

January/February
2010

Business Review

A publication of the American Chamber of Commerce in Moldova

fighting for your business

Focus on Investment



**Interview with
Valeriu Lazar,**
Deputy Prime Minister,
Minister of Economy

Melanie Marlett,
World Bank in
dialogue with
AmCham

Member Spotlight:
Japan Tobacco
International

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A NEW MEMBER OF AMCHAM TEAM



Dear reader,

Let me first send you cheerful greetings. Probably you have accustomed that AmCham Moldova is growing in terms of its members. This time the news relate to new a employee coming to AmCham. Therefore, I will take the opportunity to start with a first introductory message of myself.

About myself

I was born outside the capital and moved to study in a particular lyceum in Chisinau when I was 12. Throughout my active educational period I preferred multilingual communication, trying to escape from talks in different languages. Among other circumstances, these facts have taught me to be more adaptive and enthusiastic to challenges. Accordingly, everything new for me is more optimistic than pessimistic.

The Academy of Economic Studies has been my major alma mater. Following the student's life I have spent almost 3 years in PricewaterhouseCoopers Moldova, conducting tax and customs services engagements. From now forward AmCham gives me the possibility to progress and develop my abilities in project management.

For a long period of time I was always interested in business news and insights of the business activity in Moldova, trying to be aware of the opportunities / issues the companies encounter during their day-to-day business activity. Hopefully, AmCham gives me the possibility to be more than a simple reader.

Role of AmCham

Members of the AmCham are companies that conduct business in various industries of Moldovan economy. Despite the short history of American Chamber in Moldova, it has gained over 60 members in few years, which demonstrates that it fits the needs of the Moldovan business community. Since the establishment of AmCham, it seems that the feedbacks were nothing but positive. I am sure the AmCham has the potential in the nearest future to outline the number of 100 members. By this time, the AmCham will become very influential business association and will manage to embrace the spectrum of dynamic Moldovan businesses.

Despite a range of activities the AmCham already realized, there are still interesting and informative initiatives that may positively influence every single AmCham member. For instance, one of the perspectives for development could deal with improvement of investment climate. Since Moldova passes through a series of economic difficulties, AmCham could play a significant role in building bridges between foreign investors and public authorities / domestic businesses. I also think AmCham is going to become an important communication playground for a spectrum of potential and current investors.

Instead of conclusion

I would like to take this opportunity to tell you about my proactive approach towards the work in AmCham and willingness to bring added value to its members, whatever the matter may relate to. Hope to get progress in this direction.

Until we meet again.

Serghei Toncu,
Project Manager

WELCOME TO AMCHAM NEWEST MEMBER

Efes Vitanta Moldova Brewery JSC



Efes Vitanta Moldova Brewery JSC is a member of EFES BEVERAGE GROUP and is the biggest brewery in the country, with brewing traditions since 1873. The portfolio of the company includes the following beer brands: Local-Chisinau with its extensions (Blonda, Aurie Originala, Draft, Draft Mild, Speciala Tare), Foreign-Efes, Stary Melnik, Sokol, Bely Medvedi, Heineken, Warsteiner.

The majority of the brands are produced within EVM Brewery. The Efes Pilsener which is produced by EVMB is exported to Romania since 2008.

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Human Resource Committee

The HR Committee is continuing to accomplish its Mission of sharing experience, knowledge and skills among HR professionals; promoting the professional development of members through exposure to new knowledge, skills and information resulting in the enrichment of the personnel function within AmCham members.

The HR Committee is continuing to meet regularly serving as an excellent networking, information and experience-sharing forum for all AmCham members. For this year the main topics to be discussed are:

“Benefits & Compensations”, “Internal Communication”, “Performance Management”, “Change Management”, Employee Engagement”, etc. The same time, different trainings will be provided for all HR managers.

It's nice to realize that AmCham's HR family is growing, thus, we would like to welcome Ana Afteni from Coca-Cola HBC who joined the Committee in 2010.

We would like to express our warmest thanks to all those who are dedicating their time and efforts for the successful activity of the Committee.



