

**BLACK SEA ECONOMIC COOPERATION
THESSALONIKI FORUM
SESSION II “PROSPECTS OF BUSINESS CO-OPERATION IN THE BSEC REGION”**

Speech delivered by Mr. Constantin RASNOVEANU, Vicepresident of the Chamber of Commerce and Industry of Romania and Bucharest

Ladies and Gentlemen, Distinguished participants,

I am deeply honoured to be able to address such a distinguished audience on the occasion of the Thessaloniki Forum. The topic of this session “Prospects of business co-operation in the BSEC region” is one of great importance to us all.

The Chamber of Commerce and Industry of Romania and Bucharest as well as the Romanian authorities have set as a crucial role the development of co-operation in the region, being convinced of the important role we can all play in today’s world economy. In this respect, CCIRB, since the middle 90’s has been actively involved in regional co-operation activities, being a founder member of the Balkan Chamber of Commerce Association (ABC) and a constant participant within the Business Council BSEC.

In order to respect the topics of this session I will take only 5 minutes of your time to highlight some particularities of the Romanian latest economic developments and the measures taken in order to improve business climate, as well as the challenges that are ahead of us.

During the last 3 years, Romanian economy experienced a remarkable mix of economic growth, disinflation and narrowing of the current account deficit, thus confirming the country’s progress along a sustainable development path. Privatisation of state owned companies also advanced, on the background of improved legislation.

Improving business climate is an important focus of the economic policy. Now we strive to implement all necessary legislation in compliance with EU legislation.

As a stimulant for business, in January this year, an important measure was taken to encourage sound business activities, the tax on profit decreased from 25% to 16%. I

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consider that this will prove a very efficient stimulent for business on a middle to long term.

Very important for businessmen developing activities in Romania, the administrative barriers will be eliminated step by step, by elaborating a simple, clear legislation, by simplifying the procedures for establishing a company in Romania and by reducing the administrative process concerning issuance of authorisations, aprovals, etc.

Within the governmental strategy for business climate consolidation, there are to be taken measures to assure a stable, predictable business environment, eliminating state monopol and consolidating free competition, increasing transparency, etc.

Supporting the Small and Medium Enterprises is a very important solution to counter the negative effects of the structural reform process and industrial reform, generating economic alternatives and consolidating middle class. The main courses of action in this direction aimed by the Romanian government are reducing the credit costs for SME's, improving relations between authorities and entrepreneurs, introducing economic stimulents for SME's, simplifying the administrative procedures. At this moment for SME's there are available the following incentives: 50% reduction in the criteria regarding turnover and bid bonds required in public auctions; extemption from custom duties for machinery, installations, industrial equipment and know how import, VAT extemption for imported goods, tax exemption for reinvested profits and tax incentives for new jobs.

Despite economic growth in the past three years, important challenges remain. Further structural reforms are crucial to build a competitive market economy capable of withstanding the pressures of EU integration. Moreover, poverty persists with 25 percent of the population living below the poverty line. Some 60 percent of Romania's poor live in rural areas despite the country's substantial potential in agriculture, forestry, and fisheries.

Romania faces a number of challenges to attain its twin goals of poverty alleviation and meeting its EU integration commitments. These challenges include the following:

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- **Accelerating structural reforms.** Key challenges include completing the privatization agenda, improving the business climate by eliminating administrative barriers, and implementing a transparent and predictable tax system.
- **Reforming public institutions and improving governance.** Public services need to be delivered in a manner which benefits the population. This can be achieved through the development of a merit-based civil service that is adequately remunerated. A supportive legal and regulatory framework is also needed.
- **Reforming the legislative process and the judiciary.** In the past, reforms were impeded by frequent changes in legislation and the lack of capacity to implement the new laws. It is therefore essential to streamline existing legislation and develop an effective system to pass new laws. In addition, the professionalism and integrity of judges needs to be enhanced and the independence of the judiciary strengthened. The judicial process also needs to be improved through greater speed and efficiency.
- **Reforming the pension system.** The Romanian pension system faces a severe demographic challenge with 1.4 beneficiaries to every contributor. Reforming the system is therefore essential to ensure its sustainability.
- **Developing rural areas and reducing poverty.** With the majority of Romania's poor living in rural areas, agricultural-sector reforms are essential to reduce the country's high levels of poverty. Although Romania has fertile agricultural land, vast tracts of forest, and a rich network of rivers, its rural areas suffer from inadequate infrastructure and inefficient agricultural production. In addition, access to education and social services in these areas must be improved.
- **Reforming the energy sector.** Although energy sector reforms have been impressive, payment arrears still exist and power sector subsidies continue. These continuing subsidies are one of the major factors contributing to the country's fiscal imbalances

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On the background of the governmental strategy, The Chamber of Commerce and Industry of Romania and Bucharest CCIRB plays an important role aiming to promote the real potential of the Romanian companies. Taking part in regional conferences and seminars, being part of many international organizations, our institution represents the interest of over 40000 companies.

Owing to the geographical proximity and the strategic geopolitical location, the BSEC countries have developed specific and strong ties over the years, at present, new elements being added to these ties, as a consequence of the deep-going changes occurring now in the world economy and on the European continent.

Regional and sub-regional collaboration, improving and strengthening the traditional and natural links with neighbouring countries is considered as the first step for turning into account the existing complementarities. Moreover, increasing both bilateral and multilateral relations with the countries in this region, shaping an open and flexible cooperation framework under the form of regional projects or institutions is, in my opinion, the only way to create an effective space of cooperation and to integrate in a dynamic economic environment.

These being said, I would like to thank you for your attention and to plead once more for a better information exchange among BSEC members, information indispensable to our business communities for the development of sound business relations.

Thank you!