

# ECONOMIC HIGHLIGHTS

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## I. ECONOMY AT WORK

### ***Foreign direct investment January through August stands at more than 1.9 billion euros, says Central Bank study***

The foreign direct investment (FDI) in Romania is following a positive trend, 16 percent higher in the first eight months compared to the first eight last year, standing at over 1.9 billion euros, a Central Bank study informs.

The input of foreign capital in the Romanian market in August was over 214 million euros, 18 percent more than last year, when it stood at 180 million euros.

The increasing FDI in Romania can be explained by the fact that investors have moved from a stand-by position to taking action, especially since the country's expected accession to the European Union is generally considered to be less than one and a half years ahead. The investment fever in Romania has caught almost all the sectors of the economy, offering return rates above the region average. Despite negative aspects such as red tape or corruption, which may hamper investment, Romania is believed to be an outpost of eastward expansion, presenting specific competitive advantages compared to other countries in the region - political stability, high margins for investment and affordable workforce.

The National Trade Registry (ONRC) has recently reported an increase in the share capital of the companies with foreign participation by around 38 percent in the first eight months of the year, to 1.58 billion euros. ONRC indicates that the capital increases stood in August at 81 million euros. Investment in new companies was around 3.7 million euros.

One hundred and five new companies with partial foreign capital were registered in August, with a subscribed capital totalling 3.7 million euros, most of them being established by Italian nationals - 22 and by Turks- 13.

ONRC calculates the foreign investment according to the nominal capital subscribed to companies having partial foreign capital. The Romanian Agency for Foreign Investment forecast 3.2 - 3.8 billion euros in FDI this year. The FDI in 2004 totalled 4.1 billion euros, 116 percent more than in 2003, putting Romania on the second place in Central and Eastern Europe and the Commonwealth of Independent States region, behind the Russian Federation, but ahead of countries such as Hungary and the Czech Republic. The booming in the FDI last year was largely due to the sale of the Petrom oil company to Austrian group OMV.

### ***Steel and mobile telephony - most profitable businesses in 2004***

Ispat Sidex Galati, Orange Romania and MobiFon were the most profitable large companies in 2004, according to the national list of private companies presented at the end of last week by the National Council of Private Small and Medium-Sized Enterprises - SMEs - in Romania (CNIPMMR). The first classified, as for the large companies, Ispat Sidex Galati, Orange Romania and MobiFon, reported profit levels up to 13,745.8 billion ROL, 9.748 billion ROL and 8.150 billion ROL respectively. The most profitable large businesses made profits amounting to over 30,000 billion ROL.

Last year, the largest medium companies, according to CNIPMMR criteria used in the top's working out, were BCR Leasing, located in Bucharest, with a gross profit of 211.2 billion ROL. The second position was awarded to Datatim, Timisoara based, with 201.4 billion ROL, and Hungastro Sfantu Gheorghe lost one position as against one year ago, ranking the third, with a gross profit of 178.5 billion ROL.

The first positions among small companies were awarded to Fortum Engineering Romania, based in Bucharest, with a gross profit amounting to 187.2 billion ROL, in 2004, Metal Galati, with a gross profit of 182.9 billion ROL and Winmarkt Bucharest, which retains the position held in the previous edition of the top, with 157.4 billion ROL.

Vest Trade & Consulting, based in Bucharest, ranked the first among micro-enterprises, with a gross profit amounting to over 235 billion ROL, followed by two companies also from Bucharest, TFM and Francredit, with a gross profit amounting to 234.2 billion ROL and 204.9 billion respectively. "Small and medium sized companies account for 85 percent of the private sector in Romania. This top shows

the performance degree of this sector in 2004", according to Ovidiu Nicolescu, CNIPMMR president.

In working out the classification, the criteria considered were gross profit, average number of employees and turnover, liabilities to the public budgets not exceeding 10 percent of the turnover. Retail is the only field identified by managers as having growth potential in terms of staff over the last three months of the year, according to the context survey conducted by National Institute of Statistics covering October - December. The managers of companies active in industrial sectors keep their expectations regarding downsizing, in spite of expecting an increase in their economic situation and orders. The answers indicate that companies in industry continue restructuring and revamping activities, their growth prospects being moderate as against the previous periods.

### ***Romanian private companies' profit grows by 14 percent in 2004***

The profit of all the Romanian private companies grew by 14 percent in 2004 as against 2003, says a release of the 13th edition of the Top Private Companies.

Private companies provided 60 percent of Romania's GDP last year, and the exports of small and medium size companies accounted for 35 percent of all Romanian exports, with these companies owning one third of the national patrimony.

Chairman of the National Council of the Private Small and Medium Size Enterprises, Ovidiu Nicolaescu, raised once again the problem of the taxation of manpower, underlining that a 10-percent drop in tax would lead to a rise in the taxable sums and in the number of jobs, as well as in foreign investments in Romania.

Romania ranks 12th in classifications of the World Bank as regards business, and the bank emphasizes the requirement of a correct law on employers and investments, for the domestic and the foreign capitals to have the same rights, State Minister Gheorghe Copos said.

### ***Poland interested in developing economic cooperation with Romania***

Poland is interested in the development of cooperation between Polish and Romanian companies, chief of economic-commercial section of the Polish Embassy in Bucharest Tomasz Suprowicz stated, announcing at the same time the re-launching of Business Poland 2005 exhibition in the period November 8 through 11, in Bucharest.

Business Poland 2005 Exhibition, the first of this kind organized in 1990 in Romania is going to gather some 40 Polish companies desirous to establish cooperation relations with Romanian partners in agri-food, pharmaceutical, chemistry and petro-chemistry sectors, as well as in cosmetics and detergents, electronic machines and equipment, steel, IT and telecommunications fields.

"This is an occasion for establishing contacts, commercial exchanges and information, for more efficient and profound mutual detailed knowledge. I am convinced that the exhibition is going to contribute to the deepening of cooperation, to an accelerated dynamics of commercial exchanges between Romania and Poland", Tomasz Suprowicz said.

2004 represented a record in the Polish-Romanian commercial exchanges, that reached a value of 1.1 billion dollars and, according to all forecasts, Polish export alone will attain at least one billion dollars in 2005, placing Poland among the top ten countries with biggest exports to Romania, the Polish official also said.

As well, the volume of Polish investment will exceed 100 million dollars, in the future other big investments of approximately 300 million dollars being contemplated, he added.

The Polish firms have become more and more numerous in Romania, demonstrating the Romanian market's attractiveness, with a higher competitiveness climate. To benefit of the necessary conditions for both sides' mutual beneficial cooperation the Embassy of Poland in Bucharest decided to organize the national exhibition Business Poland 2005 that offers Romanian and Polish companies new opportunities to forge business links.

### ***Mobile telephony reports 45 percent higher traffic in H1 2005***

The mobile telephony traffic, including roaming services, registered in the first half of the year, was 4,158 million minutes, up 45 percent as against the similar period of 2004, the National Regulatory Authority for Communications (ANRC) informs in a report on electronic communications over January 1 - June 30 2005.

The number of messages SMS sent grew 42 percent reaching 732 million. MMS messages reported a 224 percent increase over the analysed period, reaching 9.4 million.

The number of mobile telephony users reached 11.37 million in June (52.50 percent of the population), up 10 percent compared to December 2004.

The traffic of fixed-line telephony reported a slight drop, down to 4.32 billion minutes.

Some 4.3 million people were subscribers of fixed-line telephony services at the end of the first half of 2005.

ANRC said that the number of Internet access connections in June 2005 had reached 1.9 million, quite double as against the December 2004 figures. The number includes the CDMA and GPRS connections through mobile telephony. As an Internet connection can be used by several persons, it was estimated that the number of Internet users surpassed 4 million in H1.

ANRC drew up the report after statistic data gathered from 1,540 network and electronic communication service providers, active in H1 of 2005.

### ***SAPARD to be hundred percent financed from state budget***

The SAPARD Agency will be wholly financed by the Government, the Romanian Senate decided on October 31 by passing an amendment to regulate the legal framework for the granting of the SPARD funds and the establishment of the number of the agency's employees.

SAPARD will have 3,953 employees more after the addition approved by the Romanian Ministry of Agriculture, Forestry and Rural Development.

The Senate approved in a plenary session the emergency decree related to the establishment, organisation and operation of the SAPARD Agency, upon Romanian President Traian Basescu's request to re-examine the law.

Among the reasons to support the request, the Romanian head of state mentioned the need for specialist staff able to secure transparent enforcement of the financial support programmes for farm producers, as well as the fact that the agency cannot be self-financing.

### ***State-funded aid for free zone can continue, says Competition Council***

Following the investigation conducted during August-September in connection to the state-funded aid received by companies which operate in the Free Zones of Galati, Braila (both in eastern Romania), Giurgiu (southern Romania), Curtici (western Romania) and Constanta (south-eastern Romania), the Competition Council noticed that the intensity of the state-funded aid is much below the maximum admitted ceiling and asked the Ministry of Public Finance (MFP) to take measures to eliminate the incompatibility.

The Competition Council discovered that the total value of investment made by the business operators by November 1, 2004 (the limit date, according to the present legislation) is approximately 97,606.3 lei (approximately 27 million euros). The investment stands for buildings, platforms, equipment and machines, the total value of the state-funded aid assigned starting January 2, 2003 worth approximately 3,724.7 lei (about 1 million euros), which means reduction of the tax on profit (a facility which stopped on December 31, 2004), exemptions from paying tax on profit and the reduction of dues.

According to Law 84/1992 regarding the regime of the free zones, the companies which operate in these zones have the right to several facilities, among which: the exemption from paying the tax on profit assigned to the business operators which made investments in amortizable tangible assets worth at least 1 million dollars until July 1, 2002 (a measure that is valid until December 31, 2006); the reduction of dues which must be paid by the business operators to the administrations of the free zones on the background of granting contracts signed with them until July 1, 2002 (the measure is valid until December 31, 2011).

"The Ministry of Public Finance has the duty to establish the size of the regional state-funded aid which can be assigned as compensation of the dues for each business operator that matches the conditions established by the Government Resolution 1900/2004. In this context, MFP sent

the Competition Council the list of the 35 business operators and also the value of the state-funded aid they can still benefit from until December 31, 2011, provided that they will not exceed the maximum ceiling of the state-funded aid intensity," informs the Council's press communiqué.

### ***Company staff is protected in case of ownership transfer***

The transfer of a company or part of it from one owner to another cannot be a reason for individual or collective redundancies, as employees will preserve the rights they had prior to the transfer, the Government decided in a bill passed on November 3.

The normative act defines the transfer as the assignment of a company, unit or part of a company to another owner, in view of carrying on company operations, whether or not profits are being intended. Under the bill, the former owner's rights and obligations, derived from the individual employment contracts or from a collective bargaining agreement, in power at the date of the transfer, are fully transferred to the new owner.

The former owner is bound to inform the new owner on all the rights and obligations the latter is to take over. If the transfer triggers a substantial modification of labour conditions, at the expense of the employees, the employer is responsible for the termination of the individual employment contract.

The new owner is bound to comply with the provisions of the collective bargaining agreement applicable on transfer date, until the agreement is cancelled or expires. The former or new owners will be liable to fines of 1,500-3,000 new lei (15 to 30 million old lei) for failure to comply with this obligation, while employees or their representatives are entitled to take the employers to Court, to settle the individual or collective bargaining agreements.

### ***Over 7-billion-euro investment in transport needed by 2013***

The Transport, Construction and Tourism Ministry (MTCT) will issue, by the end of the year, a project of infrastructure's development, during 2007-2013, and the Ministry has to contribute, in the end of the interval, by 7 billion euros to the GDP, double than the present figure.

The project, accomplished with financing from European institutions, respects the community norms and will be submitted to the European Commission's approval in the second part of the next year.

According to the Ministry of European Integration state secretary Leonard Orban, the development of the infrastructure in compliance with the European Union demands will involve investments of 7 - 8 billion euros, the modernisation of railway infrastructure being more expensive than the rehabilitation of the road infrastructure. The road component in the development plan stipulates the modernisation by 2013 of 8,401 km of road (54 per cent of the road infrastructure) meeting the EU standards and the construction of 1,263 km of motorway.

The programme aims at the rehabilitation or the building of 2,025 bridges, which should respect the European demands regarding the maximum admitted weight.

The European Union recommends the Romanian authorities to speed up the privatisation of the railway companies, the increase of investments in development of river fleet and the continuation of Tarom restructuring.

"In the monitoring report of the European Commission there is a recommendation to speed up the privatisation of the railway companies, which might confront the biggest problems when accessing the European Union," said on November 1 the chief negotiator of Romania with the EU Leonard Orban.

He also insisted on the increase in investments for growth of competitiveness of the river fleet, also underlining the necessity to finish the restructuring process at Tarom Airlines.

"Our interior maritime fleet is far from the requests of the European Union and we need here investments coming from operators. On the other hand, the continuation of Tarom restructuring is a very urgent demand regarding the EU accession," explained Orban.

"Much money will come to Romania for projects. We have to build up the necessary administrative capacity to manage these funds and projects," added Urban.