CSR Committee

“It has been already 3 years since AmCham CSR Committee consolidates the idea that Companies can no longer act as isolated economic entities. CSR concept proved to be an incredible learning experience operating in the compelling world of real Business and an opportunity to excel beyond our most ambitious dreams.

Let the year 2010 help us pursue our goals more easily and confidently!” stated Cristina Pereteatcu, Chair of the Committee.

This year CSR Committee will continue to promote CSR concept through its activities. The plans for 2010 remains to be very ambitious and we hope that the initiatives undertaken by CSR Committee Members will find the necessary impact and support from other AmCham members.

We are glad to inform that JTI Moldova recently joined the Committee, being represented by Nicolae Corlateanu, Corporate Affairs and Communications Associate.

Thanks to all the CSR Committee members for their active participation.





Interview with Alexander Avazashvili, Corporate Affairs & Communications Director, JTI Export Markets

JTI has become member of AmCham in 2009, and within AmCham many members know what your company does. However, for the readers that are not members of AmCham, could you please tell us a little bit about Japan Tobacco International & its advantages on the market?

JTI – Japan Tobacco International is the international tobacco division of Japan Tobacco Inc., the third largest global tobacco company, with a global market share of 11%. We are headquartered in Geneva, Switzerland. We are a truly international and multicultural business, employing 23,000 people around the world.

JTI has been operating in Moldova since August 2001 with representative office registered in April 2004. Shipments of cigarettes to Moldova are made from the factories in Ukraine and Russia. Local company Business Market is the importer of JTI's products to Moldova.

What is the biggest success in the history of your company?

Several factors have contributed to JTI's success and growth in Moldova: indisputable quality of our products, good understanding of consumer preferences, stable investment in the development of marketing and trade, partnership relations with distributors, careful selection and training of retail personnel, and what is most important an excellent local team.

One of the biggest success stories is also related to brands' portfolio optimization in the country. In 2007 our parent company Japan Tobacco has acquired one of our then competitors – Gallaher Group. As a result of this acquisition JTI decided which brands will continue to be marketed and which will be removed from the country.

What challenges you face while doing business in Moldova & how do you overcome them?

There are several challenges, which we face in Moldova. One is related to regulation, specifically excise taxation. The other is contraband.

Further development of the legitimate cigarette market in Moldova and successful operations of JTI and the tobacco industry as a whole depend on stable and predictable tax environment. Long-term tax planning is an established practice worldwide. New members of the European Union set a good example of such an approach; among other neighboring countries long-term schedules have been successfully implemented in Russia, Kazakhstan, Serbia.

Long-term excise tax planning for 2011-2013 will allow proper planning of government revenues and secure stable operations of the industry.

As regards contraband of tobacco products, JTI is willing to make a practical contribution to curbing illicit trade. JTI is not, and will not be involved in the illegal sale of its products. JTI is committed to do everything possible to prevent its products ending up in the illegal market.

I am sure many of the readers are aware of the fact that in December 2007 JTI signed a 15-year Agreement with the European Community to combat the illicit trade of cigarettes. Moldova is a country which directly borders the EU and in recent years there is a concern that sizable amount contraband cigarettes enter the EU common market.

Contraband damages our business, corrupts our relationship with legitimate sellers and undermines our brands. However, it also deprives governments of legitimate revenues.

In June 2008 JTI has signed a Memorandum of Understanding with Customs Service of Moldova. The purpose of this Memorandum is to set the general framework for cooperation between the Customs Service and JTI in an effort to combat all forms of tobacco contraband and counterfeit. Illegitimate trade with tobacco products, including the prevention of trans-boundary or local trade with contraband or counterfeit tobacco products in Moldova are covered by this MOU.

We are quite encouraged by the cooperation level established with Moldova Customs. We have already started information sharing on imported products. In April 2009 JTI has provided counterfeit recognition training for Moldova Customs officers at one of JTI's sites in the EU.

Recently we had a meeting with Moldova Customs new director, where JTI has proposed several options on how to increase effectiveness in fighting against illicit trade. We are specifically thankful for the speed of response to JTI request for such a meeting.

