

Foundation of Joint Ventures as a Foreign Direct Investment in Romania

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ABSTRACT

This paper sets out the development of the foreign direct investments (FDI) in Romania and also describes the possibilities that are offered to foreign investors in Romania, to set up a Joint Venture. Even if the markets are currently in a difficult situation, because of the financial crisis, we can clearly notice that the Romanian market remains interesting for the foreigners.

There are many areas of opportunities for doing business where foreign companies can establish themselves. The challenge is that there aren't in Romania laws and regulations that are only created for this kind of enterprise foundation (Joint Venture), so that the leader of the foreign-owned businesses must be informed about the legal framework, this is equal for all types of entries in the Romanian market.

KEY Words: Foreign direct investment, Joint Venture, legal framework

TABLE OF CONTENTS

| | |
|---|-----------|
| 1. INTRODUCTION | 1 |
| 2. WHY DO FOREIGNERS TEND TO INVEST IN ROMANIA? .. | 2 |
| 3. FOREIGN DIRECT INVESTMENT IN ROMANIA'S ECONOMY .. | 3 |
| 4. HOW TO SET UP A JOINT VENTURE IN ROMANIA ... | 6 |
| 4.1. THE LEGAL FRAMEWORK | 7 |
| 4.2. THE MOST IMPORTANT STEPS | 9 |
| 4.3. JOINT VENTURES IN ROMANIA | 10 |
| 5. CONCLUSIONS..... | 12 |

1. INTRODUCTION

Romania is a puzzle of pieces from all over the world, where you can find beside incredible and breathtaking landscapes with high mountains and greenest hills, very old churches, an incredible seaside and very friendly people. As the years passed by and the communist regime ended, Romania opened its borders, therefore foreign investors became aware of the opportunities this country offers. Since 1990 the foreign trade regulations have been gradually liberalized and now broadly follow the guidelines set by the European Union. “Incredible as it may seem today, Romania was the second East European country to permit foreign investment” (DOBOSIEWICZ, 1992, p. 48). Romania’s domestic market offers many opportunities, also because of the strategic position at the cross roads of the commercial and energy routes connecting EU-27, Asia and the Balkans.

The subsequent chapter provides the reasons why Romania is so interesting for the foreign investors. Chapter 3 presents the development of the foreign direct investments in Romania in the last few years and the increasing number of companies with foreign subscribed capital. The first part of chapter 4 analyzes the legal framework in founding a Joint Venture, norms which can be used also in founding other kinds of companies and the second part of chapter 4 is dedicated to the most important steps in setting up a Joint Venture and the third part gives us some examples of already existing Joint Ventures in Romania. Chapter 5 concludes the paper.

2. WHY DO FOREIGNERS TEND TO INVEST IN ROMANIA?

Since the acceding to the European Union as of 1 January 2007, Romania benefits from the advantages of Cohesion Funds¹ and Structural Funds² too. These kinds of funds are allocated by the European Union to support the poorer regions of Europe and also to support the countries to integrate in the European infrastructure (especially in the transport sector, by building for example highways). Current programs run from 1 January 2007 to 31 December 2013, with an € 54.4 billion budget for Structural Funds and € 18 billion for the Cohesion Funds.³

But which are the reasons why foreign investors tend to invest in Romania? The labor force in Romania is highly skilled; people work at competitive prices and have solid knowledge in foreign languages. Romania has also a high potential for tourism and rich natural resources, fertile land, oil and gas. From what we have seen, Romania is a strategic market, with a high economic growth in the last years (see Appendix 1). In 2007 Romania registered an annual average inflation rate of 4.9% (7.9% in 2008)⁴ and an unemployed rate of 5.7%⁵. Romania also shows one of the lowest levels of flat tax of the CEE countries. The VAT standard rate is 19% and the Romanian Fiscal Code allows also a 9% reduced rate applicable to the supplies of certain goods and services like entries to castles, museums, memorial houses; delivery of school textbooks, books, newspapers and magazines (except those intended solely for advertising); supply of prostheses (with the exception of dental prostheses); medicines for human and veterinary; etc. (Art. 140 of the Fiscal Code). For 2008 the minimum gross wage⁶ per month in Romania was 540 RON⁷, but since 1 January 2009 there was recorded an increase up to 600 RON per month⁸.

1 “The Cohesion Fund is a structural instrument that helps Member States to reduce economic and social disparities and to stabilize their economies since 1994. The Cohesion Fund finances up to 85 % of eligible expenditure of major projects involving the environment and transport infrastructure. This strengthens cohesion and solidarity within the EU. Eligible are the least prosperous member states of the Union whose gross national product (GNP) per capita is below 90% of the EU-average.” Source: European Commission (http://ec.europa.eu/regional_policy/funds/procf/cf_en.htm, last accessed: 30.04. 2009)

2 Structural Funds are allocated by the European Commission to Member States. The allocation of the funds follows the submission of a plan that outlines the social and economic situations of the region, the strategy and priority for the use of the Structural Funds. The plan must also detail the financial resources of the applying member state.

