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The Embassy of the Kingdom of the Netherlands in Bucharest publishes a monthly economic newsletter, distributed by e-mail. The material published in this newsletter is compiled by the staff in the Economic and Agriculture sections on the basis of publicly available information, from various sources (Rompres news bulletins, National Institute for Statistics, Nine O'Clock, Capital, Ziarul Financiar, Business Review) and reflects the developments of the month. It does not represent the opinion of the Embassy of the Kingdom of the Netherlands or any other official body. No responsibility for factual accuracy can be taken. Those interested in receiving the newsletter are requested to contact the above listed telephone and/or fax numbers or the e-mail address. Comments and suggestions are appreciated.

EUR / USD exchange rates against RON

Average November 2007 exchange rates were:

1 EUR = 3.4707 RON

1 USD = 2.3652 RON

Source: National Bank of Romania (www.bnr.ro)

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Macroeconomics

0.93% inflation in November 2007

According to the data published by the National Statistics Institute the inflation was of 0.93% in November 2007.

Average net salary in October 2007

October 2007 net average salary was of RON 1,084, increasing by 4.2% as compared to the previous month shows the data published by the National Statistics Institute.

BNR raises monetary policy rate to 7.5% per year

In its meeting on October 31, 2007, the Board of the National Bank of Romania (BNR) decided to raise the monetary policy rate to 7.5% per annum from 7.0%; to continue to pursue a cautious management of financial market liquidity via open-market operations; to leave unchanged the existing minimum reserve requirement ratios on both RON- and foreign currency-denominated liabilities of the credit institutions.

Government approves third budgetary rectification of 2007

The Government approved on November 19 a new Budget rectification, the third so far in 2007, following which the Government deficit is now downwardly adjusted to 2.4% of the GDP. Minister of Economy and Finance Varujan Vosganian stated that the budgetary rectification allowed for a cut by 0.3% of the Government deficit, and it reflects a prudent budgetary policy on the part of the Government. "The downward adjustment of the aggregate deficit is in line with the prudent policy carried out so far by the Government and a clear signal of the Government's wish to coordinate its tax policy in agreement with the inflation targeting policy of the National Bank of Romania," said Vosganian. The 2007 Budget had been built on receipts of approximately RON 55.575 billion, for an exchange rate of 1 EURO to RON 3.48, expenses of RON 64.630 billion, and a projected deficit of RON 9.054 billion (28% of the GDP). The draft also included a projected 6.4% economic growth in relation to an estimated GDP of EUR 107 billion and an inflation rate targeted at 4.5% year on year.

Trade

EUR 2.2 billion trade deficit in October 2007

The data published by the National Statistics Institute shows that Romanian FOB exports were in value of EUR 2.786 billion in October 2007, up by 23.4% as compared to the same period of 2006, while the CIF imports reached EUR 4.977 billion, up by 28.1% as against October 2006. As a result, the trade deficit was in October 2007 of almost EUR 2.2 billion.

In total, Romania's trade deficit rose to EUR 17.2 billion in the period January 1 – October 31, up with EUR 6.044 billion as compared to the same period last year.

Between January – October 2007, the value of the intracommunitarian goods exchanges was of EUR 17.473 billion for outgoings and EUR 29.56 billion for incomings, representing 72% of total Romanian exports, and 71% of total imports.

Legislation / taxation

New provisions for information to be included in justifying documents for VAT and Corporate Income Tax

Decision no.V/2007 issued by the High Court of Cassation and Justice has been published. This Decision stipulates that for transactions initiated from 1 June 2002 onward there is a risk of the VAT not being deducted and the taxable profit not being decreased, if the relevant justifying documents contain incomplete, inaccurate or misrepresented information. This decision will be applicable to all law courts starting with 30 October 2007. *See: Official Gazette of Romania no. 732/30.10.2007*

Emergency Ordinance on measures to combat late payments in commercial transactions

GEO no. 119/2007 was published in the Official Journal No. 738/31.10.2007 concerning measures to combat late payments in commercial transactions. The Ordinance was issued for the purpose of

implementing the Directive issued by the European Parliament and European Council no. 2000/35/CE regarding combating late payments in commercial transactions. 1. The object of the Ordinance is specific, liquid and enforceable debts representing payment obligations arising from commercial contracts, as defined in the Ordinance. 2. The Ordinance does not apply to (i) debts registered in the credal table in the insolvency procedure; (ii) contracts concluded between traders and consumers. 3. The Ordinance provides the way the delay interest flows, setting as null and void any contrary provisions. The parties are free to establish the interest rate by contract. Besides this interest, the creditor may claim damages for any expenses incurred from the recovery of sums due by the debtor. 4. A special, urgent procedure is provided for debt recovery, consisting in payment of the price set in the contracts falling within its scope, the most important aspects being the following: • It is not necessary to use the preliminary conciliation procedure; • Shorter terms for delivery of services are instituted; The statement of defence must be submitted no later than the day scheduled for the hearing under the sanction of losing the right to submit evidence and to invoke exceptions. Not filing the statement of defence may be regarded as recognition of the creditor's claim; • The dismissal of the request filed under the Ordinance, does not prevent the creditor from filing a claim based on the general legal provisions; • As provided in the Ordinance, the entire procedure may not exceed 90 days; • A stamp duty of RON 39 applies to the claim. See: *The Romanian Official Journal no. 738/31.X.2007, part I.*