What are the measures to be undertaken in order to improve the investment climate in the Republic of Moldova?

It is utterly important for a small country to be attractive in terms of investment environment. The investment climate in Moldova is quite good at the moment, but there is always room for improvements. For this purpose, serious efforts have to be deployed to modernize the regulatory framework of investment in order to offer the most suitable climate to foreigners and nationals desiring to invest in Moldova. Furthermore, a wide range of factors including economic and policy stability, taxation and a long-term taxation policy, transparency in decision-making are among those critical elements that are being considered while making an investment decision.

Another key factor in developing an attractive climate for investments is the ability of the authorities to conduct appropriate regulatory impact analyses and consult the business in the attempt to improve the quality of the regulatory framework.

Moldovan authorities have been showing an increasing interest in conducting an efficient dialogue with the business and JTI have been part to this dialogue on various occasions. The openness of the Government to discuss stringent issues that could affect the operational environment of the companies doing business in Moldova is definitely a positive signal for the business.

At the same time, it is worthwhile mentioning that the business in its turn has to adopt a proactive position and behave respon-

sibly in a joint effort with the Government to improve the overall economic environment of the country and ensure its economic growth. Not only is it a precondition for a mutually beneficial cooperation between the companies and the State, but it is also a prerequisite for growth of the business itself. It is well known that a sustainable growth of a business is only possible when economy evolves; people become wealthier and financially healthier.

We hope that the steps taken by the Government towards developing a stronger economy and improving the investment climate will result in another success story and JTI on its side is always ready to contribute to achieving this ultimate goal.

Thank you!

INVESTMENTS OF EASEUR HOLDING BV IN MOLDOVA



On 16th of February took place a press conference organized by the representatives of the Dutch Holding EASEUR Holding BV and the European Bank for Reconstruction and Development (EBRD) in relation to the realization of projects foreseen by the Investment agreement signed with the Government.

According to Thomas Moser, the General Director of EASEUR Holding BV, the 2009 investment program was realized in full force despite the economic crisis. The group of Holding's subsidiaries invested in Moldova more than 60 mln \$, created over 900 jobs, directed about 250 thousand \$ on the realization of 45 social projects.

Thomas Moser communicated that by mid 2010 BEMOL, one of holding's subsidiaries, plans to expand its petrol stations network to up to 50 stations. At the moment, 38 stations already operate within BEMOL network. In the development of the network \$ 22 mln were already invested.

Also Thomas Moser mentioned that by the end of this year Danube Logistics SRL, another subsidiary of EASEUR Holding and the owner of Giurgiulesti International Free Port (GIFP), plans to complete a general cargo terminal for the transshipment of containers, big bags, sacks, pallets, project cargo as well as bulk cargo at GIFP. Apart from the construction of the general cargo terminal we plan to undertake additional investments in the oil terminal, including facilities for the storage and transshipment of vegetable oil. In total we plan to invest more than USD 10 million in GIFP in 2010.

Thomas Moser remarked that the decision on making such serious investments was taken at the general meeting of Danube Logistics' shareholders on the basis of the growth tendencies registered in 2009. The shareholders of Danube Logistics are the EASEUR Holding BV and EBRD, holding within the company 80% and 20% of shares respectively.

NESTLE MEETS THE GOVERNMENT



On March 2, Prime Minister Vlad Filat met a delegation of Nestlé, led by Executive Vice President, Zone Director for Europe, Laurent Freixe. Nestlé is a Swiss founded, world largest food company, counting 456 factories in 87 countries.

The sides discussed the activity of Nestlé, especially in Eastern Europe, as well as prospects for extending the company's business in Moldova.

Prime Minister, Vlad Filat, welcomed these intentions. He gave assurances that the creation of friendly conditions for the foreign investments is a priority for Moldova's government.

"We will be energetic in cooperation and we hope that we will manage to carry out actions with mutual benefit," the prime minister said.