***Local investors begin to gain ground on stock market***

The resumption of the shares price increase at the same time with the autumn has prompted increasingly more Romanian investors to focus their attention and money on the main stock exchange market, which was obvious in the ranking of brokers of the Bucharest Stock Exchange, daily Ziarul financiar reports on November 3.

October saw a record high in terms of acquisitions made by Romanian residents, with the Romanian investors buying shares worth over 697.5 million lei (193.8 million euros). The previous record was registered in February in the context of the drop in interest rates for bank deposits.

ING Securities, which has lately held the monopoly on the first place in the ranking of brokers, has continued to top the ranking in October too, but this time some of the companies, working mainly with Romanian investors, have dived near the place held by ING.

As regards foreigners, they bought a lot, but they also sold a lot, Ziarul Financiar reads.

This October foreigners bought from the stock exchange shares worth 70.3 million euros as against the previous records of 73, namely 80 million euros in January and February and sold worth 61.7 million euros, as against the previous record of 69.3 million euros set in February.

***Announcement for privatization of last three electricity distribution companies included in Economy Ministry's portfolio to be made next year***

The announcement regarding the privatization of the last three electricity distribution companies included in the portfolio of the Romanian Economy and Trade Ministry - namely Electrica Muntenia Nord, Electrica Transilvania Sud and Electrica Transilvania Nord - will be made next summer, Minister for Economy and Trade Ioan Codrut Seres told Rompres.

"Public announcements for the privatization of these companies will be made starting early July 2006, and after the presentation of preliminary financial and technical bids, we will start the privatization process in autumn next year," said Seres.

He stressed that the three companies are undergoing a process for the designation of the consultant for privatization, due to be paid from Phare funds of the European Union, and in this respect the selection will be made in conformity with European regulations.

In the ensuing period final talks with holders of the first two positions will be organized at the headquarters of the Public Finance Ministry and, respectively, the European Commission Delegation in Bucharest, and the final result regarding the name of consultant will be announced until the end of this year," Seres said.

Romania is the largest electricity producer in the Balkans. It has a European transport infrastructure, being the only country in the region which has an operator who administers a domestic electricity retail market. Romania is also a strategic geographical position in an area of consumption and at the crossroads of important energy resources.

At present, about 50 percent of the activity of electricity distribution is privatized, four of the eight companies in the field being privatized. The four privatized companies brought 363 million euros. ENEL Italy bought majority stakes in Electrica Banat and Electrica Dobrogea, E.ON is the owner of Electrica Moldova and CEZ holds Electrica Oltenia.

***Roadshow in six German and Austrian towns held by Romanian IT companies over November 27 - December 5, 2005***

As many as 20 Romanian IT companies will participate November 27 - December 5, 2005 in a roadshow in six towns of Germany and Austria, in which they will present their products and services, the Romanian Association for Electronic Industry and software (ARIES) president Alexandru Borcea told Rompres.

"This event is financially supported by ARIES and the Economy and Trade Ministry, the costs to amount to 100,000 euros," said the ARIES president.

He added that the roadshows of this type are organized only in the area where there are already partners and Romanian companies are already well-known on the German-speaking markets.

The extension of such events also on other markets should be done with the support of some strong partners from a financial viewpoint and with marketing abilities, of the Chambers of Commerce type.

Romanian IT companies were invited to participate in 2006 in a Japan show of products and services, and this could be a first step towards the expansion on new markets.

### ***Paintings, heaviest auctioned art objects in Romania***

Auction houses are booming in Romania and there are increasingly more Romanians acquiring antiquities from such houses, with paintings being the heaviest auctioned, weekly Capital informs in its latest issue.

Not long ago, most of the Bucharest auction houses' customers would be art collectors. Now, more people are adding up to them, realizing that investment in art objects may be profitable; besides, the number of customers is on a continual rise, as art is sold at high prices in Romania as well.

According to field specialists, this is a favourable time for such acquisitions, because prices are now low, and the prospects for them surging after Romania's accession to the European Union are high.

Although designs and stamps are more accessibly priced, Romanians buy them less often than Western Europeans, who are eager to complete their collections and devise acquisition strategies in the process.

Director of the Monavissa auction house Alexandru Ghildus says Romanians prefer paintings, both local and foreign, glass and silver decorations, rare Oriental carpets and old furniture.

The emergence of smart buyers in the auction halls is probably the biggest gain of the market for art objects, Capital quotes market experts as saying. In their opinion, such buyers may make sure that prices for Romanian arts object get in line with those quoted on renowned world markets.

### ***Franchising offers new business opportunities***

Franchise businesses are catching ground in Romania. At present, there are some 170 brands that were franchised, according to a survey made public during a round-table conference of the Romanian Investment Forum.

The survey says that 43 of the brands were created in Romania. Last year, some 40 foreign brands entered the market. Some 94 percent of the overall number of brands operated under franchise are based in Bucharest. In 2002, some 43 percent in the brands that were active on foreign markets were interested also in the Romanian market.

Officials of the Franchise Networks Association in Romania estimate that by 2007, as much as 74 percent of the brands active on foreign markets will show interest in Romania too. Most brands come from the U.S., Romania, France, Germany. The turnover posted in the fields using the franchise system on the local market was around 146,000 euros in the distribution market, 206 million euros in the financial sector, 32 million euros in the fast food sector, 28 million euros in the hotel sector and 318 million euros in the industry sector.

### ***Malls and office buildings to increase construction market by 18 percent***

The value of the construction market grew by 18 percent in 2005 due to the projects of the real estate market, both in terms of commercial centres as well as office buildings, daily Ziarul Financiar reports on November 1.

The value of the construction market amounted to 2.55 billion euros in the first half of the year, up 30 percent as against the previous year. This is due to the Charles de Gaulle Plaza, America House, Bucharest Business Park (in Bucharest), Polus Center (Cluj) projects, as well as to the expansion of Metro, Carrefour, Praktiker, Selgros, Kaufland or Cora hypermarket chains.

International construction companies seized the opportunities on the Romanian market: the French group Vinci built Orhideea centre and BRD headquarters, and French company Herve worked for Cora and Carrefour centres, all in Bucharest.

The works for complete overhauls and those for maintenance and usual repairs increased 23 percent and 34 percent respectively over the first half.

Experts estimate that the Romanian construction market could value some 5 billion euros this year.

### ***Flats' price rises 40% in 2005***

The prices of flats in old blocks of flats has increased on average by 40% in 2005 versus 2004, Adevarul daily informs on October 31.

There are very big price differences between Bucharest's districts. Thus, in Balta Alba neighbourhood (south), a 2-room flat can be bought for some 43,000 dollars, while a similar flat costs 63,000 dollars in Turda (central Bucharest).

Flats' prices are much lower in province, in towns such as Timisoara (west), Cluj-Napoca (centre-west), Sibiu (centre), Constanta (south-east), Ploiesti (south) or Brasov (centre). For instance, in Timisoara and Constanta, in the case of old flats, prices are by over 46% lower than in other cities, but the best real estate investments could have been made last year in Brasov, the daily says.

The prices of new dwellings have followed an ascending trend, and basically have doubled in the past year. A new building costs in Bucharest an average 1,350 dollars/sqm, and in the centre the price can reach 2,400 dollars/sqm.

## **II. ROMANIAN COMPANIES**

### ***Vice-president of Dacia plant Constantin Stroe about competitiveness on Romania's car production market***

Re-sale by the Romanian state of the Daewoo Craiova (south) car manufacturer is going to boost auto components supply network, Evenimentul zilei daily writes on November 4 quoting Dacia plant's vice-president Constantin Stroe.

'The existence of two beneficiaries will boost the network of auto components suppliers and they would be able to invest on a long term due to the fact that if one of them goes bankrupt, the other one could remain viable', Constantin Stroe underlined.

The manager looks prepared to confront competition expected to appear on the car production market in Romania, the newspaper writes. "We will not have problems with the presence of serious competition because Dacia Renault has a superb strategy for the years to come, plans based on the development of a whole range of products from the Logan family that address to world-wide clients", Stroe highlighted.

According to him, Romania's geographical positioning represents an advantage for the local producers. Transport costs to the Central European markets are smaller and Romania's auto industry "is going to break the borders".

Constantin Stroe, vice-president of "Automobile Dacia Renault", was born in 1941. He was employed as engineer by the car plant in Pitesti that, since 1968, manufactured Dacia models under Renault licence. Stroe successively occupied the function of workshop head and chief-engineer of the factory. In 1982, he became technical director of the plant's central office. In 1990, he was appointed director general of Dacia plant, function in which he was re-confirmed in 1999, at the moment of the company's privatisation. In September 2004, he was awarded the Legion of Honour, the highest distinction of the French state.

### ***Petromin SA Constanta re-launched for privatisation***

The Authority for State Assets Realisation (AVAS) re-launched on November 3 the sale, based on final, improved and irrevocable bids, of 15,743,901 shares representing a 70,012-percent stake in Petromin SA Constanta sea and coast shipping company.

Allowed for negotiations are only bidders proving an experience in sea and river transportation

of at least 5 years, which is a knockout pre-qualification criterion, reads a release issued by AVAS.

Petromin SA Constanta shareholders are: the Authority for State Assets Realisation (AVAS) - 70.012 percent of the shares, Financial Investment Company SIF Transilvania (23.830 percent), whereas small shareholders own 6.158 percent of the share. The company's share capital is worth 56,218,927.5 RON (1 euro= 3.6 RON)

Potential buyers are to submit their final bids by November 17, and the pre-qualification documents will be opened the same day, in the presence of all the potential purchasers.

At the previous launch of the privatisation of the Constanta-based company, Petromin, the two investors that lodged bids, namely the consortium made up of Algoritm SA Consult SRL and Petromin AS Association of the Employees and Sotirios Emmanouil, a Greek individual, were rejected because their offers failed to meet the pre-qualification criterion.

### ***New consultancy offers for full privatisation of phone operator Romtelecom***

Nine banks of international repute have submitted bids for financial consultancy on the privatisation of Romanian landline phone operator Romtelecom, although 11 financial institutions had been originally pre-selected, the Romanian Ministry of Communications and Information Technology said.

The offers were put forward by a consortium comprised of CA-IB, Goldman Sachs, ABN-AMRO and Rotschild; a consortium made of Citibank, EFG Eurobank and Ergasias SA; a consortium made of CSBF and IEBA Trust; a consortium including Deutsche Bank, BRD Securities and Alpha Finance; a consortium including HSBC, BCR Securities and Dresdener Kleinwort Wasserstein; a consortium made of JP Morgan, RAEF, Intercapital Invest and Linklaters; a consortium made of Merrill Lynch and BT Securities; a consortium of Morgan Stanley and Raiffesen Bank; and a consortium of UBS, ING Securities and CET.

"In line with Chapter 20 of the governing programme on the policy in the sector of information technology and communications, we have initiated the privatisation of state assets owned by the post and telecommunications companies. We want these processes to be conducted in transparency and by fair competition," minister Zsolt Nagy said.

### ***Transelectrica Co. to be listed on stock exchange***

Transelectrica Co. will be listed on the Bucharest Stock Exchange by December 20, Romanian Minister of Economy and Trade, Codrut Seres, said on November 3 in Vienna.

A consortium composed of three banks, Alfa Bank, BRD and Raiffeisen, is the consultant selected to arrange the transaction.

"That is the last one hundred meters before the listing, ten percent of the Transelectrica stock is to be listed by December 20," Seres told the "Emerging Energy Europe" summit dedicated to the energy markets in Central, Eastern and South-Eastern Europe.

According to the minister, the listing of state-owned companies will continue, notably as that is a way to get funds needed for investment, replacing the money coming from the state budget.

"In the days ahead we shall also choose a broker for the listing of Transgas on the Bucharest Stock Exchange, starting in July 2006," Seres said.

### ***Austrian investors interested in Hidroelectrica micro-hydropower stations***

Austrian company Verbund, one of the biggest hydro-power producers in Europe, might take part in the privatisation of Romanian company Hidroelectrica's micro-hydropower stations, Federal Austrian Minister of Economy and Labour Martin Bartenstein said in Vienna on November 3 during the "Emerging Europe Summit," the Nine O'Clock daily reports on November 4.

"The Austrian company Verbund is interested in a collaboration with Hidroelectrica and as far as I know there will be held talks between the officials of the two companies in order to set up a future collaboration," Martin Bartenstein said.

The Austrian Minister of Economy and his Romanian counterpart loan Codrut Seres had on November 3 a working meeting, where they approached the issue of micro-hydropower stations in Romania.

“There are companies in Austria interested in such a collaboration, especially that a large part of the energy produced in Austria is hydro-type, thus their interest is justified,” said Seres. According to him, Hidroelectrica put up for sale the chain of micro-hydropower stations, and those interested can submit offers by the end of November, and the Austrian companies can also become involved in other public-private partnerships, such as projects of building several hydro stations.

At the same time, the Minister of Economy mentioned that the company for electricity supplying and distributing Electrica Muntenia Sud will be privatised in the first half of the next year. “The consultant of the privatisation process - PriceWaterHouseCoopers is now preparing the final documents needed in the participation at the privatisation process and I hope that Electrica Muntenia Sud will be privatised in the first half of the next year,” Seres said.