Changes regarding the reimbursement of VAT to natural persons not residing in the European Union (EU)

The Minister of Economy and Finance has issued Order no. 1692/19.10.2007 amending the provisions of Order no. 528/2004 regarding the reimbursement of VAT to natural persons residing outside the EU. Natural persons residing outside the EU ("beneficiaries") who buy goods in Romania can benefit from the provisions of this order. To benefit from the VAT refund, the main conditions to be fulfilled are: • Goods have to be transported outside the EU within three months of their acquisition; • The value of the goods purchased from a single store must exceed EUR 175 (including VAT); • Goods must be purchased only from stores authorised to sell goods "Tax free"; • The beneficiaries must prove that the goods left the EU. VAT is reimbursed by authorised stores or specialised units, based on the invoice for the goods and on the "Document for VAT reimbursement to buyers not residing in the EU" form, both stamped by the customs office where the goods leave the EU. "Tax free" authorisations issued to stores under the former legislation remain valid until their expiry date. See: *Official Gazette of Romania no. 740/01.11.2007.*

Changes regarding the duty-free regime

The Minister of Economy and Finance has issued Order no. 1946/7.11.2007, amending and supplementing Order no. 1.397/2002 regarding sale of goods in duty-free shops and Order no. 416/2007 approving the structure, internal regulations and by-laws of the Commission to authorise operators trading with harmonised excisable goods. The most important changes refer to sale under duty-free arrangements: • The licensing tax for the issuance of the authorisation is EUR 10,000 (previously USD 10,000); • Re-export (for non-EU goods) and export (for EU goods) customs declarations must be submitted monthly, by the fifth of the month following the transaction; • The deadline for reauthorisation is now set at 60 days (previously 30 days) before the existing authorisation expires. See: *Official Gazette of Romania No. 762/9.11.2007*

Combined Nomenclature 2008

The European Commission has issued Regulation No. 1214/2007 approving the Combined Nomenclature to be applicable from 1 January 2008 ("CN 2008"). CN 2008 is the basis for the Common Customs Tariff. CN 2008 replaces CN 2007 for Intrastat reporting. The changes to CN 2008 compared with CN 2007 mainly refer to the classification of certain agricultural products (e.g. olives), textile products, chemical products (e.g. biofuel), and measurement and control equipment. See: *Official Journal L 286 / 31 October 2007*

Emergency Ordinance modifying and amending Law 247/2005 on reform in the fields of ownership and justice, and some related measures

Government Emergency Ordinance no. 118/2007, dated 24 October 2007, has been published, completing title VII of Law no. 247/2005 on reform in the fields of ownership and justice, as well as some related measures. This Ordinance allocates additional funds to the Ministry of Economy and Finance budget for paying compensations owed to individuals who have launched restitution claims based on the provisions of some special laws such as: Law no. 10/2001 regarding the legal regime of real estate taken over abusively during 6 March 1945 – 22 December 1989, as republished; Law no. 18/1991 on land resources; Law no. 1/2000 for reconstituting ownership over agricultural and forest lands; Law no. 18/1991 and Law no. 169/1997 modifying and

completing Law no. 18/1991 regarding, individuals to whom real estate cannot be returned (in Romanian "restitui") in kind. Thus, Title VII "The regime of ascertainment and payment of compensation for real estate taken over abusively" of Law no. 247/2005 has been modified by the introduction of a new article, art.142, supplementing the financial resources provided by Law no. 247/2005 with funds of up to 33 million RON from the State Budget. To this end, an additional RON 33 million from the Budget Reserve Fund has been approved for the Ministry of Economy and Finance budget for the National Authority for Property. *See: The Romanian Official Gazette no. 736/31.X.2007, part I*

Amendments to the Environmental Fund

Law 292/2007 amending Government Ordinance no. 196/2005 on the Environmental Fund has been published. The contribution to the Environmental Fund for polluting emissions released into the atmosphere by mobile sources (e.g. vehicles) has been abolished. *See: Official Gazette of Romania No. 758/8 November 2007.*

With thanks to PriceWaterhouseCoopers Romania – Tax Department

EU membership

Structural funds push GDP up 15-20%

The absorption of the structural funds will generate an additional growth of the gross domestic product (GDP) at about 15-20%, over 2007-2015, the director of the Management Authority for the EU Support Framework with the Economy and Finance Ministry told November 1 the debates on taxation issues. Razvan Cotovelea gave assurances Romania didn't lose and will not lose structural funds. "Romania ranks second in the European Union in terms of the approved Operational Sectoral