3 Source: ARIS – Romanian Agency for Foreign Investment – EU Funds

4 Source: EUROSTAT,

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tsieb060&tableSelection=1&footnotes=yes&labeling=labels&plugin=1>, last accessed: 27.06.2009

Actual rate: 5.95% (May 2009/May 2008), Source: BNR

5 Source: EUROSTAT,

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=teilm020&tableSelection=1&plugin=1>, last accessed: 15.06.2009

6 For more information about the gross and net average salary also see the “Monthly Statistical Bulletin” (<http://www.insse.ro/cms/rw/resource/bsl.pdf?download=true>, last accessed: 30.04. 2009)

7 Approximately 135,77 € (1 € = 3,6827 RON, annual average), source: BNR (<http://www.bnr.ro/Cursuri-medii-3544.aspx>, last accessed: 30.04. 2009)

8 Approximately 140 € (1 € = 4,3 RON)

Because of the European Union accession, Romania has also seen a significant increase in the number of mergers and acquisitions (M&A), although the legal framework for M&A transactions is rather limited. There is the Company Law No. 31/1990 and the Order No. 1376/2004, which concerns the accounting procedures for merger, spin-off, dissolution, liquidation, withdrawal and exclusion of shareholders, as well as the fiscal regime for such operations. If the M&A involves at least one public company, the company members must also comply with the Capital Market Law No. 297/2004 and also be aware of the regulations issued by the National Securities and Exchange Commission (CNVM).

Romania is interesting for the foreign investors also because of the bilateral agreements between our country and other countries in the area of investments promotion and protection. It is also a member of the UN and other international organizations (NATO, OSCE, WTO, World Bank, etc.) helping out through free agreements the free trade with the European Union, EFTA and CEFTA countries.

3. FOREIGN DIRECT INVESTMENT IN ROMANIA'S ECONOMY

Today everyone speaks about the crisis, which began in USA, and how it will influence their countries and the development in the specific areas. In Romania, major changes in investors' behavior occurred and that is because of the increased risk aversion and because of the shift from the global excess liquidity to a liquidity crunch. The direct consequences of the crisis affect not only the banks. There are also indirect consequences, which were caused by changes in the availability of capital, due to a reduction in external financing (the volume of FDI inflows also declines). (ISĂRESCU, 2008)

When most business owners and entrepreneurs think about forming a Joint Venture, it is usually during positive economic times when business prospects are good. But why not form a Joint Ventures during a recession or when an economic downturn affects a certain region?

A clever business orientated person must always keep a positive outlook on the economical situation. It is actually an opportunity to open a business or to work on an upcoming large-scale project, but not individually, when times are challenging. Matching talents and combining forces on bigger projects, even when the economical trend is down, still means more clients, more product sales, or attracting capital. Joint Venture Marketing can get the best business results for less money and less risk than almost any other marketing strategy.

If we browse statistics and newspapers, looking for information about trading commercial companies with foreign participation, we must firstly know what exactly this term hides. Trading companies with foreign participation in the share capital are the companies

incorporated in whole or in part, through the participation of natural or legal persons with stable residence or registered head office outside Romania.

As we can observe from the Table 1, in the year 2007, the foreign direct investments had signaled an increase, with short setbacks in April, August and starting with October until the end of the year. The next year, 2008, had a better beginning compared to the previous year, but had also proved to be a year of setbacks (in February, March, May, etc.). At the end of 2008 in most countries of the world people could feel the negative effects of the financial crisis, although Romania still remained an attractive country for foreign investors.

Tab. 1: Foreign Direct Investment in Romania in 2007 and 2008

EUR million

| 2007 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---------|-----|------|------|------|------|------|------|------|------|------|------|------|
| Stock | 517 | 1106 | 1890 | 2242 | 2826 | 3550 | 4411 | 4881 | 5896 | 6687 | 7070 | 7250 |
| Monthly | 517 | 589 | 784 | 352 | 584 | 724 | 861 | 470 | 1015 | 791 | 383 | 180 |

| 2008 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---------|-----|------|------|------|------|------|------|------|------|------|------|------|
| Stock | 663 | 1138 | 1588 | 3058 | 3986 | 4758 | 5682 | 6436 | 6985 | 7939 | 8431 | 9024 |
| Monthly | 663 | 475 | 450 | 1470 | 928 | 772 | 924 | 754 | 549 | 954 | 492 | 593 |

Source: National Bank of Romania, Balance of Payments

Table 2 shows us the amount of the subscribed capital in the two years, 2007 and 2008 and we can observe a growth trend, with a few setbacks in the above-mentioned period. Taking the two years as a whole, we can clearly see that the total stock has risen (it is 1.6 times higher in 2008 compared to the previous year).

Tab. 2: The Amount of the Subscribed Capital

EUR million

| 2007 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---------|-----|-----|-----|-----|-----|------|------|------|------|------|------|------|
| Stock | 187 | 243 | 537 | 797 | 831 | 1074 | 1331 | 1466 | 1697 | 1857 | 2040 | 2389 |
| Monthly | 187 | 56 | 294 | 260 | 34 | 243 | 257 | 135 | 231 | 160 | 183 | 349 |