The minister stated that the 10 companies interested in the privatisation of Electrica Muntenia Sud could submit the financial and technical offers by December 15, yet it is possible to change this deadline at the request of one of the participants, so that it becomes familiar with the Romanian electricity market. “After submitting the offers, there will be selected five companies, which later on will submit improved financial offers, and, after analysing them, the winner will be chosen,” said Seres.

The 10 investors interested in Electrica Muntenia Sud privatisation are: AES Corporation (USA), CEZ (Czech R.), EnBW Energie AG (Germany), ENEL SpA (Italy), E.ON Energie AG (Germany), EVN AG (Austria), Gaz de France (France), Iberdrola (Spain), RWE Energy AG (Germany) and Union Fenosa International (Spain).

### ***Electroprecizia Co. doubles profit January through September 2005***

Producer of electric engines and electric and electronic equipment for cars Electroprecizia Sacele Co. (center of Romania) doubled its net profit January through September 2005 from the year-ago period, the Ziarul Financiar daily says in its November 4 issue.

The net profit rose to 1.3 million euros, the turnover increased 13 percent and sales stood at 39 million euros.

Export accounted for over 75 percent of the turnover, with most products going to Italy, followed by Germany, France, Egypt, Argentina, Spain, Denmark, Britain, Austria, the company says in its web page.

Set up in 1936 for the production of equipment for the aeronautical industry, Electroprecizie manufactures today electric engines and electric and electronic equipment for all the car brands produced in Romania. It turned private in 1998 and the majority shareholder is Intercom Sfantu Gheorghe Co. (center) with 47.8 percent of the stock, followed by the employees' association, 34.6 percent.

### ***Romcarbon ups turnover by 30 percent***

Specializing in the production of plastic materials, company Romcarbon in Buzau (eastern Romania) has posted in the first nine months to September a turnover higher by 30 percent as against the same period one year ago, reaching the value of 8.37 million euros, daily Ziarul financiar reports on November 4.

Romcarbon is one of the largest makers of extruded polystyrene casseroles and Romania's biggest car filter manufacturer. The company also produces gas masks, polyethylene bags, PVC pipes, foils and trays.

Romcarbon's main shareholder is Living Plastic (besides Unitai International Corp and SIF Transilvania). Living Plastic also holds Greentech company of Buzau, dealing with the collection and recycling of plastic waste.

### ***Romgaz may be privatised through stock listing***

Privatisation of Romania's largest natural gas producer Romgaz should be in every way different from the sale of giant Petrom, one of the versions referring to the listing of the major stake in the Bucharest Stock Exchange.

"There is no doubt that the Romgaz privatisation will be different from the Petrom sale, in every respect. For instance, I don't believe blocking the income level for a longer period of time to be normal, to be fair, therefore we don't consider doing this," Minister of Economy and Commerce Codrut Seres stated. According to the official, in the Romgaz case, authorities do not intend to have a privatisation procedure through which Romanians will depend on the decision of a strategic investor as far as the commercial policy in the natural gas sector goes. The consulting company to be selected by authorities next week will establish the best method for the Romgaz privatisation.

As many as 13 companies were short listed in the bid for selecting the provider of consulting services in the privatisation of the natural gas producer. The State can choose from the individual tenders placed by Morgan Stanley, Merrill Lynch, Citigroup, CA IB Corporate Finance Beratungs GmbH, Goldman Sachs and Lazard Freres and a number of tenders submitted by consortia.

### ***Daewoo Craiova to be privatized in January 2006***

The license agreement of Automobile Daewoo in Craiova (southern Romania) with General Motors, which expired last month, has been extended by three months, until January 2006, economy and trade minister Codut Seres announced earlier this week.

"We have the necessary time to privatize the company until early January," said the Romanian minister. However for privatization a single aspect should be clarified, relating to the level of debts which Daewoo has registered along its activity on the local market, said the economy minister.

Concretely, Daewoo Craiova may produce cars under Daewoo brand until early January, informs daily Ziarul financiar. Set up in 1994 as a joint company created by Automobile Craiova and South-Korean group Daewoo, Daewoo Automobile Romania has an agreement with General Motors Daewoo Auto and Technology, which in September 2002 took over a part of Daewoo Motor's assets. The agreement had allowed Daewoo Automobile Romania to produce under license Daewoo cars until October 2005.

Daewoo Motor holds a 51 percent stake in Daewoo Automobile Romania, with the remainder belonging to Automobile Craiova, a company where the state owns 72.4 percent of the shares.

The Romanian government has recently entrusted the Office for State Ownership and Privatisation in Industry to negotiate Daewoo Motor's giving up the 51 percent stake in Daewoo Automobile Romania and the payment of debts by the Korean side towards the Craiova-based car maker, daily Ziarul financiar reports.

Romanian authorities have submitted a bid worth 45 million euros for the takeover of the 51 percent stake that Daewoo Motor holds in Automobile Romania. "It is true talks (for the takeover of Daewoo) with the Romanian government are underway because we deem that Romania is a good market for bussiness," daily Ziarul Financiar quotes CEO of the GM division for Central and Eastern Europe Chris Lacey as saying.

General Motors is among potential buyers of the plant in Craiova, which is attractive following the compatibility of General Motors models with the ones of Daewoo, Evenimentul Zilei newspaper reads.

The Craiova-based plant is now a strong competitor of GM, because it produces older generations of the models which now sell in Romania under the brand of GM Chevrolet.

Even if GM has initially refused to take over, concurrently with the bankrupted Korean company Daewoo, the Craiova-based plant, the market context has changed meanwhile. The models sold under the Chevrolet brand are successful in Central and Eastern Europe due to low prices. However this advantage is counterpoised by customs duties accounting for 30 percent, given that cars are produced in Korea. The main opportunity General Motors would offer would be a domestic competition on the segment of cheap cars, Evenimentul Zilei reports.

Several important international players voiced their interest for the takeover of the Craiova-based plant such as Nissan, Renault Romania and Ford.

### ***Sicomed doubles profit in nine months***

Pharmaceutical company Sicomed in the first nine months of this year posted a net profit of about nine million euros, twice as much as in the same span of time of last year, reads daily Ziarul Financiar on November 1.

The financial performance of Sicomed drew the attention of the Czech group Zentiva, which last month took over the majority stake, accounting for 51 percent of the shares. Zentiva paid more than 85 million euros to finalize the transaction.

Managing director of Sicomed Klaas Postema said that the strategy of the above-mentioned company laid more emphasis on the marketing and promotion activities in parallel with the permanent modernization of the portfolio of products. "These investments in image are positively reflected in the sales figures," added Postema.

The exploitation expenses, which are especially due to promotion expenses, increased by 11 percent in the first nine months of this year as against the similar period of 2004.

### ***Orange Romania targets users outside large cities***

Orange Romania might attract 1 million new users from rural areas and small towns, weekly Capital reports on November 2.

The battle for mobile telephony users in large cities ended, the paper reads, so the company orientated towards people living outside large cities.

The increase in number of users for Orange came mainly from rural areas in 2005, so the company decided to act in this direction, said Thierry Millet, Orange commercial director.

"It is important to be present everywhere," says the official, adding that the launching of 3G service, the increase of medium revenues per user and the market consolidation are the main objectives for Orange Romania.

Orange will continue to promote existent technologies, as the GSM network can still bring firm revenues, Capital informs.

"We bet on EDGE, as it allows access of a large category of users to services and is not reserved to a minority. The service will have coverage in 38 cities by the end of the year and national coverage next year," Millet said.

### ***RTC Holding posts 117 million euros in turnover***

RTC Holding, one of the largest Romanian-owned commercial groups posted some 117 million euros for the first nine months of the year, up by 64 percent compared to the same span of time last year, reads Bursa daily on October 31.

The growth was mainly due to the development strategy the group passes, which aims to consolidate the position held on dynamic markets. A relevant example is the one of the telecom market, where RTC Holding is present with retails and business to business activities. The company is also a distributor for Orange, Connex and Romtelecom prepaid products. The company's telecom division posted some 34 million euros in turnover, up by 300 percent compared to the same span of time last year (9.5 million euros). The increase was due from the expansion of the clients portfolio and the growth of the prepay system. By the end of 2005, RTC Holding estimates a turnover of some 180 million euros. The holding has recently purchased three companies, namely Best Computers, Best Distribution and Sistec. "For 2006 we plan to expand the activities to the Republic of Moldova with as many divisions of RTC Group as possible. We are already present there through book distributor ProNoi. Soon, we will be exporting the Diverta brand to this destination, which we consider strategic," the above-mentioned daily quotes Octavian Radu, founder of RTC Holding, as saying.

Progress posted by the Competition Council and the institutions in the field has to continue because Romania has to comply with increased demands, informs daily Bursa on Monday. "Although the Commission's report acknowledges the progress Romania made, it should not be overrated," said Mihai Berinde, head of the Competition Council. The European Commission report praises the results in what concerns community assistance, the control of state aid, the enforcement of laws on state aid and progress with the anti-trust measures and the ones in the energy field. He said that the Council would try to be closer to reality and pass new measures to keep up with the rules on the European market. Under another interpretation, the head of the Competition Council said that subsidized products and compensatory taxes should not exist any more. The head of the Competition Council added that the laws were recently altered to grant executor powers to the

council's decisions in what concerns the recovery of state aid, which was obtained by breaching the European regulations.

According to Danut Pirchiu, head of the Environment Protection Agency in Iasi (eastern Romania), some 15 big-sized companies might close down on January 1, 2007 if they cannot obtain the integrated environment authorization by the end of next year, says Bursa newspaper on Monday. "Although at this point we are on schedule, it will be difficult for at least 15 business operators to get the integrated environment authorization. If they do not get it, their activities will be shut down and have a devastating social impact," Pirchiu added. The companies to which Pirchiu referred have to negotiate for a plan of measures and investments in environmental technologies that would make them compatible with the European regulations in the field. The amount that these companies need is some 1 billion euros. "All these companies make efforts to upgrade their installations, but at least three of them will not be able to complete the investments," he added. The three units in question are SC Fortus SA, SC Terom SA and SC Moldomobila SA.

Buzau-based Romcarbon will pour some 750,000 euros into the share capital of Japanese-Thailand joint venture Greenfiber International. The joint venture started developing a production unit for polyester fibres made of recyclable plastic materials in Buzau (southern Romania). The decision was made during Romcarbon shareholders' assembly on October 24. The company's shareholders also decided to add some 1.2 million new lei more to the investment budget for this year. The company's overall revenues increased by 28 percent over the first six months of the year, up to 21.9 million new lei, while expenses stood at some 20 million new lei. The net profits stood at some 1.5 million new lei, compared to the same span of time in 2004.

A delegation of businesspeople from Denmark, with activities in the animal breeding field, went on a visit to Iasi to investigate the opportunities to start a business there, informs Bursa daily on October 31. Danish business people are mainly interested in pig breeding and with this aim in view they visited the top farmers in the county and a few units that are not being used at present. The investors also inquired about the climate, volume of precipitations and the quality of the soil in Iasi County, which shows that they are concerned with every aspect. "We provided additional information on the local animal breeding and we hope to receive a favourable sign as the result of this visit," said Neculai Olaru, deputy manager of the Department for Agriculture and Rural Development in Iasi. The Danish delegation did not make any comments on the amounts it could invest, but it is estimated that the amounts would be consistent. Apart from operating their own farms, the Danish investors could sign partnerships with local breeders.

### ***Flanco expects 100 million euros in turnover this year***

Electronics and home appliances retailer Flanco expects 100 million euros in turnover this year, the Ziarul Financiar headlines on November 4.

The newspaper quotes Flanco General Manager, Cornel Marian, as saying the sales in September and October were affected by the new policy of the Central Bank, of limiting consumer crediting, but the move is not expected to lead to a drop in medium and long-term sales.

Flanco will number 100 stores soon, with Flanco World, in which 4.2 million euros has been invested, due to open out of the city of Brasov, central Romania.

One more store of this kind is to open by the year's end in Bucharest, and four of five ones in 2006 in other big cities.

The company will invest between 10 and 15 million euros in 15 more stores.

### ***S&T Romania is for IT Governance***

During a recent IT seminar called "How To Run IT Like A Business", organised by Mercury, a world leader of Business Technology Optimisation solutions, and his local partner, S&T Romania, it was shown that "almost 50 percent of the IT projects exceed the initial budget, 40 percent of the IT initiatives cannot fulfill the objectives, and 70 percent of these projects cannot fit the schedule, the budget or the quality standards expected," daily Bursa reports on November 3.

It was also shown that, after a drop in investment targeting the infrastructure, local IT managers have more tasks and fewer resources, which leads to operational risks.

Most participants at the event supported the IT Governance concept, a set of tools and adequate policies able to increase the profit by 20 percent in similar conditions. Not only the general performance of the company is improved, the number of failed projects drops, standards incompatibilities as well as cost-exceeding situations are fewer.

Mr. Moti Krispil, Strategic Business Advisor, Mercury, claimed that: "The IT component of a high-level company can run simultaneously several projects involving consistent budgets and important human resources. These activities must fit the general strategic lines of the company."