Programmes, since we knew how to negotiate with the European Commission in a very short time",

he added. The Economy Ministry official explained that the efficient absorption of the structural funds will create and keep some 150,000 - 200,000 jobs. Romania has seven Operational Sectoral Programmes (OSP) that implement the provisions of the National Landmark Strategic Framework as follows: OSP on boosting economic competitiveness, on transport, environment, the development of human resources, regional OSP, the development of the administrative capacity and the OSP on technical assistance. Romania, during 2007-2013, will benefit from EUR 19.7 billion worth of EU structural funds, out of which EUR 5.6 billion for transportation, EUR 5.5 billion for environmental infrastructure, EUR 3.5 billion for human resources development and EUR 2.5 billion for boosting economic competitiveness.

EC transfers communication instruments to DAE

Under a government resolution, the European Affairs Department (DAE) took over from the European Commission's Representation the communication instruments developed during Romania's pre-accession period. The Infoeuropa Center, the portal www.infoeuropa.ro and the European Information Multipliers Network will be transferred under DAE administration; the institution finances these communication instruments from its own budget. Details on the future organisation of these instruments will be established in common agreement with the EC Representation under a protocol that will be closed by the two institutions.

Energy

Constanta-Trieste oil pipeline could be extended up to Marseille

The Constanta-Trieste oil pipeline could be extended up to Marseille, said on November 19 in a seminar on energy organized by Focus Energetic magazine, director general with Romanian Ministry of Economy and Finance Alexandru Sandulescu. "The European Commission analyses the possibility of extending the oil pipeline up to Marseille, with a view to increasing the efficiency of the project," said Sandulescu. Romania is among the five countries participating in the construction of Constanta-Trieste oil pipeline. According to feasibility study made by Hill International Consortium, Romania will receive for a 20 year period between USD 2.27 billion and 4.39 billion, depending on the capacity varying from 40 to 90 million tones a year. The Pan European oil pipeline will be 1,350 kilometres long, 650 km crossing the Romanian territory. The entire project will cost EUR 3.5 billion. The oil pipeline will cross Romania, Serbia, Croatia, Slovenia and Italy and will make the connection with the Trieste-Hamburg oil pipeline.

Romgaz to invest EUR 220 million annually in finding new gas resources

Romgaz natural gas operator wants to invest some EUR 220 million over the next four years in finding new natural gas resources on the Romanian territory in the eight areas leased from the National Agency of Mineral Resources, said in a seminar on energy Romgaz director Gheorghe Radu. According to him, the company's storage capacity is 6 billion cubic metres annually, Romgaz

having 300,000 derricks and 20 compression stations. Gheorghe Radu said that the company's storage capacity grew from 1.2 billion to 2.7 billion cubic metres annually over 2000-2007 period and the daily extraction potential grew from 8-9 million to 16 million in 2007. Radu said that Romgaz has recently finalized the modernization of several storage tanks. Romgaz started the feasibility study for the construction of Roman Margineni storage tank and is currently finalizing the study for doubling the capacity of Sarmaselu storage tank in Transylvania basin. Radu said that Romgaz would not increase the production costs significantly in 2008. Romgaz is the main producer and provider of natural gas in Romania, with a 41.2% market share. The Ministry of Economy and Finance is the main shareholder of the company.

Infrastructure & transport

Investments to increase Bucharest, Timisoara and Constanta airports' capacity

The Bucharest, Timisoara and Constanta airports carry out investments worth some EUR 250 million for development and capacity increase, Catalin Radu, Civil Aviation director with the Transportation Ministry, told the Romanian Airports Forum on November 15. "Romania's annual passenger traffic is 5-6 percent higher than the European average, therefore investments are required to increase capacity," Radu said. The cited official said that investment programs are ongoing and some are due for completion in about six years. The Henri Coanda International Airport in Otopeni (18 km north of Bucharest) has an ongoing EUR 80 million project – that now entered the third stage - aimed at doubling the passenger handling capacity. Officials estimate that another EUR 50 million will be earmarked for the fourth stage of the airport's development project.

The Aurel Vlaicu International Airport (north of Bucharest) has invested this year over EUR 20 million in runway repair and the modernization project is due to continue with other runway improvement works and with the expansion of the departures terminal. The Constanta and Timisoara International Airports will invest some EUR 100 million to increase capacity, said the representative of the Transportation Ministry's Civil Aviation Department.