The Prime Minister appreciated the results of Nestlé in the neighboring countries and spoke out for the promotion of far-reaching projects in Moldova. Vlad Filat said that Moldova has a good potential of production of agricultural raw material, including ecologically pure, which could be processed to produce a wide range of food products, including by Nestlé.

The sides agreed on the opportunity to develop a mutually advantageous partnership in the agro-food sector.



Interview with Mr. Valeriu LAZAR, Deputy Prime Minister, Minister of Economy

How would you describe the interest of foreign investors in Moldova? How high can it become in the nearest future?

The Interest of foreign investors in Moldova is characterized as a stable one. However, the current interest is not sufficient to ensure the flow of investment necessary to modernize the national economy. The main cause of the insufficient interest represents the high investment risks that halt the entrepreneurs.

In this regard, one of the primary tasks of the Government on attraction of foreign investments and creation of a favorable climate for entrepreneurial activity is to remove the unnecessary bureaucratic barriers, to simplify the administrative procedures on registration, operation and liquidation of the business, to optimize the reporting system, to ensure legislation clarity and stability, to protect the legitimate interests of traders.

What sectors of the Moldovan economy attract lately the most interest of foreign investors? How the investment trends in Moldova have changed with the beginning of the economic crisis?

Many sectors of national economy are attractive for investors. Most of the foreign investment volumes are concentrated in sectors such as financial - 22.7% of foreign investments attracted in Moldova, wholesale and retail trade - 20.5%, manufacturing - 18.8%, real estate - 13, 5%, transport and communications - 13% and electricity, gas and water - 6.4%. Overall, investments in these sectors represent about 95% of the total funds deposited by foreign investors.

At the same time, recently the investors' interest is increasing in sectors and branches of national economy such as energy, machinery building, waste processing, communications and infrastructure. However, investments in these areas require the Government support. To grant that support, the Government establishes the Council for promotion of investment projects of national importance.

Due to the global financial crisis and the recession in the major worldwide economies, the volume of attracted foreign investments in the republic's economy fell sharply. However, an increasing interest from a number of major foreign companies have been shown, who plan to transfer a part of economic activity in our country, in order to decrease the production costs.

By means of which key elements Moldova becomes attractive for foreign investors and in what aspects cedes its rivals in the region?

Republic of Moldova becomes attractive for foreign investors, especially, due to a number of factors, such as the existence of Au-

tonomous Trade Preferences (which gave a new impulse to bilateral trade and attraction of investors from the EU), CEFTA Agreement (which contributes to the regional trade development), the existence of free trade agreements with CIS countries, the relatively low labor costs, the list of facilities for investors.

The drawbacks are related to infrastructure and underdeveloped transport network, lack of deposits, dependence on imported industrial raw materials and energy resources, relatively high level of corruption.

What are the measures the Ministry of Economy undertakes for improvement of the investment climate in Moldova?

The Ministry of Economy has prepared a set of measures to improve the investment climate, including:

- further simplification and clarification of the investment law;
- the determination of state enterprises and real estate objects as potential investment targets and their promotion;
- administrative support for strategic investment projects;
- The law implementation on public-private partnership, development of free economic zones and industrial parks;
- collaboration with foreign investors in order to eliminate administrative barriers and improve existing legislation, etc.

How predisposed is the Moldovan Government to offer a personalized approach to foreign companies planning considerable investments in Moldova? What are the favourable conditions / facilities the strategic investor from abroad could benefit from launching its business activity in Moldova?

The government is paying attention to companies that plan significant investments in Moldova. There are a number of agreements concluded between the Government and foreign companies on major investment projects. Currently, the Government is in the process of creating the Council for promotion of investment projects of national importance. Some of the primary tasks of the Council are the selection of the strategic investment projects and support of their implementation, participation in negotiations with investors who intend to make strategic investment projects in which potential parameters of cooperation between the Government and investor are coordinated, setting up proposals for amendment and completion of legislation regarding the flow stimulation of foreign direct and nationally strategic investments for the economy.

