

Accession to Schengen would be beneficial for the Romanian economy

Netherlands Romanian Chamber of Commerce (NRCC)

The NRCC was founded in 2006 to strengthen the bilateral economic relations between the Netherlands and Romania. We are currently representing 170 members, ranging from large multinationals, which in some cases are Dutch companies that are also local market leaders to Romanian small and medium sized enterprises (SMEs). Our mission is to support and promote the Dutch-Romanian business community by focusing on three main pillars.

1. Promote a level playing field for Dutch companies in Romania and contribute to the positive image of the Netherlands in Romania. This includes highlighting entrepreneurial, innovative, and pro-business policies that Romania could adopt from the Netherlands of which our current land pooling initiative is a prime example from the agricultural sector that is being considered by the Romanian government.
2. Create business opportunities within our active membership base, as well as for prospects, by connecting them with potential clients/partners in both the Romanian and Dutch markets. Besides networking and knowledge-sharing events, the NRCC participates in trade missions and engages in matchmaking at both individual and sector levels.
3. Advocate on behalf of our members and positively contribute to the business climate in Romania. In the past years, we have significantly invested in our collaboration and constructive dialogue with representatives of the public sector and *Coaliția pentru Dezvoltarea României*. The latter is a private, non-political initiative, gathering the most influential organizations from the Romanian business environment. Having dialogue with government officials enables us to advise on possible new policies and suggest reforms in key legislative areas to address challenges identified by the business community.

Part of the NRCC's effectiveness in pursuing our mission is having a strong and long-standing relationship with the Embassy of the Kingdom of the Netherlands in Romania. On top of that, the Dutch Romanian Network and NLinBusiness (an initiative of VNO-NCW and MKB Nederland working together with the Ministry of Foreign Affairs and the Ministry of Economic Affairs and Climate) are our partners in the Netherlands that serve to enlarge the network accessible to our members.

Economic relationship between the Netherlands and Romania

Despite headwinds, both geopolitical and the economic slowdown across Europe, the outlook for the Romanian economy remains solid. In the first two quarters of 2022, GDP growth surprised on the upside, and projections point towards continued economic growth in the coming years that is outpacing regional peers. One of the main challenges faced by the Romanian government remains the twin (fiscal and current account) deficit, which could be largely addressed by improving tax collection and ensuring the absorption of the EU funds, including money made available by the Recovery and Resilience facility. The latter enables the necessary investments to improve infrastructure, reduce bureaucracy through digitalization, support decarbonization of existing companies, and shift towards more value-added activities in the global supply chains. This would also help to narrow the trade deficit with Netherlands as exports to the Netherlands in 2021 (EUR 2.6 billion) were trailing imports from the Netherlands (EUR 3.9 billion).

A significant part of the trade deficit is covered by foreign direct investments (FDI), and the Netherlands has been consistently one of the largest foreign investors in Romania. At the end of May 2022, according to the Romanian Trade Registry, there were approximately 5,750 companies in Romania with Dutch-owned share capital. At end of December 2021, based on the immediate investor country of origin, the Netherlands is placed in the first position with EUR 22 billion, or 22 percent of total FDI. However, when considering only the ultimate

investing country, the Netherlands is on the sixth position with EUR 4 billion invested.

Main identified opportunities for Dutch business community

The NRCC supports building a stronger and more resilient Romanian economy that is capable of coping with current and future challenges in areas like the labor market, climate change, and the need to promote the investments needed to safeguard a solid business climate.

- A stable and predictable legislative/fiscal framework is required. Only by working together as public and private sector, in the context of mutual trust, can we forge a business climate that stimulates long-term investments and offers an attractive proposition for existing investors and potential new entrants. We have witnessed substantial improvement in this area in recent years and continue to stress the importance that any changes should only be made after a thorough consultation process together and with an impact assessment. Next to adjustments to the fiscal regime, intended to manage the fiscal deficit downward in line with the excessive deficit procedure, this also applies for the existing stimulus programs for both private individuals and companies. Given the high inflation and increasing borrowing cost, these programs should not be discontinued too abruptly or too soon, as premature tightening could jeopardize the foreseen real economic growth in future years.
- Substantial investments are needed to improve the overall competitiveness and resilience of the Romanian economy. Next to improving the infrastructure and further digitalizing the public sector, this should simultaneously stimulate entrepreneurship, energy transition, and the inclusion of the rural population. We promote the use of Public Private Partnerships (PPP) to maximize the absorption of the record amount of EU funds that is available in the coming years thanks to the Recovery and Resilience facility. Having a private partner positively influences the due diligence phase, investment decision making, and the performance monitoring after completing the large projects. Dutch companies can provide the necessary knowledge and skills across a large spectrum of industries including but not limited to road/maritime infrastructure, energy, agriculture, and financial services. Finally, it is important to consider ways to minimize the administrative burden and free access during the tender process, as well as curtailing the possibility for contestations that create uncertainty and extend project timelines.
- The COVID-19 pandemic and geopolitical tensions have highlighted the vulnerability of global value chains, and increasingly companies are assessing the need to repatriate some of their (production) activities. Romania provides an interesting near-shoring option, being a member of both NATO and the EU with a substantial lower average hourly wage cost than the Netherlands. Tightness of the labour market, especially for skilled personnel, remains a concern, and the NRCC promotes further investments in tertiary education with Dutch vocational system, including internships, on-the-job trainings, as well as apprentices' programs as a possible model. Agricultural education is a recent example of a successful collaboration. Furthermore, actions to increase participation in the labour market should be explored and as such we are working closely with the Romanian Diversity Chamber of Commerce to promote diversity and workforce inclusion focussing on gender equality, persons with disability, LGBTQ+ and ethnicity.

In conclusion, you can count on the NRCC to be a reliable partner to strengthen the business climate and support the Dutch – Romanian community!