Work on Comarnic-Brasov motorway to start in September 2008

Work on the motorway stretch connecting Comarnic (southern Romania) to Brasov (central Romania), which will be made on a lease, will start in September 2008, said Minister of Transport Ludovic Orban. "On June 1, 2008 we shall sign the execution contract with the company that will do the work, which is going to begin in autumn next year," said Minister of Transport. The Comarnic-Brasov stretch will be built in the DBO (design-build-operate) system, which means that the company to win the tender will ensure the design, the funding and the execution of the stretch. It will be leased to the company in question for a span of time ranging between 25 and 30 years.

Upgrading works on Ploiesti western ring road to be completed by end-2009

The expansion to 4 lanes of the western ring road of Ploiesti (southern Romania) started on November 21 and are to be completed by end-2009. "The 13-kilometer long ring road will be upgraded until the end of 2009 which means than from then on there will be four circulation lanes and not only two. I have asked the constructor no to hinder the current traffic and to finish works as soon as possible," Transport Minister Ludovic Orban, attending the beginning of the works, said. The project's costs stand at RON 157 million (almost EUR 45 million), with PA&CO International being in charge with the construction works.

Tender for Bucharest-Otopeni subway, on December 15

The announcements for the tender to select a consultant to carry out feasibility studies for the subway line to link Bucharest and Otopeni (18 km north of the capital) and for the southern Bucharest ringline will be published on Dec. 15, 2007, Transport Minister Ludovic Orban told a news conference, on November 19. The shortest deadline for the finalization of the feasibility study for the subway linking Bucharest and Otopeni is 3 months, whereas the longest is 12 months. The investment amounts to EUR 250 million. We will chose the consultant able to accomplish the works and the feasibility survey so that they are done in the shortest time, Minister Orban said, adding that the consultants are selected by Feb. 1, 2008. As much as EUR

741 million is expected to be invested in the southern ringline. The subway line will number 25 stops and measure 16.4 km. Minister Orban attended, on November 19, the ceremony marking 28 years since the first subway line became operational on Nov. 16, 1979.

Motorway maintenance to be leased out until 2012

Maintenance works and services for Romania's A1 Bucharest-Pitesti and A2 Bucharest-Constanta motorways will be leased out for four years, until 2012, Director General of Romania's National Motorways and National Roads Corporation (CNANDR) Mihai Grecu reported on October 31. "Maintenance services for the two motorways will be leased out in March 2008 for four years, and the same will happen with the maintenance services for the national roads. The companies to win the lease contracts will have to care more about maintaining these roads than they currently do," said Grecu. According to CNANDR assessments, approximately 30 percent of Romania's national roads are still in a poor state because of delays in maintenance works, and 60 km of the road network badly needs urgent repairing or upgrading. Out of a total of 5,868 km of European roads, 1,811 km are in an excellent state, 1,108 km are in good state, 1,086 km are in a passable state, while 1,086 km are in poor state. Romania's network of motorways and national roads is standing at 15,810 km.

Four new expressways as of 2010

The National Road Company (CNANDR) prepares the building of four new expressways, which are to be finalized in 2010. The construction costs will exceed EUR 1.2 billion, according to figures supplied by the Transport Ministry. The four expressways have a 415-km length and will be built on the routes Oradea-Arad, Sebes-Turda, Baia Mare-Satu Mare and Craiova-Pitesti, as solutions for the traffic improvement. The Oradea-Arad expressway will cost some EUR 392 million and the works are to start in 2008. The Craiova-Pitesti expressway will be 120-km long and its construction triggers the building of 15 bridges. Another important route is Sebes-Turda, one of the country's most crowded ways with the about 80 km between the two localities being covered in about two hours. The costs for the construction of the 73 km are appraised at EUR 686 million. The about 65-km long Satu Mare-Baia Mare expressway will cost EUR 550 million. The way is an extension of the M49 motorway from Hungary and will enter Romania at Petea cross border. A first expressway, which is 36-km long, has already been commissioned between Bucharest and Giurgiu and is part of the Pan-European Transport Corridor IX which connects the south with the north of Europe.

One billion euros for road upgrading in tourist areas

The Romanian Transport Ministry will invest over EUR 1 billion in the upgrading of one thousand kilometres of county, forest and communal road in order to ensure infrastructure in the country's tourist areas, Transport Minister Ludovic Orban told a news conference on November 20. "Our goal is to connect, through national roads, one hundred tourist areas. The amount allotted to this project exceeds EUR 1 billion for seven years," Orban said. Among the tourist areas subject to upgrading area are Transfagarasan, Rarau and Fantanele.