### ***Home appliances retailer Cosmo and Dutch holding TBIH to launch a consumer credit company***

Home appliances retailer Cosmo and the Dutch holding TBIH Financial Services Group are set to launch till year-end a consumer credit company, Ziarul financiar daily announced on November 4.

The Dutch holding is already active on the local market through TBI Leasing and TBI Credit companies, the last one being also included on the shareholders' list of the new credit company, Ziarul financiar remarks, citing market sources.

"Instalment based sales within the Cosmo network are going to represent the basis of the new company's activity, but it is also going to extend to independent stores we serve as distributors", director general of the company Primex Gyorgy Baba stated. The company operates a chain of Cosmo retail stores, but is active in distribution, as well, and according to data provided by the Ministry of Public Finance (MFP) it posted a turnover 30 million euros worth in 2004.

At the last years' level, consumer credits represented the "engine" that drove the market of electronics and home appliances, the main chains posting each year more than half of their sales by using this system.

After Flanco, Domo and Altex, Cosmo is the fourth electronic and home appliances chain of stores that develops its own consumer credit company.

### ***Austrian Strabag Co. interested to take over Grandemar Cluj-Napoca***

Austrian building company Strabag launched on November 1 a public offer for taking over roughly 60 percent of Grandemar Co. based in Cluj-Napoca (center north-western Romania), which extracts building stone, the Ziarul Financiar reports.

The offer stands at 2.2 million euros and a Strabag branch in Hungary launches it.

Grandemar Cluj-Napoca is Romanian-Dutch company, set up in 1991, with Bloem Civieltechniek Co. holding a stake of 49.9 percent, Strabag 27.85 percent and Fortuna Classis Invest Fund 14.32 percent, while small investors hold 7.91 percent together, the web page of Grandemar says.

Grandemar conducted 1.4 million euros worth of business January through June 2005, "not much more than in the year-ago period," according to the Ziarul Financiar.

Grandemar was among the companies affected by a slow-down in the building of a Transylvania Motorway between Bors and Brasov.

### ***Cotnari spends 4 million euros on retooling***

Winemaker Cotnari, one of the leading four players on the market, has announced it will run an investment programme worth more than 4 million euros next year in order to retool its wine processing and bottling lines, as part of a SAPARD-funded project, reads Ziarul Financiar daily on November 4.

"It is quite difficult to invest 4 million dollars by yourself in this industry, so we decided to apply for SAPARD funding, particularly because accessing such funds has become easier lately," Laurentiu Anghel, Cotnari's marketing manager, said. Half of the value of the project will be self-funded by the company. Anghel explained that the investment would allow both increasing the production capacity and complying with European Union standards. Cotnari's officials added that the retooling project that will be run in 2006 is the largest investment made in the last few years. The total value of investments made this year stands at 1.5 million euros and has mainly targeted the replanting of

grapevines, the acquisition of machinery and equipment as well as infrastructure projects. Cotnari posted 24.2 million new lei (6.6 million euros) in turnover in the first half, an increase of 57 percent on the same period in 2004. It expects to see full-year turnover of 50 million new lei (13.6 million euros) and profits of 3.2 million new lei (870,000 euros), compared to 2.6 million new lei at the end of last year.

### ***Sinterom Cluj-Napoca brings 228 new elements into production in 2004***

Sinterom Cluj-Napoca, a company operating in the automotive sector, introduced 228 new products in 2004, among which products for Dacia Renault and Bosch, daily Bursa informs on November 2.

General manager Marcel Leonte estimated that some 300 products were brought into production this year.

The main products are manufactured for Dacia older models and for the new version Logan.

The company's turnover reached 23,500,000 lei in 2004, and the net profit on the first eight months of 2005 amounted to 1,544,000 lei. (1 euro = 3.6 lei)

Sinterom develops 3 million euro investments over 2005-2007 period.

Exports represent 32 percent of output, the main markets being France, the Netherlands, the United States, Hungary and Spain.

Leonte said the company constantly buys over 500 types of raw materials used in production, most providers being foreign.

Sinterom mainly produces spark plugs and elements for clutches and brakes.

### ***Privatisation of Cuprumin Abrud is at hand***

Several entrepreneurs, both local and foreign, are interested in the privatisation of Cuprumin Abrud - said the Economy Minister Ioan Codrut Seres. He added that the legal framework for the privatisation is ready and the public announcement will soon follow.

So far, the debts of Cuprumin Abrud are rather high: 653 billion lei solely towards Electrica.

To this end, Seres warned the managers of Tractorul Brasov on their own debts: 255 billion lei. "Electrica, said the Minister, must be paid for the services it provides; if not, it will cease to do it."

The Indian consortium Mahindra & Mahindra looks very committed, added Seres, to take over Tractorul and to expand from here to Europe. He expressed his hope to see this contract concluded "after reasonable negotiations", because the AVAS (State Assets Resolution Authority) must explain the buyer the new requirements involved by the European integration (such as the state aid) and convince him that all these requirements will benefit to him eventually.

### ***Real estate Impact SA to be traded as first-tier stock on Bucharest Stock Exchange***

The real estate operator Impact SA's board of directors has decided to start official preparations to have the company floated on the first-tier floor at the Bucharest Stock Exchange, reads a release of the company.

Impact SA has been traded on the Bucharest Stock Exchange as a second-tier stock since 1996, recording more than 4,100 shareholders at the beginning of 2005. The private developer became the best-known local constructor and promoter of homes in residential complexes.

"In our opinion, entering into the first-tier category will confirm that the real estate and construction field is representative for the Romanian economy, beside the other important sectors. Thus, the Romanian real estate and construction sector will offer an even more accessible way for the Romanian and foreign investors who bet on economic rise," the says Real Estate director Ioan Popp.

### ***Metro Romania strengthens position on Romanian market***

German Group Metro has reached the consolidation stage on the Romanian market, with the 23 stores opened till now to be upgraded in the next 3 to 4 years, Ziarul Financiar daily reports on November 2.

“We have already reached the consolidation stage on the Romanian market and we also have the advantage of being the first to understand the real potential of the Romanian market and also the first to have the courage to invest in Romania,” Bert van der Velde, managing director of Metro Cash&Carry Romania stressed.

He also added that at the time Metro entered the Romanian market, the Romanian economic environment was not so favourable so that the company had to approach a prudent expansion of its business. Nevertheless, after 2000 it resulted the group bet on “a winning card”, especially as Romania is now about to enter the European Union, he said.

According to the Metro official, currently there is a very good level of representation of the company nationwide. “Now we even have two stores in the same town like Constanta, Timisoara and Brasov and four stores in Bucharest, this level being satisfactory for the moment,” Van der Velde stressed.

According to him, the average investment used to upgrade a Metro store stands between 2.5 and 5 million euros, depending on the facility’s size, that means the expenses for upgrading of some 20 stores would stand between 50 and 100 million euros in the next 3 or 4 years, Ziarul Financiar explains.

### ***Cuprom Co. relocates factory based in Germany to Romania***

Romanian Cuprom Co., that bought a factory manufacturing metal and graphite anodes based in Germany, re-locates it to Romania, the daily Ziarul Financiar reports on November 2.

The take over is part of a strategy by which Cuprom intends to double its business by 2007. For the buying of the factory and its re-location in the city of Baia Mare (northern Romania), Cuprom earmarked some 12.5 million euros, and the process is estimated to end next April.

Cuprom President, Horia Simu, said that at the end of the investment, the copper production will stand at 50,000 tonnes annually, up 80 percent from the production of each of the past two years.

Cuprom holds two plants, in Baia Mare and Zalau (north-west), which, although on the point to shut down in 2003, were taken over by two vice-presidents of CitiBank Romania, for 3.6 million euros.

Cuprom’s production will rise from 11,000 tonnes of laminates in 2003, to 27,000 tonnes this year.

## **III. TRADE**

### ***Recent developments in Romania’s relation with IMF give positive prospects to Romanian exports***

The critical moment that has arisen in Romania’s relation with the International Monetary Fund (IMF) gives a positive prospect for the future, from the viewpoint of Romanian exporters, Mihai Ionescu, the secretary general of the National Association of Romanian Exporters and Importers told Rompres on November 1.

“2005 is the year that saw an historic gap in Romania’s trade balance put at 10 billion euros. After the IMF current reaction, we are ready to find alone the best solutions to relaunch exports. In the next two weeks we shall look into the export levers of all the EU member states. We shall keep in permanent contact with all the Romanian trade representatives to the EU countries, so as to be able to adjust these levers to the national specific features,” Ionescu explained.

The trade official discussed a set of measures aimed at relaunching the Romanian exports with members of parliament, with Public Finance Minister Sebastian Vladescu and National Bank governor Mugur Isarescu.

“The emotional reaction on the foreign exchange market will not go for too long, but the increased proportion between the euro and the (national currency) leu will be made use of by the Romanian exporters to the national benefit,” Ionescu said.

***Volume of commercial exchanges between Romania and Republic of Moldova amounts to \$360 million***

The volume of commercial exchanges between Romania and the Republic of Moldova could reach by the end of this year \$360 million, said minister delegate for trade Iuliu Winkler on the occasion of the presentation of an economic mission of businessmen from the Republic of Moldova due to attend the international exhibition Indagra 2005.

“Romania has a surplus as regards commercial exchanges with Moldova - in 2004 it stood at \$153.2 million - although only on the segment of farm products the balance is in favour of Moldova,” said Winkler.

According to vice-minister of agriculture and food industry of the Republic of Moldova Anatolii Spivacenco, the main products exported by Moldova to Romania are cereals, fruits, sugar and cigarettes. Moldova imports from Romania red wines, ingredients for food products and agricultural machines.

“We plan to expand on the Romanian market because our products are traditional and competitive - especially the agricultural ones - and can target the Romanian market too, not only countries of the Commonwealth of Independent States,” said Moldovan minister of economy and trade Valeriu Lazar.

Moldova is one of the most important exporters of wines in the world, ranking the eighth at world level, and holds the first place at the nut export.

Agricultural products account for almost 40 percent in the trade of the two countries, mineral products account for 22.9 percent and metals and metallic products account for 12 percent.

On December 31 2004, there were as many as 1,934 joint Romanian-Moldovan companies in Romania with an invested capital worth \$15.13 million, Moldova ranking 38th in the ranking of foreign investments. At the Indagra international fair Moldova will be present with 26 companies.

***Double trade between Romania and Greece is a priority for Chambers of Trade in Bucharest and Thessaloniki***

The Bucharest Chamber of Trade and Greece’s Embassy in Romania set as target a closer cooperation between the business communities of the two countries, so that the value of commercial exchanges might double in the next two years, reaching 2 billion euros, said on November 4 the President of the Bucharest Chamber of Trade Stefan Popa.

During a visit of the Chamber for SMEs of Thessaloniki at the Bucharest Chamber of Trade, the head of delegation Sotirios Magopoulos said that Greece hopes to win the competition for the CEC privatisation through EuroBank and thus become one of the main investors in Romania, currently standing at 3 billion euros in invested capital.

“We intend to focus on the organisation of business missions, as we have a good portfolio of such recent actions finalised with excellent results, for which we thank again the Bucharest Chamber of Trade,” said Lambis Kounalakis, first advisor on economic and trade issues of the Greek Embassy.

## IV. FINANCE-BANKS

***Economic growth of 6 percent and inflation rate of 5.5 percent forecasted in 2006 draft budget***

The draft budget forecasts an economic growth of 6 percent, an internal demand of 7.3 percent and an inflation rate of 5.5 percent, a flat tax of 16 percent and a VAT of 19 percent, Minister of Public Finance Sebastian Vladescu announced on November 1 at the start of the Senate and Chamber of Deputies’ joint meeting where 2006 state budget is going to be debated.

According to the Finance Minister Sebastian Vladescu allocated receipts on 2006 will have as their objective “to ensure co-financing the projects set to be implemented with European Union funds”.

Consolidated general budget revenues are expected to account for 31 percent of the GDP, up 0.3 percent as against 2005, Finance Minister also said.

In the opinion of Senate's Commission Chairman for budget, finance and banks Varujan Vosganian the application of a 16 percent flat tax "will bring into Romanians' pockets about 2.5 - 3 billion euros in 2005-2006", and the current form of 2006 budget is "the best solution under the given circumstances". He also stressed the Government's priorities in the following budget are education, health, infrastructure and agriculture.

As for relations with the International Monetary Fund (IMF), Sebastian Vladescu underscored that "Romania will further maintain a steady relation with the Fund in view that the agreement with IMF is only suspended, not broken".

### ***Romania's money supply up 4.4 percent in September from August***

Romania's broadly defined money supply (M2) reached 80.152 billion RON in late September (one euro sells for 3.6 new lei), up 4.4 from August (3.8 percent in real terms).

The increase in the money supply from September 2004 was of 41.3 percent (30.2 in real terms), according to the Romanian National Bank (BNR).

Foreign assets rose 7.3 percent in September, to 44.167 billion RON, on an increase of 6.7 percent in the convertible currency component and an increase of 12.3 percent of the gold component (after the revaluation of the gold stock).

Net domestic assets increased 1.1 percent to 35.985 billion RON, on a rise by 4.8 percent in domestic loans.

