

**Romania: European Commission delayed final recommendation on the date of Romania's EU entry until October**

The European Commission's Report released today (16 May) doesn't make a final recommendation on the date Romania will join EU. However, Romania can still join EU in January 2007 provided it will pass a final review in early October.

In our opinion, the European Commission considers that several more months are still necessary to show that improvements made by now are not reversible and a membership delay until 2008 is not necessary. Romania made considerable efforts to improve the justice system and the fight against corruption in the last months. The areas in which the Commission has serious concerns, the so-called red flags, have been reduced from fourteen to four: not fully operational paying agencies accredited for handling direct payments to farmers and operators under the common agricultural policy, the lack of a system for animal registration needed for paying EU farm subsidies, the lack of facilities to collect and treat animal by-products needed to prevent mad cow disease, and not interoperability of the computer system for tax collection (e.g .VAT) with those of the EU. At the same time, taking into account that the early elections were a hot topic in the last weeks in Romania, the decision sends a message that European Commission favours political stability.

Accordingly, we think that January 2007 remains a doable date for Romania EU entry. We see no major impact of today's decision on foreign exchange market.

Kind regards,  
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