IT&C

First regulatory strategy in electronic communications in Romania

The National Regulatory Authority for Communications and Information Technology (ANRCTI) launched early this week the first regulatory strategy in the field of the electronic communications in Romania, for the 2007-2010 interval, with the document to be available for public consultations on the ANRCTI Web page till December 14, the Authority chairman Dan Georgescu announced, on the occasion of an international conference on the reform of the regulations in communication field. ANRCTI launched the strategic analysis process the document was based on in March 2007, with the help of the consultancy company TASC Strategic Consulting Ltd., and with the development of the project implying a complex structure of activities, from market research among the final users, specific information collection from representative samples of operators and working meetings with the representatives of the industry, till the investigation of the ANRCTI information system and the checking of some hypothesis in the perspective of the practices adopted in other states. ANRCTI proposed a series of five objectives to regulate the sector in the next three years. The first objective refers to the creation of the conditions for the manifestation of a sustainable competition based on infrastructures, facilitating thus, when the case, the competition based on services. A second objective refers to the promotion of the development of the access to the broadband services on the Internet, especially via the multi-product platforms such as the IP and the maximization of the user database and their services. The Romanian

communications market was worth EUR 4.2 billion last year. By end-2007, ANRCTI estimates the market will reach EUR 5 billion, while in the case of the maintaining of the current growth rate on the Romanian telecom market, ANRCTI estimates its value will climb to EUR 6 billion in 2008.

Romanian IT services market to grow by 25% this year

The Romanian IT services market will grow this year by over 25% and an IDC study reveals that it is an increase as against last year, when the market expanded by 22.3% up to a value of USD 244 million. System integration services accounted for the largest part of the total revenues of the IT services market, with a 24.3% share, followed by hardware support and installation (17.8%) and software support and installation (13.6%). IDC expects that these categories of services should go on playing an important part on the Romanian IT market. The most important client for the IT services was the production sector, 16.5% of the total expenditure. The utilities sector came second, with a share of 16.3%, whereas the governmental sector was the third, with 15.9%. IDC expects the demand for IT services to grow to a large extent in the next few years, especially in communications and finance. Telecommunications companies have to invest in IT to win new clients over and make them faithful to them on a market that is within inches of being saturated. In the field of financial services the demand for new IT solutions will increase due to the stiff competition and to the compulsoriness of accommodating to the European and international banking regulations. For the next five years IDC thinks that expenditure in the field of the IT services will constantly increase by more than 18% on average. The main growth factors for the years to come will be the direct foreign investments, the European structural funds, the marked development of economy and the maturation of the market. "As it has a few important advantages such as area and location, cultural nearness to Western Europe and the United States, important technical and linguistic skills, Romania turns into an extremely important competitor in the field of the IT services and at the same time a very attractive market for international players," says Calin Mirea, IDC Romania research analyst.

Agriculture & food

First EU payments to farmers at the end of February

The first payments from the European funds to Romanian farmers will be operated must probably at the end of February 2008, according to the general manager of the Paying and Intervention Agency for Agriculture (APIA) Dan Gherghelas, because of still existing deficiencies in the APIA operation. "We estimate that we will make the first payments at the end of February next year, once we finish with the field controls and with the authorization procedure for the payments," Gherghelas said. He also added that, following the discussions he had with the Brussels authorities, it is possible that Romania receives a favourable notification around December 20, since there is enough time to eliminate the deficiencies still existing in the APIA information system. "There will also be a final report on December 15 of the external auditor Deloitte&Touche on the Integrated Administration and Control System (IACS), as the report sent on November 8 to the European Commission together with the Ministry's letter was only an intermediary one, describing the situation of the IACS at a certain date. In the meantime progress was made and there is still enough time left to solve the problems, till a decision will be taken related to the safeguard clause," the APIA general manager said. Gherghelas is about to visit Brussels to discuss the technical details related to the European Commission's request to increase the on-site control rate, from 6 to maximum 10%, due to the over-declared plots of land. "We are about to end the field checks at all the 23,000 farms. Moreover, I have notified 310,000 farmers with over-declared plots of land and clarifications are expected at the end of November. We estimate we will finish with the checking process around January 15-20," the general manager of APIA said. The European Commission granted Romania a month to remedy the deficiencies in the IACS system, with the EU to take a decision on December 20 on the safeguard cause. The triggering of the clause would result in the cut by 25% of the direct payments to farmers, that is a cut of EUR 110 million, out of the EUR 443 million estimated to be granted in 2008. The total funds earmarked to Romania for agriculture and rural development for 2007-2013 will reach EUR 12.2 billion, out of which EUR 4.2 billion for direct payments and EUR 8 billion for rural development.

Poultry market in Romania estimated at EUR 1.2 billion in 2008

The poultry market in Romania could reach EUR 1.2 billion in 2008, up 20% compared to this year, according to the President of the Poultry Breeders' Union of Romania Ilie Van. The market will be strongly influenced by the structural funds to come in 2008. "The poultry market this year

will reach EUR 900 million or 1 billion, including the poultry meat, eggs, processed food and biological material,' said Van. The sector was heavily hit by the Avian Influenza in 2006, the producers reporting EUR 120 million in losses. The Union estimates investments of EUR 170 million in 2007, some EUR 100 million being spent so far. The producers currently cover 70% of the domestic demand, the rest being imported. The Union has 82 registered companies producing meat and 81 producers of eggs. Thirty-six slaughterhouses are functioning according to EU norms, and the others are expecting authorization. The poultry meat market in Romania reported a spectacular evolution over the past years, as Romanians prefer fresh meat instead of frozen products. The supply is more varied and the processed food has become popular, so the domestic producers are paying attention to it. Agricola Bacau, Transavia, Agrisol International, Avicola Calarasi and Avicola Crevedia are the main players on the market.