Net government credit recorded a deficit of 8.798 billion RON, up from 8.240 RON in August 2005.

Romania's narrowly defined money supply (M1) increased by 2.5 percent, to 20.964 billion RON, as a result of a 3.6 percent increase in the money in circulation, to 10.341 billion RON and an increase of 1.5 percent in checking account balances, to 10.623 billion RON.

Quasi-money recorded an increase by 5.1 percent, to 59.188 billion RON. The population's savings increased by 1.9 percent, to 16.177 billion new lei, with their weight in the money supply amounting to 20.2 percent. Population's savings advanced 29.2 percent (19.1 percent in real terms) in the period September 30 2004 - September 30, 1995.

### ***IMF wants policies that cannot be adopted now, said Minister of Finance***

The Romanian authorities and the International Monetary Fund reached no agreement on macroeconomic parameters and policies, said on October 31 in a press conference the Minister of Public Finance Sebastian Vladescu.

"We are reluctant towards some policies suggesting us the risk of an economic imbalance at a certain point, not clearly defined. IMF forces us to adopt policies that, economically and socially, we cannot afford to adopt in this moment," said Vladescu.

IMF raised the issue of the budgetary revenue policy and of their low share within GDP. Estimating 1.1 billion euros losses provoked by the introduction of the flat tax, IMF suggests tax increases, which the Romanian Government did not adopt for 2006, considering the present system able to maintain the budgetary balance, said Vladescu.

Wage expenses were a major issue during the negotiations, although they were reasonably adjusted in 2006, said the minister.

Vladescu said the budgetary deficit for 2006 is extremely low, 0.5 percent of GDP, and a lower level or a 0.2 percent surplus, as then IMF asked, would be impossible. He gave Bulgaria as example, who registered a current account deficit higher than Romania, although it had a budgetary surplus.

A major difficulty was also the adjustment in domestic price for natural gas. The minister said an increase would be operated after a method under work until January 2006.

Vladescu also said that this time there were fewer disagreements between the two sides and that the agreement is functional until June 2006, but it remains suspended, frozen.

***Current account deficit is a problem but not such a big one, says BNR Governor, Mugur Isarescu***

Romania's current account deficit is a problem, but not such a big one," Governor of the Romanian Central Bank (BNR), Mugur Isarescu, told a November 1 seminar on the development of financial markets in Romania.

Isarescu believes the current account deficit will stand at 8 or 9 percent of GDP in 2005, a bit higher than the initial estimate, but not much higher than the current account deficit in 2004.

The methodology of calculating the current account deficit was changed in the autumn of 2004, its calculation includes the re-invested profit, even if the money does not go out of Romania. The current account deficit, calculated after the new methodology, stood at roughly eight percent of GDP in 2004.

Isarescu admits the deficit is not low, but with the fiscal deficit for 2005 put at one percent of GDP only, the deficit results from the high figure of imports, so it is due to high consumption.

The big rise in consumption, of 11 percent, which can be frightening, is related to the sums coming from Romanians working abroad, their influence cannot be clearly separated from the rises in the wages of the people working in the state sector in Romania, Isarescu says.

According to the BNR, the incomes of the some two million Romanians working abroad stand at three billion euros, i.e. over four percent of GDP, put for 2005 at 70 billion euros.

***Termination of stand-by arrangement does not represent a divorce between Romania and IMF, said Daniel Daianu***

The termination of the stand-by arrangement does not represent a divorce between Romania and IMF, but a disagreement regarding some targets of the macroeconomic policy, the economy professor Daniel Daianu told Radio Romania Actualitati.

He said that the October 31 result was inevitable, as the IMF's concern over disinflation and increase of external deficits led to a recommendation completely inconvenient for the Government, the realisation of a zero deficit or even a surplus. Daianu recommend increased attention for the Government, who must prove that it knows how to assume responsibilities.

"We must prove we are capable of making the macroeconomic policy become real. The next year budget should be prudent, expenses must be well thought, priorities financed with pre-accession funds and privatisation revenues should be set and wage policy also made prudent," Daianu said.

He believes IMF has reasons to be concerned with the salary increases as the wage revenues did not follow the productivity, although many budgetary salaried would say that their revenues are too small.

"An economy cannot pay its salaries in both sectors without support from productivity. We have here an explanation of the large external deficits against the background of credit expansion in the Romanian economy," Daianu said.

***Opinions for and against suspension of IMF agreement***

Evenimentul zilei daily quotes on November 2 some economic specialists' opinions on the suspension of Romania's stand-by agreement with the International Monetary Fund (IMF), concluded in July 2004. The suspension was announced on October 31 by the IMF's chief-negotiator for Romania, Emmanuel van der Mensbrugge.

Dragos Paslaru, GEA economic analyst, said he agrees with the freezing of the agreement "as long as the Government sends a signal that it assumes responsibility for this break."

"Romania currently has two alternatives, either to take a risk that might permit it to make up for the differences separating it from other countries more rapidly, or to be prudent by slowly making up for the differences. The stake implies the existence of a well-thought economical policies plan. If it exists, I cannot see why we should increase interests to foreign loans or discourage foreign investment," the analyst added.

Florian Libocor, economic analyst, voiced a rather optimistic opinion related to this issue, as

“sooner or later, the agreement with the IMF had to cease anyway.” “Romania has the capacity to deal with economic policies, but it depends on management. Two basic things are extremely important now, assuming responsibility and being orderly. What is certain now is that breaking the agreement will not result in increasing interests or downgrading ratings,” the analyst said.

Daniel Daianu, professor of economics and former minister of finance in the 90s, and Matei Paun, BAC Investment analyst, have instead rather pessimistic views.

“The Monitoring Report on Romania issued by the European Commission has common points with the presentation made by the IMF. We must not let slippages overwhelm us,” Daianu stressed, adding that in his opinion operating now a budget rectification and coming down to a deficit of one percent of GDP “is not good for inflation or for the current account deficit.”

“Regarding the suspension of the negotiations, the big question is whether between Romania and IMF there are indeed differences of economic philosophy or a very different reading of the economic evolution,” Daianu also said.

In the opinion of the BAC Investment analyst, “blocking the negotiations with the IMF on medium and long-term means higher slippage risk somewhere in the economy.”

### ***Interview with BNR adviser Adrian Vasilescu about history of inflation in Romania***

In an October 31 interview to daily Ziua, Adrian Vasilescu, adviser to Governor of Romania's Central Bank (BNR) Mugur Isarescu, talks about the history of a 15-year war against inflation in Romania.

“The hardships of the war against inflation will be carried on into the last part of the present decade, when the annual rate of price rises will go down to below 2 percent. Yet, the biggest hardships are now over,” Vasilescu told the paper. He pointed out that, all these past 15 years have been a real school for the entire Romanian political class, for the country's governments, the state bodies, economists, political analysts, sociologists, and for the entire population. “This was a tough school that has changed our way of thinking, our life styles, habits and behaviour,” said Vasilescu.

In October 1990, the then Prime Minister Petre Roman announced the Romanians that, starting the next day - November 1, 1990 - price liberalisation will start. From three digits (300 percent in 1993), inflation was cut down to two digits and further on to one digit, in 2004. Inflation in Romania surged 2661 times from October 1990 to October 2005. These are the highlights in the inflation history mentioned by Vasilescu in the interview.

Romania, he said, will still have to fight with inflation until she reaches an optimal economic balance, which he said will only be possible by correlating real demand with possibilities.

Vasilescu also pointed out that BNR had to stage a painful intervention, in which it risked its own outlays, in order to mop up the surplus of the local currency in the market, contrary to which this surplus would have fuelled further inflation.

In his opinion, Romania would have gained immensely, had she embarked on the price liberalisation process in 1970, when she was in full swing of industrialisation. “The delay in officially acknowledging inflation triggered huge losses for the country, which we still have to make up for. Real prices would have helped the country choose the right track. Today's industry of Romania would have been fully market oriented, profitably capitalising on the national resources,” Vasilescu added.

The BNR official explained that, whereas inflation was a blessing to the state-run enterprises because it allowed them to make a profit from price differences, the blessing is about to end now. “Inflation is slowing down its engines, and from now on, Romania's industrial enterprises and other kinds of enterprises will have to choose between normalcy- requiring efficiency and competitiveness - and bankruptcy. There is no third path for them,” said Vasilescu. He warned that reforms have to be generated here and now by changes that will boost labour competitiveness, free enterprises, risk assumption and which will discourage absenteeism, neglect and fraud.”

“After 15 years in which the merciless inflation suck up money from the population and the economy, there is now a certain balance between consumer demand and goods supply. Full recovery is nevertheless slow to occur, which is because of the slow down in real reforms,” said Vasilescu.

Pointing out that Romania needs a system of integrated free markets to function according to

the principles of communicating vessels, Vasilescu said that the construction of the system started but works on it have been slowed down many times, sometimes were delayed, and other times they were painfully advancing. "It is only reforms that will force the way to optimal results and efficiency with minimal costs," the BNR official added.

"We can safely say that galloping inflation is over now. Inflation has steadily slowed down since 2000, and it even turned into disinflation. The landing has started," Vasilescu concluded. BNR's

### ***Governor says it is impossible to finally relinquish a certain degree of interventionism in the exchange rate***

Governor of Romania's National Bank Mugur Isarescu considers that the central bank cannot finally relinquish a certain interventionism into the national currency's exchange rate.

"Unfortunately for Romania, we think it is impossible to finally renounce a certain interventionism into the rate of exchange", Mugur Isarescu stated on November 3, on the occasion of the Romanian Banking Forum.

He considers a completely free flotation of the exchange rate as unrealistic, despite that such a move might solve a lot of disputes, including theoretical ones.

BNR's Governor explained that, in general, in a small and open economy as Romania's, the exchange rate is extremely visible and has a major impact upon the prices taking into account that the foreign trade reaches 100 percent of the GDP, and the export 40-50 percent of the GDP.

"Nobody could tell the average exchange rate Romania is going to use whenever it will integrate into the European Union (...) No one sets up variations. We have no such tailor", BNR's official also said.

An exchange rate's heightened sensibility and unpredictability is one of the peculiarities of targeting inflation policy in Romania.

### ***Commercial bank business expected to advance 25% in 2006 in Romania***

The volume of money with commercial banks in Romania, as savings and loans, is expected to advance 25-30 percent a year in Romania in the following years, daily Avere reports on November 4, citing from recent market surveys.

The paper quotes Roland Berger consultancy firm Director Codrut Pascu as having told a banking forum on Thursday organised by FinMedia that local banks will use new methods to package and distribute their banking products and that they will partially farm out to specialist companies some of their activities, such as PR and debt retrieval.

Chairman of the HVB BPL Petre Tulin told the same forum that there will be huge costs on the local banks to bear if the measures currently taken by Romania's Central Bank (BNR) to dampen crediting stay in force after Romania's accession to the European Union.

Tulin also said that, with the liberalisation of Romania's market for finance and banking services, Western banks, which do not have to listen to the BNR norms, will have a competitive edge over the local banks, unless BNR repeals its constraints.

The HVB BPL official argued that mortgage and real estate loans will witness the biggest advancement in the sector of banking services. Such loans, he explained, are adding up to only 1.5-1.6 percent of the Gross Domestic Product (GDP) in Romania, whereas they exceed 50 percent of the GDP in some EU member countries.

### ***National average salary might double by 2010***

The national average salary in Romania might double or triple by 2010, according to human resources consultants, quoted by the Business Magazine. According to the estimations, in only five years the net average salary is to increase to EUR 400 or EUR 600, as compared to the present EUR 203.

But their optimistic estimations are not supported by the National Forecast Commission, which estimated for 2010 an average salary of EUR 337.1. Andreea Tanase, consultant with the AIMS human resources company, thinks that in 2010 the Romanian salary is to resemble the present

salary in Slovenia, Malta, Cyprus and Portugal, where the salaries are four and five times higher. She justifies her observation through the fact that the average net salaries have increased in the last years over 20 percent from one year to another. The representatives of other two human resources companies are also optimistic, yet more reserved: Irecson and ISG - who estimate an average salary of EUR 400 in 2010.

The salaries' upwards tendency will rather characterize the "entry" level than the "top" level, said Ioana Anescu, the marketing director of the Romanian-Austrian company ISG. Thus, if the Romanian managers earn 10, 15 or even 20 times more than the beginners, the report will gradually switch to five-seven times, like in the case of mature markets, where the minimum salaries exceed EUR 1,000. Moreover, according to the PayWell 2005 survey of the PricewaterhouseCoopers, in the next two-three years the salaries of beginners will become very close to the average salary. According to Business Magazine, the managers of human resources will be better paid than their colleagues. The biggest salaries in top management in 2010 will be met in banks, finance, FMCG sector, IT&C, companies held by investment funds, legal and business consultancy fields. The IT specialists will be better paid than the "middle" management within FMCG, says Daniela Necefor from TBS.

The sales sector will continue to be well paid in middle section. And the human resources managers slowly become a "middle to top" class, with important salaries, according to Claudiu Ciortea within Adecco, quoted by Business Magazine. For the beginners, the insurance field will be a generous field. Persons with hybrid backgrounds, such as a combination of technical and commercial, will also be hunted on the "entry" market. The best paid industries will be: petroleum and gas, tobacco, banks, financial intermediary, air transport, information technology, pharmaceutical products, high-tech equipment and basic construction materials, according to Andreea Tanase with AIMS.