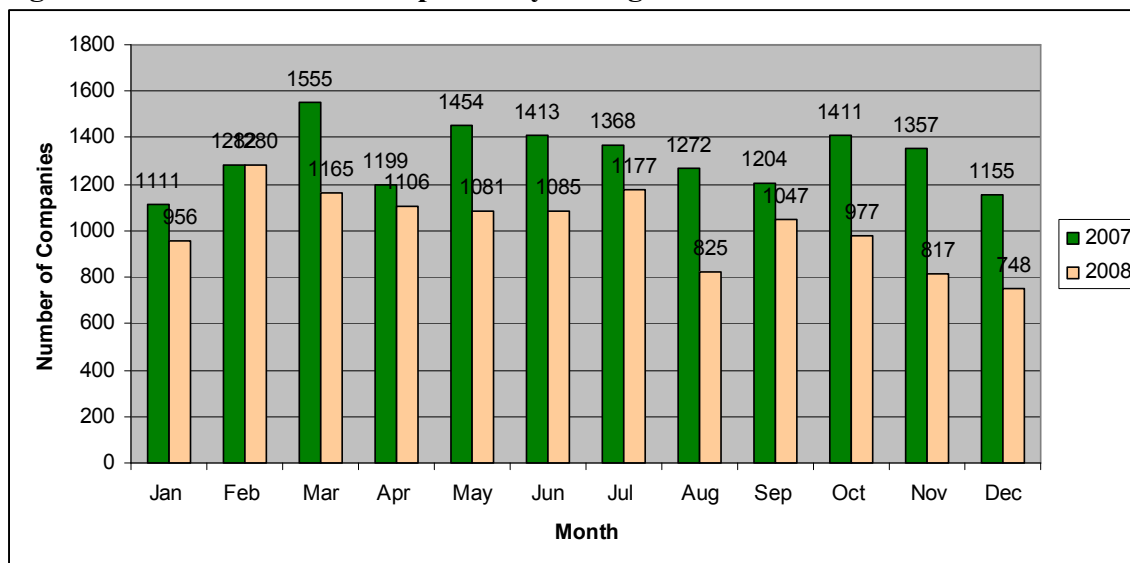
| 2008 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---------|-----|-----|-----|------|------|------|------|------|------|------|------|------|
| Stock | 508 | 738 | 856 | 1287 | 1981 | 2213 | 1664 | 2782 | 3065 | 3322 | 3652 | 3984 |
| Monthly | 508 | 230 | 118 | 431 | 694 | 232 | 451 | 118 | 283 | 257 | 330 | 332 |

Source: National Trade Register Office – Statistical Synthesis No. 116, No. 128

But where do the companies which invest in Romania come from? If we compare the month April in 2008 and 2009, we may observe, as the graphics in the Appendix 2 and 3 show, that the majority of investors come from Italy and Hungary. It is a pity that the statistics do not differ among the various forms of foreign investment. If we distinguish between the participation of foreign entrepreneurs and their upbringing to the capital stock of Romanian companies, we may notice that the most interested countries in cooperating with Romania are Holland, Austria and Germany (these are the first three countries according to a rating of the top 50 countries in the period 1991-2008 - see Appendix 4). We may also see, according to Appendix 5 and 6, that most of the companies founded by foreign direct investment are in the capital city of Romania, București, followed by the districts Timiș, Cluj and Bihor.

Although the foreign direct investments and the amount of subscribed capital have risen in the period 2007-2008, it is noticeable that the number of enterprises by foreign direct investment has declined (see Figure 1).

Figure 1: The Number of Companies by Foreign Direct Investment



Own representation based on - Source: National Trade Register Office - Statistical Synthesis No. 128

The National Trade Register Office from Romania calculates the amount of the foreign direct investments using the following formula⁹:

$$I_s = I + M \pm C - R$$

As we can see, the foreign direct investments (I_s) are equal to the amount of foreign capital subscribed at registration (I) plus the terms of subscription of foreign capital increase (M), plus/minus capital transferred from/to assign/resident shareholders (C)

⁹ National Trade Register Office – Statistical Synthesis No. 130
(http://www.onrc.ro/statistici/is_februarie_2009.pdf, last accessed: 30.04. 2009)

minus the subscribed capital in companies, which were removed from the Trade Register (R).

Tab. 3: Number of companies by foreign direct investment and the amount of the subscribed capital - 28 February 2009

| Balance at the end of the period | Number of companies | | The amount of the subscribed capital | | | | | |
|----------------------------------|---------------------|-------|--------------------------------------|-------|--|-------|--|-------|
| | | | Total expressed in national currency | | Total expressed in equivalent currency | | Total expressed in equivalent currency | |
| | No. | % | Tsd. Lei | % | Tsd. USD | % | Tsd. EURO | % |
| 0 | 1 | | 2 | | 3 | | 4 | |
| 28 February, from which | 161228 | 100.8 | 67729542.7 | 106.8 | 30325082.8 | 104.2 | 22683461.5 | 104.4 |
| 31 December 2008 | 159927 | 100.0 | 63426984.9 | 100.0 | 29097969.6 | 100.0 | 21723640.8 | 100.0 |

Note: The first column represents the number of registration of that period. Data on subscribed capital include capital subscriptions to the registration of companies in the reference period to which were added capital increases minus the capital subscribed by companies removed from the Trade Register in the reference period.

Percentages of the columns 1, 2, 3 and 4 represent developments from the reference period of 31 December 2007.

Source: National Trade Register Office – Statistical Synthesis No. 130

As the National Trade Register Office shows, there has been also an increase of the foreign direct investments in the year 2009: from a number of 160541 (in January) to an amount of 161228 (in February).