Domestic soya production covers only 20% of demand

The domestic soya yield this year is below 1,600 kg per hectare and can cover only 20% of demand, say the representatives of the national employers' association of producers of combined feed in Romania (NUTRICOMB). Romania consumes 360,000 tonnes of soya per year, while production is only 70,000 tonnes. The difference of 290,000 tonnes will be imported, most likely from countries like Brazil or Argentina. Considering the demand and supply situation, an increase in the price of soya beans is foreseeable. According to NUTRICOMB, the average sale price of soya in October this year was about 1.15 RON/kg.

Romania's organic product exports to reach EUR 70 million in 2007

Romania's exports of eco-labelled products might go up to some 100,000 tonnes worth EUR 70 million in 2007, according to the Organic Farming Counsellor with the Ministry of Agriculture and Rural Development (MADR) Teodora Aldescu. The country's organic production in 2006 exceeded the 60,000-tonne threshold, with a value of EUR 50 million. 'High in demand were sunflower, soya-beans, rapeseeds, cereals, dairy products and herbs from the wild flora,' said Aldescu. Romania's total organic output stood at EUR 166,000 in 2006. The output of organic crops in 2006 was 166,574 tonnes, with 73,000 tonnes of oil-seed and protein crops and 48,441 tonnes of cereals. Romanian organic producers also provided 11.2 million litres of cow milk and 1.5 million litres of sheep and goat milk, as well as organic eggs, white and yellow cheese, honey, pastas, bread and fruit and vegetable preserves. 'Beekeeping is one of the best performing sectors that put out 1,240 tonnes of eco-honey in 2007, up from just 70 tonnes in 2000. More than 720 tonnes of the honey output was exported so far this year,' said Aldescu. According to the data of MADR, the number of registered organic farming operators – as of June 30, 2007 – stood at 3,836, up from 3,409 in 2006. Organically cultivated land has expanded in 2007 to 170,000 hectares, from 143,000 hectares in 2006, and that means 1% of Romania's total agricultural area. Organic farming will be supported under the agri-environment measure of the National Rural Development Plan, the approval of which is still pending.

Fish quotas for Romania and Bulgaria to be approved in Brussels

The EU Commission is about to approve the Black Sea fish quotas for Romania and Bulgaria, according to Gheorghe Stefan, the president of the National Agency for Fishery and Aquaculture (ANPA). 'We and the Bulgarians proposed a quota of 100 tonnes plaice and 15,000 tonnes sprat for 2008; the EU Commission's proposal was by 10 tonnes smaller for plaice, but we expect nevertheless some, and in the end the EC might approve the quotas we proposed,' Stefan said, stressing that Romania and Bulgaria will equally share their quota and fishing will be stopped in both countries when the quota is reached. 'Romania's fishing fleet numbers 27 ships of over 12 meters and 1,300 small coast vessels, while the Bulgarian fleet numbers 47 ships and over 2,200 coast vessels. At present, we equally share the Black Sea fish quota, but I believe Bulgaria will ask for a larger quota in the future, because it owns more ships,' Stefan added. Turkey, owning a fleet of 19,000 ships, is the main player on the Black Sea fish market and it accounts for 85 percent of the commercial captures. It puts out 300,000 tonnes fish while Romania puts out only 20,000 tonnes of fish, the ANPA official added. At present, Romania's fish production supplies only 25-30% of its total fish consumption amounting to 90,000 tonnes, with the rest coming from ocean fish imports. Specialists say Romania will not be able to produce all the fish it consumes, but it can reduce the gap by growing more local fish species in aquaculture. Romania's total annual fish consumption is 10 times lower than in some EU countries. It amounts to only 4.5 kg/inhabitant, compared with the EU average of 20 kg per capita. Portugal and Spain are the biggest fish consumers in the EU, with 48 and 45 tonnes per year, respectively. The Romanian fish market is smaller than that of other EU member states, its total turnover amounting to only EUR 30-40 million, but the black market of about 25-30% of the total should also be considered.

Health

Romanian drug consumption to rapidly catch up with Western Europe

In 2006 Romanians spent four times less than West Europeans on drugs per person. The Romanian pharmaceutical market will witness average annual growth of 13.3% by 2010, according to estimates by KBC Securities analysts. They expect drug consumption per capita in Romania to rapidly get close to the average of Central and Eastern Europe and subsequently to that of Western Europe. Romanians spent USD 92 on average on drugs per person last year, compared with an average of USD 135 in Central and East-European states and of USD 374 in Western Europe.

