on specific activities. The 15% rate applies to film royalties.

¹⁷ A minimum holding period of two years applies.

¹⁸ The lower rate applies to industrial royalties.

¹⁹ The 10% rate applies to interest paid to financial institutions; the 20% rate applies to interest on credit sales.

²⁰ The lower rate applies to copyright royalties.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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Gary Youinou

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