4. HOW TO SET UP A JOINT VENTURE IN ROMANIA

The Romanian legislation allows for the conclusion of a joint venture agreement¹⁰. Under such an agreement, a company/person is teaming up with another person/group of persons/companies for the purpose of expanding their business influence and therefore creating a more powerful market presence. This type of partnership is usually created to share markets, assets, knowledge and profits. (ALLEN)

It is also important to know that this form of doing business in Romania does not create a legal entity, so that the partner companies of the joint venture can choose one of the legal forms dictated by the Romanian law¹¹. Operations such as registration of companies, the terms and the insolvency of the companies shall be made under the Law No. 26/1990,

¹⁰ Romanian: “Contract de asociațiune în participațiune”

¹¹ Law No. 31/1990 republished and updated (law concerning the companies)

republished, Law No. 31/1990, republished and the Methodological Norms No. P/608/1998.

4.1.THE LEGAL FRAMEWORK¹²

In Romania, commercial companies can be established in one of the following forms: general partnerships; limited partnerships; joint stock companies; partnerships limited by shares and limited liability companies (Article 2 contained in the Law No. 31/1990). For foreigners, it is also important to know, that “partners entered into a general partnership, limited partnership or into a partnership limited by shares shall bear unlimited and joint liability for the company’s liabilities. Creditors of the company shall first seek payment from the company for its liabilities and if the company fails to pay within no more than 15 days after a formal notice is served, creditors may seek payment from the shareholders” (Article 3 paragraph 2 Law No. 31/1990). “Shareholders who are limited partners, as well as shareholders in a limited liability company shall be liable only up to the value of the subscribed share capital” (Article 3 paragraph 3 Law No. 31/1990).

Because most of the established companies are limited liability companies, we will concentrate us in this paper to provide the necessary information about the procedure needed to establish such a company in Romania, the risks and advantages which this type of company can bring.

Regarding the incorporation of companies, a limited liability company shall be incorporated by articles of association and statutes (Article 5 paragraph 1 Law No. 31/1990) if there are several associates, but the company may also be incorporated by a declaration of will of one person, in such case, only the statutes are required (Article 5 paragraph 2). “The articles of association and the statutes may take the form of a single document, called *constitutive file*” (Article 5 paragraph 3). “If the articles of association and the statutes are distinct documents, the letter shall include details of the shareholders and clauses regulating the organization, running and managing the company’s business.” (Article 5 paragraph 5). The constitutive file shall be concluded under private signature, shall be signed by all shareholders and the authenticated file is mandatory if a plot of land is among the assets subscribed as contribution to the share capital (Article 5 paragraph 6 a). “The constitutive file acquires the correct date also through the registration at the Office of the Register of Commerce” (Article 5 paragraph 7).

As the Article 7 mentions, the constitutive file of a limited liability company shall mention the following aspects:

- the identification details of shareholders;
- type, name and registered headquarters of the company;
- the company’s object of activity, stating the main field of activity;

¹² In this section we will refer only to the Law No. 31/1990 with the subsequent legal modifications and additions.

- the share capital, mentioning the contribution of each partner, in cash or in kind, the value of the contribution and the method of evaluation. In the case of limited liability companies, the constitutive file shall mention the number and nominal value of the equity shares and the number of equity shares issued to each partner for their contribution;
- partners representing and managing the company or non-partner administrators, their identification details, the powers granted to them and whether they exercise such powers jointly or severally;
- in the case of limited liability companies, if censors or financial auditors are appointed, the identification details of the first censors, respectively of the first financial auditor;
- each partner's share to profit and loss;
- secondary headquarters – subsidiaries, agencies, representative offices or other entities without legal personality – if established simultaneously with the company or the terms for their subsequent establishment, if applicable;
- duration of the company;
- the method of dissolution or liquidation of the company.

The identification details provided include for natural persons the first and second name, personal numerical code and, if applicable, other similar, in compliance with the national law in force, place and date of birth, domicile and citizenship; and for the legal entities there must be mentioned the name, headquarters, nationality, number of registration at the Register of Commerce or sole incorporation number, in compliance with the national law in force (information provided under Article 8¹).

Another important aspect is that the limited liability companies shall pay the subscribed share capital in full at the date of incorporation (Article 9¹). The share capital of a limited liability company is in Romania very low and shall not be less than RON 200, according to the statutory provisions, and shall be also divided into equal equity shares that shall not be lower than RON 10 each. The shares may not be represented by negotiable instruments (Article 11). As for the number of shareholders, it shall not exceed 50 (Article 12).

If in a limited liability company the equity shares belong to a single person, this person will benefit from the rights and obligations granted to the General Assembly of Shareholders (Article 13 paragraph 1). As the next Article shows, a natural person or legal entity is not permitted to hold the capacity of sole shareholder in more than one limited liability company and a limited liability company shall not have as sole shareholder another limited liability company which in turn has a sole shareholder.

In order to register the company, the founders, the first administrators or the first members of the board of directors shall apply (within 15 days of the due certification of the incorporation document) for the registration of the company at the Register of Commerce in the area where the company is to be based. The administrators or the other persons mentioned above will be jointly liable for any damage incurred by non-

compliance with such obligation (Article 36 paragraph 1). The law mentions further, that the application shall be accompanied by:

- the company's incorporation document;
- the evidence that the payments were made according to the incorporation document;
- the proof regarding the stated headquarters and company's available funds;
- in case of in-kind contributions subscribed and paid in upon incorporation, documents relating to the property and, if they include real estate, a certificate regarding their encumbrances;
- documents concerning transactions concluded on the account of the company and approved by the associates;
- a declaration with respect to personal liability of the founders, of the first administrators or of the first directors, respectively of the first member of the board of directors and the supervisory board and, as applicable, of the first censors, regarding their compliance with the conditions stipulated in the Law No. 31/1990;
- other files or approvals provided by special laws for incorporation.