### ***Euro advances 5 percent in three months***

The exchange rate of the euro to the Romanian leu reached its highest level since May 11 on October 28 - 3.6255 lei.

Since the start of October, the national currency has lost 1.8 percent to the euro, while from August its depreciation is almost threefold, at nearly 5 percent, with the lowest quotation in August being 3.4022 lei.

The trading session on Friday, Oct. 28 opened by quotations of 3.6130 to 3.6180 lei to the euro.

### ***Loans up 24 percent in first nine months***

Loans granted by banks for individuals and companies raised in the first nine months of this year by 24 percent, in real terms, more rapidly than as compared to the same period last year, against the background of an advance accounting for 54 percent for individuals, public radio station Romanian Actualitati quotes first vice-governor of the National Bank of Romania (BNR) Florin Georgescu as saying on November 2.

The central bank's official showed at a seminar organised by Alpha Bank that over January-September the good quality of the portfolio has maintained, with outstanding loans accounting for only 0.57 percent of the total of financing.

According to Georgescu, banks managed to improve profitability by 1.3 percentage points up to 16.9 percent of capitals, despite the reduction in the debts' gap.

Banking assets (33.1 percent) were more dynamic than equities (24.4 percent), but the solvability index maintains to a high level - 19.3 percent, up by 7.3 percent above the limit requested by BNR.

### ***Fitch Agency prepares better rating for BCR***

International ratings Fitch Agency has placed under observation, with growth perspectives, the ratings of Romanian Commercial Bank (BCR), by taking into account the forthcoming privatization of the bank, the Ziarul Financiar newspaper reports on October 31.

BCR's current long-term risk rating is BB plus.

According to Fitch, the BCR can be an attractive strategic investment both for the Portuguese Millennium BCP and for the Austrian Erste Bank, the investors competing in the final stage of BCR's privatization.

Millennium BCP and Erste Bank have had good ratings and the support of each of them can have good effects on the ratings to be assigned to the BCR, says Fitch analyst Tim Beck, quoted by the daily.

### ***EFG, OTP and Raiffeisen - topping bidders' list for CEC***

EFG and OTP have submitted the best unbinding bids for a 75-percent stake in the Savings and Loans House (CEC), daily Ziarul financiar reports.

According to the paper, the bid of EFG Eurobank Ergasias, the majority shareholder in Bancpost, would be somewhere in the region of 300 million euros, while the bid of OTP would be approximately 270 million euros.

Another good offer is said to have been submitted by Raiffesien, which also operates in Romania, but none of the banks have disclosed the value of their bids, the paper says.

The scoreboard for choosing the winner says price will count for 70-90 percent. The deadline for the submission of bids is established at end-November2005.

Ranking 5th in terms of market shares, with 5 percent, CEC is Romania's oldest bank in operation. CEC's assets at the end of H 1 2005 stood at about 1.46 billion euros, while its office network at 1,400.

CEC was established in 1864, while in 1897, the cornerstone was laid for the CEC Palace, which was inaugurated three years later as one of the most valuable buildings of monumental architecture in Romania's capital city.

According to Ziarul financiar, the final buyer of CEC will gain top position in Romanian, but will also have to face the challenge of restructuring and modernising a powerful presence in Romania's rural areas.

### ***BCR, CEC and Romexterra banks interested to give credits to rural areas***

The Romanian Commercial Bank (BCR), the CEC Savings Bank and Romexterra Bank submitted bids to the Agriculture, Forests and Rural Development Ministry, to join the Farmer Programme and be allowed to give credits to countryside areas, the Bursa daily reports on November 3.

A special commission of the Agriculture Ministry will analyze the offers of the three banks and the winner will be made public in one week at the latest, the newspaper also says.

The banks meeting the terms stipulated in the task book will be allowed to grant farming investment loans to those interested, a financial advisor of Agriculture Minister, Gheorghe Flutur, says.

The Farmer Programme, which represents the pillar of development and capitalization of Romanian agriculture, will be carried out starting this year.

### ***BCR wins quality management re-certification***

BCR has won a quality management re-certification - against the SR EN ISO 9001:2001 requirements - from prestigious international certification company Moody's International.

"Following audits this October, Moody's International recommended, with no conditions attached, that BCR be re-certified for quality management. BCR will continue to implement projects that will bring it near to the mentality of corporate culture specific of European Union member countries," says BCR Executive Chairman Nicolae Danila.

As far as quality management is concerned, BCR has moved on to a new stage, in which it is implementing an integrated management system by capitalising on all the relevant system mentioned in the world reference documents: quality management, occupational safety and health management, information security management and environmental management.

"BCR's approach of quality entails accepting the challenges of consolidating its corporate culture along the principles of quality, and that is why we are confident that BCR 5will contribute to Romania's

accession to the European Union, by adopting international regulations and keeping conformity certification for the implemented system,” says Danila.

BCR is considering becoming the first bank in Romania to promote an integrated management system for its activities.

### ***Transilvania Bank posts 20 million euros in profit in nine months***

Transilvania Bank ended the first nine months of the year with a net profit of 73.4 million lei, about 20 million euros, which is 72 percent more than the similar span of time of last year, reads Ziarul Financiar daily on November 1.

According to the above-mentioned newspaper the profit of the bank increased as the assets increased rapidly, against the background of a small drop in the margins between the active and passive interest rates of the banking system.

The assets of the bank increased by 58 percent in lei in the first nine months of this year, amounting to 4.12 billion lei at the end of the first six months, that is about 1.14 billion euros.

The total revenues of the bank increased by 46 percent in lei as against the similar span of time of last year, amounting to 578 million lei, that is about 160 million euros, reads the said daily.

Fitch Ratings Agency rated Transilvania Bank “BB minus” for the long-term debts, with a stable prospect, also reads the aforementioned source.

### ***Assets of Carpatica Commercial Bank, up 53 percent***

Assets of Carpatica commercial bank raised later in September by 53 percent as against the same period last year, reaching 191 million euros, reads a release of the bank.

Important increases were reported at sources which went up 78.69 percent, and when it comes to investments in loans, which grew by 62.24 percent over the same period one year ago. Carpatica’s financial results exceeded the provisions of the budget of revenues and spending. Thus, the gross profit was of over 4 million euros, accounting for 116.6 percent on the predicted one, and the net profit was of over 3.6 million euros, accounting for 115.2 percent as against the budget.

As a proof of the bank’s development and of the trust it enjoys among investors, the shares of the Carpatica Commercial Bank were included in the ROTX index of the Vienna Stock Exchange.

The goods results registered in the first nine months to September were prompted by investments worth over 3 million euros, materialized through the expansion of the bank’s territorial network, growth of the number of ATMs and exchange machines, development of IT systems and modernization of the bank’s offices.

Concurrently with the territorial development, Carpatica Commercial Bank has intensified its activity in the field of consumer credits and will enter, starting November 2005, the real estate market.

### ***Bank Leumi of Israel takes over majority stake in Eurom Bank***

Bank Leumi (Israel) will take over for \$41.6 million the majority stake held by Kolal BV in Eurom Bank, accounting for 95 percent of the bank’s share capital, president of the bank Benesh Avital has announced on November 1.

Bank Leumi and Kolal BV reached an agreement on October 31. Under the contract concluded between the two companies, Bank Leumi can buy in a six-month period from the completion of the transaction additional shares in Eurom up to the limit set by Kolal BV.

Benesh Avital said Leumi is the largest banks of Israel, and its presence on the Romanian market will attract big strategic investors from Israel. “What is good for Leumi is good for us too,” Avital explained the philosophy of big investors.

Eurom Bank has registered in H1 2005 a net profit worth approximately 200,000 euros (in Romanian accountancy standards), and the bank’s total assets stood at end-June over 135 million euros, up by over 22 percent as against with the end of last year.

The balance of loans granted by the bank reached almost 72 million euros registering a rise by

31 percent over the level registered later last year. Following the introduction in 2004 in the banks' package of products of MasterCard cards (debit cards, credit cards and debit cards with overdraft facility), the number of credits extended by Eurom Bank raised by 82 percent in H1 on the last year.

The volume of deposits attracted from customers exceeded 111 million euros at the end of June, meaning a 25-percent rise over the end of last year. Compared with the same period one year ago, the volume of attracted deposits marked a growth worth 60 percent.

The number of Eurom Bank's customers grew by 27 percent in H1 2005, reaching almost 40,000 on June 30 2005.

In July 2005 Eurom Bank became the first bank enlisted in the Register of participants in the trading system of the Bucharest Stock Exchange.

### ***Volksbank and Romanian Chamber of Commerce launch SME lending programme***

Romania's Chamber of Commerce and Industry (CCIR) and Volksbank launched a programme having the purpose to provide loans to Small and Medium-Sized Companies (SMEs), called Ariadna, CCIR announced in a press release.

The loans granted within this programme have a five-year duration and they bear an interest of 9.5 percent annually.

The loans may be approved in five days since submitting the required documentation. In this respect, a Joint Bureau for SMEs Lending has become operational, with the purpose of facilitating the SMEs access to funding, the release says.

### ***Leasing market reaches EUR 1.6 bln***

The leasing market reached a value of EUR 1.6 bln in the first nine months of the year, representing 90 percent of the value registered in 2004, according to an estimate of the Romanian Leasing Companies Association (ASLR).

The contracts concluded in the first nine months of the year reached a value of EUR 860 M, the ASLR press release states. The ASLR member companies have reached 84 percent of the total value of leasing contracts concluded in 2004. ASLR has 49 members and holds over 54 percent of the Romanian leasing market.

In the period of January to September, goods worth EUR 706.5 M have been financed, and out of these automobiles held a share of 90.5 per cent. Equipment represented 6.2 per cent of the total portfolio while the real estate sector was financed only in a proportion of 0.47 per cent. However, this year real estate registered a growth of 80 percent as compared with 2004.

Vehicles registered a decrease of 2 percent as compared with last year but the deficit was "compensated by the positive weight of financing industrial equipment, where a growth from 4 to 6 percent was registered in sales," the press release reads.

Contracts with foreign suppliers represented 60 percent of the total value of goods financed through leasing in the first three quarters of the year.

In regard to the maturity, the vast majority of clients, approximately 85 percent, prefer contracts with a medium term maturity of 3-5 years, as compared to a maturity of 1-2 years. The cross-border operations have a share of 1.5 percent in the total of operations conducted by ASLR members, keeping within the range of 2 percent which has been common so far. Operational leasing is constantly losing ground to financial leasing, losing in the past period 4 percent from the 7 percent registered at the end of 2004.

The value of the goods financed through leasing held a share of 63 percent of the contracts, while the public sector and the NGO held 26 percent and individuals 11 percent. Porsche Leasing Romania is the leader within the ASLR, having a market share of 22.2 percent. BCR Leasing follows up by 20.1 percent, Afin leasing by 10.4 percent and RCI Leasing Romania by 9.5 percent.

***TBI Leasing concludes contracts worth more than 46 million euros January through September 2005***

TBI Leasing concluded contracts worth 46 million euros January through September 2005, up 40 percent from the year-ago period, company's officials said on November 2.

According to them, the number of clients rose to 3,321, with the company having a market share of 5.2 percent, ranking 7th in a classification of the Association of Leasing Companies in Romania. In 2005, the company has raised its capital twice, and its funds now stand at 6,600 million euros.

"We have intended to increase the assets some 30-35 percent, to 50 million euros," said head of the Administration Board of TBI Leasing, Florentina Mircea.

Roughly 69 percent of the leasing contracts concluded are for new cars, 11 percent for second-hand cars, 18 percent for equipment, three percent for real estate, and one percent for consumer goods.

Eighty-three percent of the company's clients are legal persons, 12 percent natural persons, and five percent authorized natural persons.

Starting on November 1, TBI Leasing launches three new products, i.e. Leasing V8 - operational leasing including services, Real Estate leasing falling due in ten years, and Leasing Coupe for the auto sector.

## **V. INDUSTRY-AGRICULTURE**

***Industry franchises contribute with 44 percent to the Romanian market***

The industry's franchise companies contributed the most in 2004 to the value of the Romanian franchises' market, meaning 43.6 percent, Razvan Blid, the representative of the company CHR Consulting, stated on November 4.

"Although the industry has the fewest brands present in Romania on the basis of a franchise contract - just six - their turnover reached 318 million euros last year, out of the market's total which amounts to 730 million euros," Blid said. In the services' segment, including the financial, advertising, human resources and hotel services also, the turnover reached 206 million euros, 28.2 percent, while the incomes from the distribution domain, which included half of the networks last year, reached 146 million euros, 20 percent of the total.

The largest networks are from the services and distribution domain. Thus, Fornetti, which has 300 units in Romania, accounts for 27.2 percent out of the franchise networks' total, Allois Dallmayr Kaffe, with 117 partners - 9.1 percent of the total and Germanos with 75 units - 6.1 percent. The official of the consultancy company CHR Consulting added that the number of brands present in Romania on the basis of a franchise contract - simple, master franchise, franchiser - amounts to 171, out of which 43 are the local ones.