In order to stimulate the investment activity, a set of legislative norms has been modified, including tax and customs incentives granted to investors. Currently, the Moldovan legislation offers to foreign investors a range of fiscal incentives on income tax, VAT, excise and customs duties.

Melanie Marlett in dialogue with AmCham



World Bank annually analyses the easiness of doing business worldwide. Based on their earlier rankings, how do you overall assess the potential of doing business in Moldova?

Doing Business 2010 places Moldova on the 94th place out of 183 world economies on the overall ease of doing business. The country jumped 14 places on a year-to-year basis and was one of the top ten reformers globally according to last year's report. Despite progress made on a number of indicators, including property registration and paying taxes, the country continues to experience significant shortcomings in areas such as cross-border trade and construction permits.

What are the most promising indicators from Doing Business report that would place Moldova higher in rankings compared to previous years?

Moldova jumped 34 places in 2010 on the registering property indicator and currently ranks 17th in the world. Progress was achieved on the paying taxes indicator, where the country jumped 24 places. Starting a business in Moldova in 2010 was easier than in 2009. The country climbed 13 places and was ranked 77th in the world in 2010. However, progress needs to be made on Construction Permits, where Moldova ranks 161 and Trading Across Borders - 155 in the world. On the issue of construction permits, a reform is under way and a law on authorization in construction is in the Parliament at its final stage. The World Bank supports the latter reform through a budget support operation.

Moldova annually receives considerable volumes of remittances from abroad. In your opinion, what are the directions Moldovan Government should actively work on to improve the alternatives for Moldovans to invest in their own country?

Currently 73% of those remittances are kept at home and do not enter the formal financial system. Increasing the confidence in the banking system, improving financial literacy and consumer protection in financial services should be a priority together with increasing the guaranteed deposit amount which currently is as low as MDL4500. Most importantly, there is a need to reevaluate and rethink Moldova's way forward and build a vision for an investment-driven rather than remittance-dependent economy. The Government has developed a strategic document which lays out a vision for a new Moldova based on sustainable economic growth anchored in innovation, productivity and investments. The document will provide a platform for the country's medium-term development.

Moldovan economy is well-known for its wine production, textile industry, agriproduct processing. What are the new sectors that may become drivers of Moldovan economy and remain the most promising in potential to attract foreign investments?

As we all know it is ultimately the business which decides where and how to invest its capital. Moldova has the competitive advantage of being a multicultural and multilingual country. It can offer flexibility, a qualified and competitive workforce as the country is still in the stage of factor driven competitiveness as measured by the Global Competitiveness Report. Some interesting niches are in the ICT sector, both in expanding the much needed infrastructure (broadband connectivity) and in software development, where a cadre of highly qualified engineers is available. Tourism is also a sector which has substantial untapped potential. However, in order for Moldova to be successful in the long run, large investments are needed in basic infrastructure, as well as policy changes to facilitate cheap transportation in and out of the country.

Do you believe the economic difficulties Moldova is currently facing will force it in the short term to become more attractive for investors?

Consider the two old sayings: "Every crisis is an opportunity" and "The mother of innovation is the necessity"! Moldova is going through a serious crisis and therefore has many needs yet to be covered, therefore it holds a great potential to reinvent its investment attractiveness. At the same time, it is important not to forget the fact that the current crisis will have a major impact on investment flows globally, as investors are becoming more prudent of how and where they channel their capital. Moldova needs to keep this in mind as it looks to transform itself and become a destination for foreign and domestic capital.

The brand reputation, a valuable tool for companies in recession times

Awarding exceptional reputation and branding on the Romanian market for 5 years

Superbrands is an international programme, developed in Romania by BDR Associates, aiming at evaluating the strongest brands on the local market, on an annual basis.

Superbrands has been awarding excellence in branding and reputation management for 15 years now, with operations in over 80 countries around the four continents. There are several different types of programmes carried out internationally, such as Consumer Superbrands, Business Superbrands, CoolBrands, and the first two of them have already been launched on the Romanian market. BDR Associates is the partner chosen by Superbrands International to develop Superbrands programmes in Romania.