The lawfulness of all these documents which must be registered at the Register of Commerce will be also verified by the judiciary (by a delegate judge), as the Article 37 mentions, and only if the legal requirements are met, the delegate judge will authorize the incorporation of the company by an interlocutory order pronounced within 5 days from the compliance with the requirements (Article 40). Beginning with this date, of the registration at the Register of Commerce, the company is recognized as a legal person. Only 24 hours after the moment the interlocutory order becomes irrevocable, the registration will be completed (Article 41).

4.2.THE MOST IMPORTANT STEPS

If you want to set up a Joint Venture in Romania, you must follow some steps¹³, which are identical for foreign individuals and legal entries:

- Company's name reservation certificate (Article 17 paragraph 1 Law No. 31/1990)
This certificate is issued by the Trade Registry, with a validation for 3 months, and proves the availability of the proposed company name.
- Statutory Documentation
As the law requires, one needs: a statute for limited liability companies with a sole shareholder; a statute and the company's contract, drawn up either as distinct documents or as a one whole document (depending on the option expressed by the

13 National Trade Register Office (<http://www.onrc.ro/romana/formalitati.php>, last accessed: 30.04.2009), Romanian Agency for Foreign Investment (<http://arisinvest.ro/en/investment-legal-framework/setting-up-companies/>, last accessed: 30.04.2009)

- shareholders), called Constitutive File. This documentation must be issued by a public notary, a lawyer, or a legal counselor.
- The banking document confirming the deposit of the social capital of the company (for limited liability companies in Romania the minimum social capital needed is RON 200 - approximately EUR 50 - in-cash contributions are mandatory, as the Law No. 31/1990 in the Article 16 paragraph 1 prescribes)
 - Obtain a fiscal record for the companies associates and the legal representatives
 - Obtain a statement on own responsibility for nonresident associate, or for the associate who is not fiscally registered in Romania stating that they are not under fiscal debt.
 - Obtain a registration certificate comprising the unique code of fiscal registration, court registration, publication of notice, and registration for statistical purposes and social security
 - The VAT registration
Any person established in Romania who has or intends to have an economic activity that can be taxed and/or exempted from VAT with deduction rights must register their activity for VAT with the qualified fiscal authority.
 - The profit-tax and social-contributions payer registration
This registration must be made within 30 days of the company's registration.

4.3. JOINT VENTURES IN ROMANIA

Joint Ventures are the most effective way to increase the profits and sales. An advantage of this form of company is that it offers a great flexibility. Today, Joint Ventures have a big success on the markets, and that is also because they allow the participants to do things which they would not be able to do on their own, giving contractors a chance to try something new and to diversify their skills. Both partners bring their experience, technology and knowledge (know-how), also dividing the risks by founding a Joint Venture. Thereby contractors can gain access to new geographic markets without overexposing the company (usually one chooses a partner from abroad, who knows the market, has experience in the field and has already a good position on the market). (WALSH, 2005, pg. 15-16)

There is also the possibility of being ripped off by unscrupulous Joint Ventures partners and hurting your reputation or disappoint the customers. All this can occur only by associating with wrong people, even unknowingly.

In the beginning of the 1990s most countries from the central and Eastern Europe were welcoming foreign investors by offering economic and political incentives. As a result a series of Joint Ventures have been created in Romania between foreign investors and local entrepreneurs. Nowadays, in Romania, there are more and more foreign companies keen to establish Joint Ventures. Such a company is for example Romania's Romgaz, which set up a Joint Venture with Russia's Gazprom for underground gas storage

facilities. Romgaz and Gazprom own each 50 percent of the Joint Venture and will store natural gas and sell it directly, fact that could also improve supplies to the European Union, said the minister Adrian Videanu on the 1st June 2009.

PCC SE, a polish company, launched in 2007 a project about a Joint Venture with Oltchim (where PCC SE owned 60% and Oltchim 40%) for the production of TDI, a complementary product used in the production of polyurethane foams. Wojciech Zaremba, the Business Development Director of PCC SE, added in recent statements that PCC SE is really worried about the worsening financial results recorded by Oltchim in the last 4 years of inefficient management.¹⁴

MSG Systems Romania S.R.L. is also a Joint Venture, founded by the group of companies EBS and the group MSG Systems A.G. in Germany. EBS Romania operates as a core business of an extended workbench for companies from the English- and German-speaking countries. This company offers different development services in IT.

Recently (in March this year) arose a collaboration between two European energy companies: A new Joint Venture ENERGO NUCLEAR S.A. has been incorporated as a part of a strategic alliance, in order to develop and operate the 3rd and 4th blocks of the Romanian Cernavodă nuclear power plant. The majority shareholder of the company is Romanian Societatea Națională Nuclearelectrică S.A., which holds 51% of the shares.

The National Statistic Institute (INS) publishes also monthly the registrations of commercial companies with foreign participation in the subscribed social capital, but it doesn't make the difference between the multiple forms of collaboration in the capital stock of a company.

Even if we have exemplified the Joint Ventures in Romania upon of bigger companies, most of these international Joint Ventures are small in size and were certainly experiencing many external and internal challenges. Not only that the number of companies, founded as a Joint Venture in Romania, has multiplied, nowadays there are also specialized lawyers on this field¹⁵, who can help foreign entrepreneurs to establish a Joint Venture.