The domestic pharmaceutical market has witnessed rapid expansion in recent years, increasing by 18% in 2005 and by 20% in 2006, to EUR 1.95 billion. The expansion was driven by the simplification of drug registration procedures and by the rising GDP per capita, shows KBC's survey. KBC analysts expect the Romanian pharmaceutical sector to continue to grow faster than the overall economy. Growth will be spurred by the development of the private medical services sector, the rising population incomes and life expectancy, as well as by the changing population behaviour, with people to focus more on prevention rather than treatment. KBC estimates the over-the-counter drug market will rise faster than that of drugs released on the basis of a prescription, to witness average annual growth by 15.3% by 2013. KBC considers pharmaceutical market rules in Romania are as strict as those in other states of Central and Eastern Europe, which is limiting downside risks. *Source: Ziarul Financiar.*

Foreign investment

Foreign investment at the end of September 2007

At the end of September 2007, according to the provisory data published by the National Office of the Trade Registry there were 143,757 companies registered in Romania with foreign participation in social capital, total foreign investment amounting to EUR 17.1 billion. The top of the first five foreign investors was led by the Netherlands, with 3,022 companies registered and total invested capital of EUR 3.1 billion, followed by Austria with 4,722 companies and a total investment of EUR 2.2 billion, France with 5,214 companies and an investment of EUR 1.8 billion, Germany with 15,249 companies and a total investment of EUR 1.7 billion, and Italy with 23,739 registered companies and a total investment reaching EUR 0.8 billion.

Privatisation

State stake in Antibiotice to be sold through open tender

The state-owned share package in Antibiotice SA Iasi commercial company is to be put on sale through open calls for tenders, according to a Government Decision adopted in the November 19 meeting. Based on the estimations made by AVAS financial consultant, the Government seeks through this type of bid to reduce the risks of an eventual state aid within the privatization process. The normative act is meant to facilitate acceleration of the company's privatization and, at the same time, to ensure a unitary treatment applied to all the economic agents involved in a privatization process. As such, the Government wishes to abrogate some privatization norms that distinctly regulated the privatization of Antibiotice SA company, susceptible to induce state aid elements, so that this will be privatized in a transparent way and in compliance with the Community acquis. Antibiotice Iasi is the sole producer of powders and liquids dosed in vials and injectable sterile solutions, alongside the entire range of essential drugs to treat tuberculosis. Pharmaceutical company Antibiotice Iasi reported a net profit of RON 23.24 million in the first nine months of 2007, up 22% compared to the same period of 2006, when it amounted at RON 19.05 million, according to financial reports made public on the company's site.

Privatisation in energy sector to be launched in 2008

The map of privatisations in the energy sector to be made in 2008 should be finished by the end of this year, Ministry of Economy and Finance Varujan Vosganian told a press conference on November 20. He also added that he met chairman of the State Assets Realization Authority (AVAS), Teodor Atanasiu, with whom he discussed the need to make a precise inventory of all the

units in the energy sector which can be put up for privatisation. "While 2007 has been the year of energy strategies, of the energy market upgrading and of Transgaz listing on the Bucharest Stock Exchange, the year 2008 is to be the year of the privatisations in the energy sector," Vosgian said. The Economy Minister also mentioned the units with a difficult financial situation, such as the thermal power plants in Borzesti, Doicesti and Botosani, saying they need larger survival and upgrading programmes and programmes to make them profitable, while in the Termoelectrica case

he explained the company recorded profit in 2007, although it has significant debts from the previous years. Moreover, the minister mentioned the interest for the hydropower sector, explaining that there are to be sold 100 hydropower plants up to 100 MW. Vosgian said that there are also offers received to modernize the dams.

Dutch presence in Romania

Second logistics seminar about warehousing in Romania major success

On November 22, Archicom and Trafic Media organised the second Logistics Seminar in Romania dedicated to Warehousing: different types for different purposes on different locations. The interest for this seminar was overwhelming, as more than 270 participants were the audience on this unique logistics event. The seminar background is to speed up the developments in the logistics field in Romania. The key ingredient of the seminar was to bring together international experience and local practice. The culture of the Romanians in general, and the knowledge of logistics and the supply chain available here in particular, demands specialised external knowledge. This and the great need for parties who are willing to make investments in Romania, where the base for the Warehousing theme. More information available on www.logisticsportal.ro

Imtech: mega transport brings environment-friendly gas metering stations to Romania

In the morning of December 12 one of the largest industrial transports ever to be undertaken in the Netherlands departed from Bergen op Zoom. A convoy of 18 trailers with a total length of more than 300 metres is bringing eight enormous high-tech unmanned gas metering stations, built by technical services provider Imtech, to the Romanian oil & gas company Petrom SA in Bucharest and Constanta. The convoy will cover more than 2,400 kilometres in a few days' time. Since the Imtech solutions are energy efficient, each trailer is covered with a tarp reading 'top technology for a brighter future'. The project represents a total value of EUR 22 million.