A short insight into Superbrands Programmes

Superbrands Programmes follow a strict methodology, with grounds back to the first edition of Superbrands UK, back in 1995. The first phase of the programme consists of a qualitative and a quantitative research. Annually, a voluntary and honorary Council is formed by business professionals highly acknowledged in the local business environment: marketing, communication and business administration professionals, opinion leaders and representatives of business media. The Council members play a key role in the programme; with the mission to evaluate an extensive list of brands, following four standard criteria: Distinction, Trust, Quality and Reputation. Upon their assessment a market research is conducted and the brands that are highly evaluated in both steps of the programme are entitled to receive the Superbrand status and are invited to join the programme.

The "Branding Bibles"

Following the Council's vote and the market research, a Superbrands Book is prepared, where brands share their recipe with the key ingredients for a successful branding story.

Often called "branding bibles", these books present annually around 40-45 models of outstanding reputation and branding on the market, conferring, at the same time, an overview of the Romanian market potential. Superbrands books benefit from an extensive distribution network, several thousand copies circulating both at national and international level.

The "Oscars of Branding"

With the inauguration of Superbrands books, Superbrands Trophy Awards are organized every year within grand Tribute Events that honor those exceptional brands which joined the Superbrands Programme. These high class events are attended by several hundreds business professionals, from Marketing Directors and CEOs of strong brands in Romania to key members of the press.

Consumer Superbrands 2010

For the 2010 edition a Consumer Superbrands Programme is currently under development, with the mission to identify the strongest B2C brands on the Romanian market. According to the Superbrands methodology, an honorary and voluntary Superbrands Council was formed. Once again, 30 high representatives of Romanian business environment and reputed media professionals accepted this challenge and embraced the mission to evaluate a list of approximately 1.200 brands from 25 business fields. Following the Council assessment, the highest scoring brands will be included in a national consumer research. The survey will be managed by The Centre for Brand Analysis from UK in partnership with Nielsen and is expected to take place from March to May 2010. Each year, approximately 30% of the analyzed brands meet the eligibility conditions and are further invited to join the Programme. In addition, as Moldova is growing more and more aware of the need for companies to develop and consolidate the branding culture, Superbrands Romania has the liberty to invite highly representative brands on the Moldovan market to publish their brand story under the Superbrands Book title in a special chapter dedicated to this category.

A short look back in the past

The history of the Romanian programmes began in 2005, when Superbrands International appointed BDR Associates to develop Superbrands programmes on the local market and a pilot edition of a Consumer Superbrands was started. Following the successful completion of this first programme, BDR Associates implemented two successive Business Superbrands Programmes. With the goal of rewarding the strongest B2B brands, these programmes further consolidated Superbrands Romania's role in supporting the local business environment.

Over the years, Superbrands programmes have been kindly rewarded with a great deal of attention from the business environment, more than 60 highly acknowledged business professionals were part of the honorary Council. Moreover, about 1200 brands from approximately 40 fields are evaluated annually and analyzing the results, 2 out of 5 brands which received the Superbrands status in Romania have been Romanian brands, such as Altex, BCR, Murfatlar, Napolact, Petrom, Rompetrol, Ursus. In what Business Superbrands are regarded, among the brands that have reached the top 10 were Coca Cola, IBM, Mercedes, Nestle, Nokia, Orange, Vodafone.

In the 2008/2009 edition, for the first time, three Moldavian brands, proving excellent potential for achieving the Superbrands status were included in the Book, in the section Brands to Watch: Moldova Agroindbank, Purcari and Țurcan & Țurcan.



Recession left "walking wounded" workers

Many workers around the world have given up hopes of advancing in their jobs, but the bad economy is keeping them from finding new ones. People are becoming "nesters," who prefer to stay in one career or with one employer for their entire career. The report highlights a disconnect between what such "nesters" want and the growing trends that are shaping the global workforce: an increasing emphasis on flexible staff and short-term employment, more off shoring and part-time work. "People are increasingly wanting things that are harder to get," said Max Caldwell, a leader of Towers Watson's talent and reward business. "They'd like to settle into one or two companies for life. What people want is security, stability and a long-term employment relationship, (which are) increasingly out of reach."