14 For more information see: <http://www.curierulnational.ro/Actualitate%20Companii/2009-03-18/PCC:+Activitatea+Oltchim+difera+substantial+de+cea+a+PCC+Rokita>, last accessed: 20.06.2009

15 For more information, see: Curierul Național, no. 5382, 18th March 2009, <http://www.hg.org/law-firms/Joint-Ventures/Romania.html>, last accessed: 20.06.2009

5. CONCLUSIONS

Although currently there doesn't exist a specific legislation for the entry type of a company as a Joint Venture in Romania, there are advantages in founding a company (such as the required low capital stock). In order to attract the foreign investors there is a transparent legal system required. Romania might find itself still under a developing process as far as the economical frame is concerned, but the temptation of a raw market is always a launch in business. The lack of previous experience of private investments in Romania which initially led to considerable bureaucratic hindrances to foreign free enterprise is one of the main reasons that might make an investor think twice before setting up a business here. Then, there is the question of currency convertibility. As a consequence, real capital participation by all partners is difficult to evaluate, relations with local firms and banks are unduly complex and the full repatriation of profits often become problematic.

Investors may also be concerned by a set of questions such as supply, investment safety, scarce equipment, outdated technology or low-quality products. A few years back, inefficient transport and telecommunications would make the life of a joint enterprise extremely difficult. Nowadays Romania has taken huge steps in resolving these issues and therefore companies like Romgaz and Gazprom have found the low costs in opening a company or joining another company for greater business results, the cheap labor costs and the costs in running the business far more beneficial in comparison to the previously presented issues. For most definitely performance is measured in terms of investment volume compared to the net profits.

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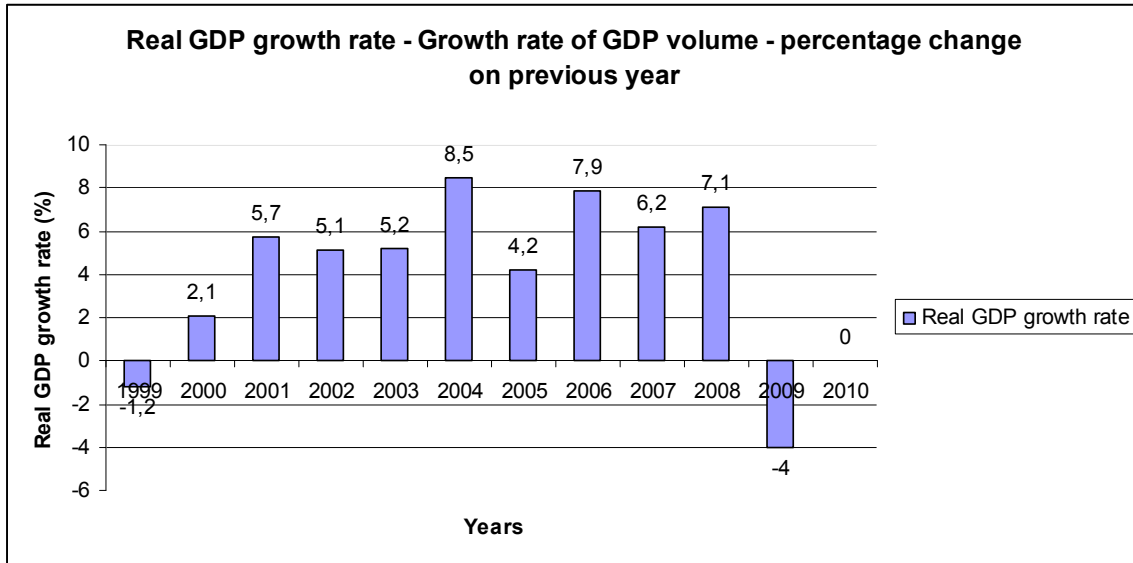
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Fiscal Code

Law No. 31/1990

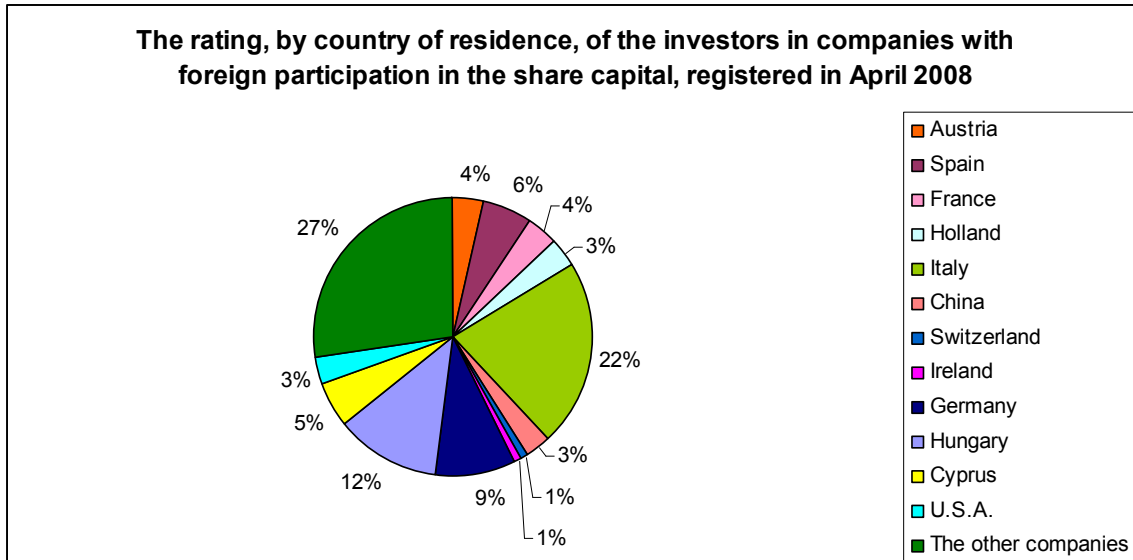
Appendix 1



Note: the values for the years 2009-2010 are only a forecast

Own representation based on - Source: EUROSTAT, Real GDP growth rate – Growth rate of GDP volume – percentage change on previous year