Friesland targets EUR 130 million turnover

The Friesland representatives forecast the company's profitability will be hurt in the last quarter of the year, following a rise in the price of raw materials. According to Ziarul Financiar calculations, the Dutch group posted profit worth almost EUR 9 million in 2006. "Friesland registered turnover worth EUR 105 million in the first ten months of the year, up 23% on last year. For the end of the year, we estimate turnover worth EUR 130 million, and the same level of profitability as last year, with the exception of the last quarter of this year, which was affected by price increases for raw materials," said Gerbrant de Boer, general manager of the group. According to previous statements from Ioan Balan, vice-president of the Romanian Association of Milk Industry Business Owners (APRIL), in summer, a litre of milk purchased from a collection centre cost RON 0.75 and between RON 0.85 - 1 from large farmers. These prices will increase, however, by RON 0.1 at the end of this year, and cause the price of local dairy products to rise by margins of 10 to 15%. With price increases in raw materials, wages and energy, as well as greater competition in the wake of Romania's accession to the EU, Friesland recently decided to transfer production from its Satu Mare plant to Carei, a town also located in the Satu Mare county, in order to render the business more efficient. According to company representatives, the maturation and pre-sale activities will remain at the current plant in Satu Mare, while Friesland intends to open a local logistic centre in Satu Mare next year.

Spar spreads with 13th unit at Sfantu Gheorghe

Dutch retailer Spar enlarged the supermarkets' network with the 13th unit at Sfantu Gheorghe, following an investment of EUR 700,000. The new unit holds a sales area of 728 sqm from a total space of 1,300 sqm. So far, the company invested EUR 21.9 million in development of the 11 supermarkets and a hypermarket. By yearend, Spar plans opening a new location at Petrosani, within a medium term development plan of 60 locations in portfolio, including Bucharest and with a target of 250 units opened countrywide in the future. *Source: Business Media Group - BR Daily*

Events & Useful web links

Seminar on urban regeneration

On November 1 and 2, the League of Homeowners Associations Habitat in cooperation with Woonbron, Foundation Housing + and the Embassy organised a seminar on urban regeneration. More information may be found on www.regenerareurbana.ro.

Seminar on joint implementation

On 12 November, SenterNovem, the Romanian Ministry of Environment and Sustainable Development and the Embassy organised a seminar on Joint Implementation procedures. The presentations are placed on:

http://www.senternovem.nl/carboncredits/proceedings/workshop_strengthening_romaniacs_capacity_for_using_the_joint_implementation_ji_mechanism_of_the_kyoto_protocol.asp

15 years of Dutch – Romanian cooperation on water management

On 13 and 14 November, in Sinaia, 15 years of cooperation between the Netherlands and Romania on water management were celebrated. The MoU on water-cooperation between the two countries will terminate at the end of 2007. Activities are underway to sustain the cooperation at the level of local government (Dutch Water Boards and Romanian Regional Offices of Apele Romane) as well as of the business environment. In relation to the latter the Netherlands Water Partnership organises on 10 January a meeting in Delft (<http://www.nwp.nl/index.cfm/site/EC147F23-C2A3-03DB-689CD26DFA8402CB/pageid/535CA0B8-B6B9-3699-A63E8B0293686481/objecttype/mark.apps.nwp.contentobjects.news/objectid/A0A5C938-062B-8649-2D34ECF9CD9DA4DF/index.cfm>).

Seminar on EU-funds

On 29 November, the Netherlands-Romanian Chamber of Commerce organised a seminar on EU-funds in Romania. The presentations are available on: www.netherlands.ro/cake.htm

- Embassy of the Kingdom of the Netherlands in Bucharest
 - Agency for International Business and Cooperation - EVD
 - The Netherlands – Romanian Chamber of Commerce
 - The Dutch-Romanian Association
 - Romanian Ministry of Agriculture and Rural Development
 - Romanian Ministry of Economy and Finance
 - Romanian Ministry of Environment and Sustainable Development
 - Romanian Ministry of Transport
 - National Institute for Statistics
 - Agency for Small and Medium Sized Enterprises
- [- www.netherlandsemb.ro](http://www.netherlandsemb.ro)
[- www.evd.nl](http://www.evd.nl)
[- www.netherlands.ro](http://www.netherlands.ro)
[- www.nederland.ro](http://www.nederland.ro)
[- www.mapam.ro](http://www.mapam.ro)
[- www.mefromania.ro](http://www.mefromania.ro)
[- www.mmediu.ro](http://www.mmediu.ro)
[- www.mt.ro](http://www.mt.ro)
[- www.insse.ro](http://www.insse.ro)
[- www.animmc.ro](http://www.animmc.ro)

Information on EU funds - www.fonduri-structurale.ro