Globally, a third of workers prefer to work for one organization their whole life, according to the study, while another third want to work for just two or three employers.

In the United States, almost twice as many workers expect continued deterioration in the jobs picture as those who expect improvement. A majority -- 51 percent -- say there are no career advancement opportunities at their jobs, but nonetheless 81 percent are not actively looking for a new position.

Among the study's other findings:

- * 30 percent of U.S. workers plan to work past age 70.
- * About half of U.S. workers feel unprepared for planning or managing their retirement.
- * 56 percent of U.S. workers expect little change in the job market this year.
- * Workers in developing economies like India and China are far more willing to jump from job to job than their counterparts in countries like Germany and the United States.

Haiti estimates \$11.5bn needed for reconstruction

Haiti will need \$11.5bn (£7.55bn) to rebuild after the devastating earthquake in January, the country's government estimates.

The plan, co-authored by international aid agencies, will be put to donors at a conference on Haiti on 31 March.

More than 220,000 people were killed in the quake, which is thought to have caused around \$8bn worth of damage.

"This is a process. This is not a final document," Haiti's Tourism Minister Patrick Delatour was quoted as saying by the AFP news agency. The plan emphasises that the main short-term priority is to prepare those left homeless by the quake for April's heavy rains, and for the June hurricane season.

Around 218,000 quake survivors are living in temporary camps in the capital city of Port-au-Prince, where there is a high risk of flooding and landslides.

US interest rates 'to stay low'

The US Federal Reserve has repeated its pledge to keep interest rates at record lows in order to nurture the economic recovery. The Fed said its main interest rate would be kept at the current 0% to 0.25% range, as widely expected.

Its rate-setting committee said that data on the US economy painted a mixed picture of the recovery from recession.

That meant rates would remain at "exceptionally low levels... for an extended period", the committee said.

It added that rates could be kept low because inflation was expected to remain subdued in the near future.



Japan's central bank seeks to boost lending

Japan's central bank has increased a stimulus measure aimed at encouraging financial institutions to lend more.

It has doubled to 20 trillion yen (£145bn; \$220bn) the amount of cheap short-term loans it is offering banks.

The scheme, which lends money at a rate of 0.1%, was introduced in December to try to tackle the deflation which is threatening Japan's economic recovery.

The Bank also voted to hold interest rates at 0.1% - the level at which they have been since December 2008.

Bank pressure

Data released last week showed that Japan's economy grew by less than first estimated in the final quarter of 2009.

The Cabinet Office said the economy expanded by 0.9% between October and December of last year, down from its initial estimate of 1.1%.

That downward revision increased pressure on the Bank of Japan to ease monetary policy.

However, with interest rates already down to 0.1%, it does not have much room to move.

The continuing problem of deflation is bad for an economy as it tends to make consumers and businesses delay major purchases in the expectation that prices will fall further in the future.

Japan has a history of struggling with deflation. The 1990s are often referred to as Japan's "lost decade" because of its 10-year struggle with falling prices.

The period followed a collapse in prices in the housing market and the stock market at the end of the 1980s.

New instrument for monitoring prices and combating tax avoidance

The Government introduced a new mechanism enabling inspection authorities to monitor prices along the entire value chain of the imported goods on the internal market and also to combat tax avoidance. Deputy Economy Minister Octavian Calmyc said that the intention is to reduce the disparity between the customs value of the imported goods, in particular basic goods, and the price at which they are sold to the final consumer. "In this way, the Customs Service, based on well defined criteria, will report weekly, or on request, about the transactions involving imported goods that are under monitoring, to the Main Tax Inspectorate, the Center for Combating Economic Crimes and Corruption, and the Commission established for this purpose", Calmyc explained.

Asked when the population will feel the impact of the new mechanism, i.e. when the exaggerated prices will get lower, Prime Minister Vlad Filat said it was early to define time limits. "We want all the companies to respect the law, regardless of the business they are engaged in or their size. When tax avoidance is eliminated, revenues to the budget will increase, enhancing the possibility to raise salaries, implement the social projects planned", said Filat.