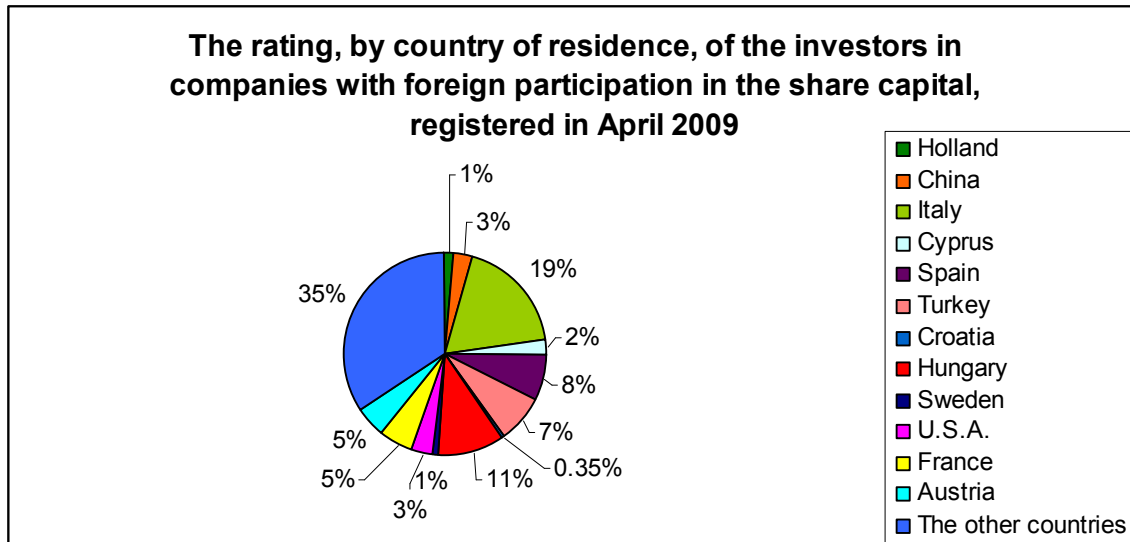
Appendix 2



Note: This figure contains only the first 12 countries, selected upon the amount of the foreign direct investment, in equivalent of currency, ranking by a descending scale

Own representation based on – Source: National Trade Register Office - Statistical Synthesis No. 120

Appendix 3



Note: This figure contains only the first 12 countries, selected upon the amount of the foreign direct investment, in equivalent of currency, ranking by a descending scale

Own representation based on – Source: National Trade Register Office - Statistical Synthesis No. 132

Appendix 4

Rating of the top 50 countries, by the participation of foreign subscribed capital in the period 1991-2008 - existing balance at 31 December 2008

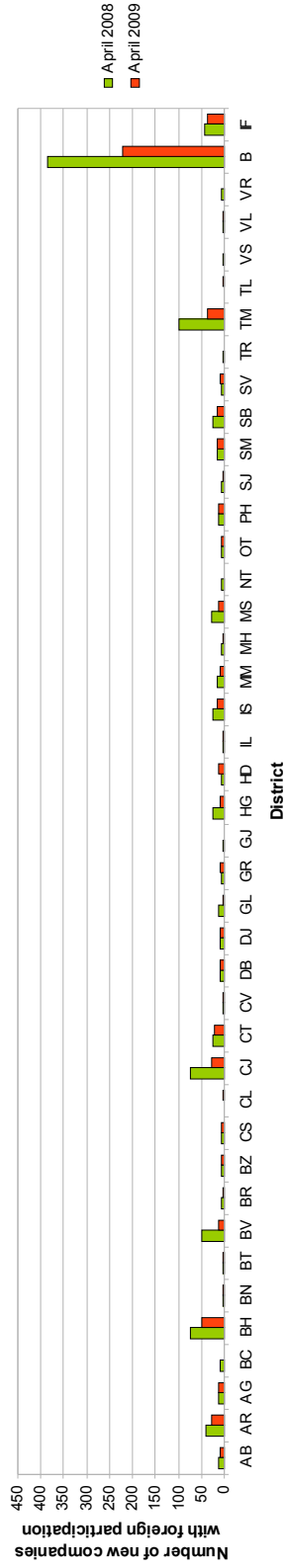
| No. | Countries | Number of companies | % | The amount of capital subscribed | |
|-----|----------------|---------------------|-------|----------------------------------|-------|
| | | | | Tsd. EUR | % |
| 1 | Holland | 3454 | 2,16 | 4504092,7 | 20,73 |
| 2 | Austria | 5373 | 3,36 | 2873120,6 | 13,23 |
| 3 | Germany | 16659 | 10,42 | 2479264,9 | 11,41 |
| 4 | France | 5865 | 3,67 | 1926656,0 | 8,87 |
| 5 | Cyprus | 4256 | 2,66 | 1187295,1 | 5,47 |
| 6 | Italy | 26959 | 16,86 | 999327,3 | 4,60 |
| 7 | U.S.A. | 5757 | 3,60 | 795411,3 | 3,66 |
| 8 | Spain | 3448 | 2,16 | 759292,7 | 3,50 |
| 9 | United Kingdom | 3940 | 2,46 | 716399,6 | 3,30 |
| 10 | Greece | 4485 | 2,80 | 710234,1 | 3,27 |
| 11 | Switzerland | 1985 | 1,24 | 544210,9 | 2,51 |
| 12 | Dutch Antilles | 15 | 0,01 | 526788,8 | 2,42 |
| 13 | Turkey | 10834 | 6,77 | 484835,4 | 2,23 |
| 14 | Luxemburg | 603 | 0,38 | 423169,5 | 1,95 |
| 15 | Hungary | 9397 | 5,88 | 392306,8 | 1,81 |
| 16 | China | 9429 | 5,90 | 241496,6 | 1,11 |
| 17 | Belgium | 2208 | 1,38 | 183969,0 | 0,85 |