***Continental group profit ups on Romanian business***

Germany's Continental holding, the owner of five tyre factories and car components in Romania, has reported increases of 12.3 percent in quarterly sales and a rise in profits to 325 million euros, exceeding the initial previsions of 207 million euros for the first nine months of 2005, Ziarul Financiar reports on November 4.

Continental CEO Alan Hippe is quoted as saying the impacts of high prices for raw materials on the 2005 profit of Continental is somewhere in the region of 200 million euros, after 135 million euros recorded in the first nine months of 2005.

The paper mentions that the favourable results are in contract with the latest negative developments in the European market for tyres. It explains that, because of unsatisfactory demand, Continental is considering shelving off 400 jobs and closing down one of its factories in Hanover.

Continental's rival company Michelin, the world leader in the production of tyres, has downwardly

adjusted its 2005 profit projections, following poor results in the third quarter of the year, the paper also informs.

### ***Hella KGAA invests 10 million euros in electronic component factory for auto industry in Timisoara***

Hella Electronics Romania Co., member of German Hella KGAA Hueck & Co. Concern, is making 10 million worth of investment in Timisoara, (western Romania), in a factory of electronic components for the auto industry, the Ziarul Financiar newspaper reports on November 4.

The factory is to be ready in March 2006 and to start manufacturing car electronic components two months later. The German company will hire 200 people in 2006 and 200 more in 2007.

The German investor also set up Hella Lighting Romania production facilities in Lugoj (west) and Sanicolaul Mare (west), for car lights.

Hella KGAA Hueck & Co. posted 3.1 billion euros in turnover in 2004 in its 65 factories worldwide.

German investors have been active in the production of auto components in Romania as yet. Continental, Freudenberg Flexible Brake, INA Schaeffler, Kromberg & Schubert, BOS GmbH & Co. KG, Kuhnke Relee, Leoni Wiring Systems, Lisa Draxlmaier, Siemens VDO Automotive and ThyssenKrupp AG invested or plan to invest more than half a million euros together, and most of them opened production facilities in western Romania, according to the Ziarul Financiar.

### ***Kronospan raises bet on Sebes plant and invests another 25 million euros***

The Austrian group Kronospan, operating in the wood processing industry, has finalised investments worth 25 million euros in the hardboard plant it owns in Sebes, Alba county (central Romania), Ziarul financiar daily reads on November 4.

The money was used for the installation of a wood chip drier needed in the production process and of a fire safety system.

"The construction of the new drier emerged from the need to reach the capacity that was projected and pledged when taking over the plant, to which we add the wish to improve performance of our equipment in order to reduce the impact upon environment by maintaining emissions much below the level set by law. It will reduce dust emissions by more than half", Adrian Bacila, a production manager with Kronospan Sebes, said.

According to Bacila, the new drier was stipulated in the programme linked to the modernisation of the hardboard line that, together with the new press, will help the company reach a production capacity of about 800,000 cubic metres per year.

The Austrian group, last year, purchased the two plants (a hardboard and a MDF one) owned by its Italian rival Gruppo Frati in Sebes, in a deal worth 200 million euros. "The total investments made by the Kronospan group for the acquisition and upgrading of the production facility in Romania amount to more than 250 million euros of which about 50 million euros account for direct investments", Bacila also said. He added that, at present, the entire Sebes unit produces 1,850 cubic metres of board in a 24-hour period, with the total turnover standing at about 120 million euros per year.

The raw material used by the two production units is the waste derived from wood exploitation or processing. Kronospan also developed an acquisition network for the sawdust resulting from wood exploitation. The firm fitted almost 300 containers in exploitation areas where there are many sawmills.

"In one month we can save between 250,000 to 300,000 euros by collecting and burning the resulting dust which we turn into energy", the firm's official explained.

The company mainly focuses on the domestic market on which it distributed 70 percent of its hardboard product and 30 percent of its MDF output. For the domestic market, the company has recently developed a sales network through which it tries to cover all regions of Romania.

As regards the external market, Sebes mainly exports to neighbouring countries - Moldova, Ukraine and Hungary - but Kronospan products also reach Asia, China, Egypt and Syria.

***Japanese company Matika to build electric tools factory near Bucharest***

About 300 residents of Ilfov County (nearby Bucharest) will work in the new factory manufacturing electric tools that Japanese Matika Corporation will open in Branesti village, in November 2006.

The construction works are due to start in March and end in November 2006, Matika officials announced on Wednesday during a news conference taking place at the Prefect's Office of Ilfov County. The facility is expected to start production in spring 2007.

The Japanese Corporation wants to attract local companies to supply parts, but the whole production will be exported to Europe.

The Romanian-based factory will be built on the pattern of the UK-based Matika unit opened in 1991 owning a share capital worth 45 million euros, the Japanese officials explained.

***Agriculture can bring very big resources to budget, says finance minister***

Transforming Romanian economy is the solution for the sum that Romania may spend through the budget to increase, Finance Minister Sebastian Vladescu told a seminar on the development of Romania's financial markets.

Vladescu said that regardless of the tax system in the past 10 years, the budget revenues has never exceeded 31% of GDP and the low level of these revenues will never allow expenditures at European levels.

Vladescu believes that agriculture can bring very big resources from the taxation of farmers and farm market, while the grey and black economy should not be neglected, but the "essence" is not there.

The finance minister's opinion is shared also by the former finance minister Mihai Tanasescu, who said that agriculture has to be restructured and that the aggressive intervention of the banking system is necessary to increase this sector's competitiveness and contribution.

Vladescu said that the Romanian economy continued to have an ascending tendency, but with structural fragilities.

## **VI. EUROPEAN INTEGRATION**

***We believe in future of Romania and Bulgaria in European Union, says Greek Premier Costas Karamanlis***

The Greek Parliament on November 2 ratified the treaty on Romania's and Bulgaria's accession to the European Union by a wide majority during a ceremony that was attended by Presidents of the two countries Traian Basescu and Georgi Parvanov.

The deputies of the ruling New Democracy party, the main opposition party PASOK (socialist) and the Coalition Party voted for the ratification of the treaty whereas the Communist Party cast a negative vote.

Prime Minister of the Government of the Hellenic Republic Costas Karamanlis welcomed the ratification of the document and emphasized the fact that Greece would further support the European integration of the two countries.

"We believe in the future of Romania and Bulgaria in the European Union, a fact that will help ensure peace and stability in the area," said Karamanlis, congratulating the two peoples for the efforts made on the road to integration. He added that, by the ratification of the treaty on Romania's and Bulgaria's European accession the old instability in the Balkans belonged to the past.

Greece thinks that by the European accession of the two countries there will be more cooperation possibilities between the Hellenic republic, Romania and Bulgaria.

The parliamentarians of the main opposition party in Greece, PASOK, said that, by Romania and Bulgarian acceding to the EU, the Balkan area would no longer be explosive and will turn into

a strategic area. Romania and Bulgaria demonstrate that the Balkan peoples can take steps together, said the PASOK deputies, adding that it was very important that the same voice should be heard in the EU, according to the model of the northern countries. They voiced hope that on January 1, 2007 Romania and Bulgaria would be full members of the EU.

### ***President Basescu hopes Greece's example of ratifying EU Accession Treaty to be followed by other EU members***

Romanian President Traian Basescu voiced hope that the example given by Greece on November 2 by the ratification in its parliament of Romania and Bulgaria's EU Accession Treaty be followed by other old member states, Rompres special correspondent reported.

Greek parliament voted by a vast majority for the ratification of Romania and Bulgaria's Accession Treaty with the European Union, being the fifth EU member state to ratify the document. Greece is thus joining Slovakia, Hungary, Slovenia and Cyprus, but it is the first state of what Basescu called "the hard core" that does this.

The President reiterated Bucharest's determination to see this process successfully completed, underscoring that the trust Greece showed by ratifying the treaty will be rewarded by Romania and Bulgaria by their domestic performance.

Greek Premier Costas Karamanlis said his country "is waiting to meet Romania and Bulgaria in the EU on January 1, 2007" as full members.

### ***European Integration Ministry hails ratification of EU Accession Treaty by Greece***

Romania's European Integration Ministry (MIE) hails the ratification of Romania and Bulgaria's EU Accession Treaty by the Greek Parliament during a solemn ceremony in Athens attended by Romania's President Traian Basescu, Bulgaria's President Georgi Parvanov and Greece's Premier Konstantinos Karamanlis, reads a MIE release.

European Integration Minister Anca Daniela Boagiu emphasized the special meaning of the event as Greece is the first of the former EU-15 member states that ratifies the Accession Treaty showing thus its confidence in Romania's capacity to meet the commitments it assumed with the view of its EU entry on January 1, 2007, the ministry said.

Greece is the fifth EU country that finalized the ratification procedures of the EU Accession Treaty for Romania and Bulgaria, after Slovakia, Slovenia, Hungary and Cyprus.

### ***Romanian diplomacy hails ratification of EU Accession Treaty by Greek Parliament***

The Romanian Foreign Ministry (MAE) hails the ratification of Romania and Bulgaria's EU Accession Treaties by the Greek Parliament, reads a press release sent to Rompres on November 2.

The Greek MPs' vote sends a significant political signal in favor of the EU Accession Treaty, Greece being the first of the 15 old EU member states that ratifies the Treaty during a session held shortly after the publication of the European Commission's monitoring progress report, on October 25, says the release.

MAE warmly thanks the Greek authorities for the active support to Romania's moves aimed at its joining the EU on January 1, 2007 and points out that the event mirrors the exquisite level of the bilateral relations between Romania and Greece, based on trust and friendship, and taking place in the framework of regional and European cooperation.

At the same time, the Greek Parliament's vote reconfirms the progress Romania has made in preparing its EU accession and it is an important urge to the successful finalization of the reform process in view of its EU entry, the release adds.

The Greek Parliament's vote was marked by a solemn ceremony also attended by Romania's President Traian Basescu, Bulgaria's President Georgi Parvanov and Greece's Prime Minister Konstantinos Karamanlis.

Greece is the fifth EU country that ratifies the EU Accession Treaty after Slovakia, Slovenia, Hungary and Cyprus.

***Deadline for last Action Plan measures on European integration to be end-March 2006***

Romanian Prime Minister Calin Popescu-Tariceanu announced on November 3 that the deadline set in the Action Plan for solving the problems signalled in the European Commission's monitoring report will be not later than the end of March 2006.

The Action Plan containing deadlines and responsibilities was approved by the Executive Committee on European Integration on November 3, Tariceanu said. The activity of the ministries and state secretaries involved in Romania's EU integration will be monitored, he added.

It takes huge work to meet the commitments made in front of the European Union at the deadline set, the Prime Minister said, adding however that the goal is "perfectly achievable and it depends on the people in the administration to muster their forces in order to achieve it."

***Romania, Bulgaria to support each other for European integration on Jan. 1, 2007***

The Presidents of Romania and Bulgaria, Traian Basescu and Georgi Parvanov respectively, decided at a meeting here on Thursday to present the positive developments of the two countries anywhere they will have the opportunity of doing it abroad, by speaking of the other country too.

Basescu said at the end of the talks with visiting Bulgarian counterpart that he was glad to learn Bulgaria, the same as Romania, does not have an alternative plan for integration into the European Union either than on Jan. 1, 2007.

"The main message was that of our access to the European Union together," the Romanian President stressed.

The official visit paid by Parvanov to Bucharest offered the two presidents an opportunity for a detailed analysis of what has been done up until now and what is to be done so that the monitoring report on the two countries to be made public in next April may remove the possibility for the safeguard clause to be triggered.

President Parvanov underscored that there is no competition between Romania and Bulgaria, not even with respect to building the Vidin-Calafat bridge over the Danube River. He praised the fact that both Bucharest and Sofia have the will to reach their common goals and stressed the two states should not divert their attention from the fulfilment of these ideals.

Parvanov reiterated Bulgaria and Romania can offer assistance on the issues of the Western Balkans and the Black Sea.

On the issue of bilateral economic relations, the Bulgarian President pointed out that the commercial exchanges grew in 2004 compared to the previous years and stressed the two countries can do much more together for solving some problems that have been protracted over the years such as simplifying taxes and the long-stay visa rules for businessmen.

"The relevant ministers of our two countries should do their best to resolve the problems related to infrastructure - the achievement of the European transport corridors," Parvanov added.

He and Basescu also tackled issues referring the security in the Western Balkans and the Black Sea and they decided to correlate those foreign policy elements related to the security in the area.

The Romanian-Bulgarian top-level talks took place one day after the Romania-Bulgaria-Greece three-way meeting held in Athens and the ratification by Greek Parliament of the two countries' EU Accession Treaty signed in Luxembourg on April 25.

Basescu and Parvanov held one-on-one talks in Bucharest as well as discussions with the two countries' official delegations and later on Thursday the Romanian President gave a dinner in honour of his Bulgarian guests.

The Romanian delegation was comprised of Foreign Minister Mihai-Razvan Ungureanu, presidential advisors Adriana Saftoiu and Theodor Stolojan and state counsellor on foreign affairs Anca Ilinoiu.

***“We want Romania so much in EU that we push you towards it,” British Ambassador to Bucharest Quinton Quayle says***

The steady urge addressed to Romania to fight against graft in the prospect of its accession to the European Union (EU) on January 1, 2007, the shared vision of Romania's President Traian Basescu and British Premier Tony Blair on Europe's future, the moment in which Great Britain will waive visas for Romania are the main topics tackled in an interview given to *Evenimentul Zilei* daily by the British Ambassador to Bucharest Quinton Quayle.

To start with, as regards Romania's presence at the informal summit in Hampton Court, Ambassador Quayle expressed his satisfaction about the fact that, for the first time, Romania took part in an informal EU summit along with Bulgaria. Premier Tony Blair - British Ambassador added - said that he appreciated Romania's contribution and the one of other candidate countries to the debates. Tony Blair stressed they brought about a dynamism that could revitalize older members, Quinton Quayle reminded.

In his opinion, Premier Tony Blair and President Traian Basescu shared their vision as for Europe's future. Both are courageous leaders and both are keen to implement difficult reforms, but necessary, the British Ambassador remarked.

Romania needs EU but, in its turn, EU needs Romania, Quinton Quayle underscored in the interview. For Europe to be able to step forward new members are needed, new thinking, new markets and a new vitality and I think Romania represents all under this President and this government, the British official added.

On the sidelines, the Ambassador said that Great Britain is going to waive visas for Romania prior to its EU accession.

Personally, the British Ambassador stated that he would like to see visas dropped even at an earlier stage, but this depended upon how the illegal immigration issue was solved.

Asked about the ratification process stage of Romania and Bulgaria's EU Accession Treaty, Quinton Quayle mentioned that the ratification process was initiated on October 11 this year, with a first reading two weeks prior to the release of the Monitoring Report, and the second reading - "the most important" one - scheduled for this week.

It will certainly pass without problems because there is an agreement to this end between the parties, Quayle estimated. We want Romania so much in the EU that we push you towards it", the British Ambassador to Bucharest said. "That is why we have approximately 15 advisers here, that is why we have such a big embassy, that is why we have such a significant budget earmarked for spending in Romania, Ambassador Quinton Quayle said concluding his interview. Romania's EU Accession Treaty to be ratified by House of Commons with a big majority,

***British Foreign Secretary Jack Straw says***

British Secretary of State for Foreign and Commonwealth Affairs Jack Straw informed his Romanian counterpart Mihai-Razvan Ungureanu, on the occasion of bilateral talks in New York, that European Union (EU) Accession Treaty for Romania and Bulgaria is going to be ratified with a big majority by the House of Commons, MAE reports in a release.

The House of Commons was set to debate on November 1, in a second reading, the ratification of EU Accession Treaty for Romania and Bulgaria, signed on April 25.

Jack Straw and Mihai-Razvan Ungureanu also approached the problem of future negotiations on Kosovo province status. According to MAE release, British Foreign Secretary acknowledged the necessity of involving the South-Eastern European countries in the future rounds of talks.

Both officials, Romanian and British, discussed the possibility of mandate's prolongation for the Iraqi Multinational Force on the basis of a letter conveyed on Monday by Iraqi Premier Ibrahim al Jafaari to the Romanian Presidency of the Security Council, as well as future means to manage the situation created by the findings of the independent international commission charged with conducting a criminal investigation into the assassination of former Lebanese premier Rafic Hariri.

**Moody's considers unlikely Romania's EU accession postponement**

Moody's financial evaluation agency considers unlikely the postponement of Romania and Bulgaria's EU accession with one year, as the monitoring reports do not contain elements to influence the accession perspectives, daily Economistul reports on October 31.

Although it includes critical evaluation for some sectors, the report does not raise the question of EU accession, having a constructive attitude, the Moody's analyst Pierre Cailleteau said.

He believes that one of the key elements of the report refers to the weak sides of the macroeconomic framework in Romania. The European Commission warned upon maintaining under control the economic imbalances, as the fiscal policy could lead to a decline of the share of budgetary revenues in GDP, the paper mentions.

Another important aspect refers to the recommendations of European officials upon the functional market economy. Moody's said that the European Commission granted Romania this statute although some companies do not respect their payment obligations.

The efforts towards a consolidated market economy are welcome, as they will make the economy more efficient and generate conditions for the increase of budgetary revenues, the expert said.

**Susanne Kastner is confident that Romania will join EU on January 1, 2007**

Vice-president of the Bundestag Susanne Kastner on October 31 said in Arad (western Romania) she is confident that Romania will join the EU on January 1, 2007.

"Very often I've been asked in Germany whether Romania is ready to join the European Union. My answer is 'yes'. I say to all these persons they can't imagine what progress this country has made and how close is to the EU," said the German MP, who, however, stressed that problems - such as corruption - are still to be resolved.

Referring to the reports published by Transparency International, Kastner said they show that Romania is among countries where corruption is widespread and, for this reason, there is a lot to be done for overcoming this problem.

On a private visit to Arad, where she participated to the unfolding of the partnership between three schools designed for children with special needs, among which one from Germany, Susanne Kastner said that such things should be better promoted by the media.

"If many of us we'll take a little step, together we'll manage to change even the world's aspect," said Kastner.

**Vienna is very keen on Romania's EU entry in 2007, says Austrian Ambassador**

Austria will hold the European Union presidency when it is to be decided whether Romania joins the EU at the set deadline, and Austrian Ambassador in Bucharest Christian Zeileissen explains in an interview with the Cotidianul daily on October 31 why Vienna is interested in Romania's 2007 accession.

Austria's Government hails Romania's EU joining on January 1, 2007, but for the ratification of the EU Accession Treaty Romania needs the Austrian Parliament's two-thirds majority, Ambassador Zeileissen said about Austria's stance on Romania's EU entry deadline.

Although the Social Democratic Party, currently in opposition in Austria is reticent now with regard to Europe and the EU enlargement, it has no reserve against Romania's EU entry in 2007, but it first wants to see the EU commission's reports before assenting, the Austrian diplomat explains.

Zeileissen thinks that 2007 is preferable to a postponement by one year, namely until 2008, the more so since there is "no big difference and we have absolutely no reason to wish to put it off".

There is no big difference between 2007 and 2008 because many of the things that must be changed cannot change in one year only, pointed out the Austrian dignitary, who takes the Justice reform as an example.

One cannot change the whole judicial apparatus now, there are not enough people to appoint instead, Zeileissen argues.

It is an evolution process where one year plays no role, Austria's Ambassador in Bucharest stressed.

### ***Germany backs Romania in EU accession process***

Germany backs Romania in the EU accession process, said Jens Baganz, State Secretary in the Ministry of Economy, SMEs and Energy of the State of North Rhine-Westphalia, currently heading an economic delegation in Romania.

The meeting between the Romanian and German officials focused on the intensification of German investment in key sectors of the Romanian economy: electricity, infrastructure, machine building, environment protection, agriculture and information technology.

As part of the Romanian-German economic relations, the Romanian Ministry of Economy and Trade is chairing four groups: energy, industrial cooperation and investment, trade, communications and IT. In the field of energy, projects were discussed regarding the rehabilitation of thermo power stations, electricity stations, intensification of cooperation in the mining field, energy efficiency and electricity market in Romania.

The German companies were invited to participate in the privatisations of the energy sector: electricity production and distribution, ecological and environmental projects. Two projects of national interest were presented: the oil pipe Constanta -Trieste for oil transport from the Caspian Sea towards Europe and the natural gas transport pipe to transit Turkey, Bulgaria, Romania, Hungary and Austria, as an alternative to the Russian Federation gas that supplies Europe.

Germany is second among Romania's main foreign trade partner with 20 percent of the total volume of exports (6.75 billion in 2004) and fourth among the direct foreign investors in Romania (1 billion euros), with 8.66 percent of the total direct foreign investment, the commercial exchanges having an important role in modernising important sectors of the Romanian economy: energy, transports, machine construction and electronics.

### ***EU-COFILE seminar approaches topics of high interest thinking of Romania's EU integration***

The migration of labour, the private pension system and competitiveness were the main topics approached during a EU-COFILE seminar held in Bucharest by Romania's Central Bank, the Romanian Bank Association and Alpha Bank.

Statistics regarding the EU new entrants tell us there is no reason to worry that the impact of Romania's integration into the EU will immediately lead to a big rise in the number of Romanians going to work in the EU countries other than Romania, Minister of Social Solidarity and the Family, Gheorghe Barbu, told the seminar.

On a middle term, the migration of workforce can rise, due to the difference in the technological level and in incomes between the old, new or future EU member states, the minister said.

Romania has concluded agreements on the movement of workforce with Germany, Spain, Switzerland, Luxembourg, France, Hungary, Italy, and social security agreements with the Netherlands, Austria, the Czech Republic, Luxembourg, Germany, Austria, Hungary and Bulgaria. Agreements are being negotiated with Portugal, Italy, Albania and Macedonia.

"I am convinced, the year 2007 will not be a step difficult to take, but a normal one," Barbu concluded.

Once contributions to private pension funds start being collected, in the second half of 2006, as many as 300,000 people are expected to participate, on the average, with a total sum of 700 billion lei in 2006, Barbu also said.

Romanian competitiveness needs non-expensive innovation, Secretary General of the Association of Romanian Businesspeople, Cristian Parvan, told the seminar. When it comes to research and development, an attempt is being made to devise a strategy related to competitiveness, with a view to attracting structural funds, Parvan added. The national development plan for 2007-2013 includes some lists of projects which cannot convince the European Union to offer money to Romania, Parvan said. He believes the Romanian society can pay attention to innovation as early as the school years and that Romania can innovate in services and the IT&C sector.

## VII. TOURISM AND OTHER TOPICS

### ***ANT strategy is based on the attraction of foreign investment and tourist circulation increase***

Promotion of an increased local tourist circulation in Romania, attraction of foreign tourists but, as a priority, foreign companies' investments are the main items included in the medium-term strategy of the National Authority for Tourism (ANT), Authority's President Ovidiu Marian announced on November 2.

"Our strategy encourages local development of the travel industry, namely the incoming, and not in the least tourists' export, respectively the outgoing. Moreover, we must address, first of all, to the internal market, with interesting tourist packages and quality services", ANT President stated.

Taking into account that we draw near winter holidays season the time has come to stress that going to the mountains does not mean Prahova Valley alone. There are resorts such as Vatra Dornei, Borsa, Semenic, Parang, Straja, Paltinis with an extraordinary tourism potential, ANT President also said.

ANT does not plan to resume itself to "social tourism". "We wish to offer alternatives to the people with medium and small incomes, not only outside the season, but in full season, as well. The alternative to spend your holidays is more important than the encouragement of social tourism", ANT President said.

Upgrading Romanian tourism's image on foreign markets, development and modernization of Romanian tourist products, improvement of service quality, organization of documentary visits for opinion formers, journalists and other representatives of mass-media, as well as for representatives of foreign travel agencies and tour-operators are the main principles Ovidiu Marian would like to promote.

### ***Investment projects worth of 5 million euros in Amara health resort***

The City Hall of Amara health resort, of southeastern Ialomita county, is looking for financing sources for investments worth of 5 million euros, daily Bursa reports on November 2.

The city mayor Victor Moraru does not exclude private public partnerships. He told daily Bursa that investments are meant to modernise the local transport infrastructure (a 3 million euro project) and to rehabilitate the waste pipe and rain sewerage systems.

The medical infrastructure in Amara resort needs 1.63 million euros for modernisation. The medical centre must be modernised and equipped with state-of-the-art medical technology.

The resort is recommended for the treatment of rheumatic, gynaecologic, dermatological, endocrinological and neurological diseases. The resort is endowed with facilities for warm baths in tubs and pools with water from the lake, warm baths with mud and applications of mud, sunbathing on the shore of the lake and applications of cold mud, bathing in the lake. The water of Lake Amara (156 ha), sulphated, bicarbonate, magnesian, slightly brominated and the sapropelic mud with special therapeutic properties determined the development of the resort beginning in 1900.

### ***First Romanian company offering balloon tourist tours opens in Bucharest***

A young man of Bucharest City in love with flying has set up the first company in Romania offering balloon tourist tours of Bucharest City.

The company also rents its hot-air balloon for advertising events.

The 4,000-cu.m balloon owned by the company is the biggest of its kind in Romania. When inflated, it grows up to the size of an average tower building. It can fly high to 15,000m.

The Tommy 4-class balloon is registered with the Romanian National Aeronautics Authority. It can hold 6 persons and the pilot, who is trained abroad to pilot the craft.

The project initiator, Eugen Iacob, says trips aboard the balloon are as safe as possible, and there is satisfaction guaranteed.

In order to fly over Bucharest City, the prior approvals of some authorities, including the Romanian Air Club and the Romanian Intelligence Service (SRI) are needed.

There are only four hot-air balloons in Romania, each priced at above 30,000 euros. They are equipped with basic navigation devices, including an altimeter and a radio device.

One trip in such balloons will take visitors past the Tiganesti and Cernioca monasteries in the vicinity of Bucharest City. In the nearby county of Prahova, they fly over the Ghighiu and Zamfira monasteries.

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