| | | | | | |
|----|--|--------|--------|----------|--------|
| 18 | Sweden | 1079 | 0,67 | 148793,4 | 0,68 |
| 19 | Czech Republic | 439 | 0,27 | 141931,3 | 0,65 |
| 20 | British Virgin Islands | 287 | 0,18 | 116348,4 | 0,54 |
| 21 | Japan | 219 | 0,14 | 111379,1 | 0,51 |
| 22 | Libya | 3437 | 2,15 | 106523,9 | 0,49 |
| 23 | Portugal | 338 | 0,21 | 98237,4 | 0,45 |
| 24 | Finland | 113 | 0,07 | 87447,7 | 0,40 |
| 25 | Canada | 1450 | 0,91 | 81899,9 | 0,38 |
| 26 | Denmark | 592 | 0,37 | 75789,3 | 0,35 |
| 27 | Gibraltar | 57 | 0,04 | 66946,2 | 0,31 |
| 28 | without nationality | 24 | 0,02 | 58613,6 | 0,27 |
| 29 | Poland | 496 | 0,31 | 57434,7 | 0,26 |
| 30 | South Korea | 149 | 0,09 | 53355,1 | 0,25 |
| 31 | Israel | 5754 | 3,60 | 49156 | 0,23 |
| 32 | Syria | 5268 | 3,29 | 48766,1 | 0,22 |
| 33 | Liechtenstein | 191 | 0,12 | 43607,2 | 0,20 |
| 34 | Norway | 271 | 0,17 | 41076,1 | 0,19 |
| 35 | Marshall Islands | 15 | 0,01 | 37438,8 | 0,17 |
| 36 | Iraq | 5470 | 3,42 | 35266,7 | 0,16 |
| 37 | Moldavia | 3256 | 2,04 | 24444,1 | 0,11 |
| 38 | Republic of Ireland | 685 | 0,43 | 24323,7 | 0,11 |
| 39 | Australia | 609 | 0,38 | 21582,9 | 0,10 |
| 40 | Bulgaria | 994 | 0,62 | 17815,6 | 0,08 |
| 41 | Iran | 2541 | 1,59 | 17327,6 | 0,08 |
| 42 | Jordan | 3060 | 1,91 | 17295,5 | 0,08 |
| 43 | Slovenia | 138 | 0,09 | 16836,9 | 0,08 |
| 44 | Panama | 154 | 0,10 | 14973,1 | 0,07 |
| 45 | Egypt | 1305 | 0,82 | 14085 | 0,06 |
| 46 | Iceland | 42 | 0,03 | 13624,8 | 0,06 |
| 47 | Argentina | 39 | 0,02 | 10769,2 | 0,05 |
| 48 | Belize | 28 | 0,02 | 10427,4 | 0,05 |
| 49 | New Zealand | 34 | 0,02 | 8737,8 | 0,04 |
| 50 | Thailand | 17 | 0,01 | 8596,3 | 0,04 |
| | All companies with foreign capital in Romania | 159927 | 100,00 | 21723641 | 100,00 |

Own representation based on – Source: National Trade Register Office - Statistical Synthesis No. 132

Appendix 5

The Number of new companies by foreign direct investment – divided of districts



Note: AB- Alba, AR- Arad, AG- Argeş, BC- Bacău, BH- Bihor, BN- Bistriţa-Năsăud, BT- Botoşani, BV- Braşov, BR- Brăila, BZ- Buzău, CS- Caraş-Severin, CL- Clăreşti, CJ- Cluj, CT- Constanţa, CV- Covasna, DB- Dâmboviţa, DJ- Dolj, GL- Galaţi, GR- Giurgiu, GJ- Gorj, HG- Harghita, HD- Hunedoara, IL- Ialomiţa, IS- Iaşi, MM- Maramureş, MH- Mehedinţi, MS- Mureş, NT- Neamţ, OT- Olt, PH- Prahova, SJ- Sălaj, SM- Satu Mare, SB- Sibiu, SV- Suceava, TR- Teleorman, TM- Timiş, TL- Tulcea, VS- Vaslui, VL- Vâlcea, VR- Vrancea, B- Municipiul Bucureşti, IF- Ilfov

Own representation based on - Source: National Trade Register Office - Statistical Synthesis No. 120 and 132