Free economic zone to be set up in Balti

A free economic zone (FEZ) will be established on the territory of Balti municipality, under a legislative initiative recently passed by the Government. The objectives of the new FEZ, according to Economy Minister Valeriu Lazar, are to form an industrial center in the municipality, attract investment and modern technology, enhance export opportunities, solve a series of social-economic problems, and create new jobs.

Moldova attracts European funds to agriculture through Italy

Minister of Agriculture and Food Industry Valeriu Cosarciuc signed a cooperation agreement with agricultural economic entities from Moldova and the Italian province of Fermo on February 15. According to the minister, the new agreement aims to attract financial resources from the EU for implementing pilot-projects in agriculture and industry. "This agreement will help Moldova come closer to the EU. The projects that will be promoted are of great importance to the agricultural sector. There will be set up agrifood centers, packing houses and joint cooperatives with Italian capital in Moldova. We will develop the animal-breeding sector, using Italy's experience, and will strengthen the relations between Italian and Moldova scientific research institutions," Cosarciuc said.

Investments in power distribution networks will exceed 300m lei

The National Agency for Energy Regulation (ANRE) approved the investment plan for 2010 of the power distribution networks - RED Union Fenosa, RED Nord and RED Nord - Vest. The three companies will invest a total of 327 million lei (18.6 million euros) this year.

Under the plan, RED Union Fenosa will invest 230.1 million lei, RED Nord - 61.3 million lei, while RED Nord - Vest - 35.6 million lei. The largest part of the investments - 279.2 million lei or 85.4% of the total volume - will be used to develop, reconstruct and rehabilitate the electric power networks. 169.6 million lei of this will go to restore the networks, 61.8 million lei to reconstruct the voltage regulation stations and transformers, while 27.8 million lei

to extend the power distribution networks. RED Union Fenosa will allocate 188.1 million lei for the purpose, RED Nord - 48.8 million lei, while RED Nord - Vest - 22.3 million lei.

The other money will be used for electric power meters (17.1 million lei), automated systems, tele- and radiocommunications and programs (9 million lei), units of transport and specialized equipment (14.3 million lei), other things needed to ensure the functionality of the power distribution networks (7.4 million lei).

Czech project to build power plant in Ungheni 'will increase Moldova's energy security'

A power plant that is to be built in Ungheni by Czech investors will contribute to a higher level of energy security, without damaging the environment in the region; the conclusion was made at a meeting between Moldovan Prime Minister Vlad Filat and a group of businessmen from the Czech Republic, which was also attended by the new Czech Ambassador to Moldova, Jaromir Kvapil.

The representatives of the company pledged to use state-of-the-art technology for the plant which will meet all the European requirements, in particular environmental standards. Owing to the fact that the plant will burn other fuels than natural gas (coal and biomass), the project will contribute to a higher level of energy security, without damaging the environment in the region.

The project is intended to enhance energy security both regionally and nationally.

Prices in industry increased in February 2010 by 1.6 percent in comparison with January this year

The average prices for industrial production rose by 4.7 percent in comparison with December last year and by 10.3 percent compared to February last year, according to the National Statistics Office. Prices in extracting industry grew by 2.2 percent in February 2010 in comparison with December 2009, while compared to February last year and January 2010, they went down by 1.5% and 1.2%, respectively. In processing industry, prices grew by 3.2% in February 2010 in comparison with December 2009, by 9.1% - in comparison with February 2009 and by 0.5% in comparison with January this year. Prices in energy sector in February 2010 increased by 14% compared to December 2009, by 13.8% - compared to February 2009 and by 8% - compared to January 2010.

Turkish Investors to build up-to-date hospital and wind-driven power generating plant in Moldova

President of the Leo Grand company, Turkish businessman Mete Bora invested about 100 million Euros in Moldova during 11 years and he intends to expand his business in our republic. He said this at his meeting with the Prime Minister, Vlad Filat. He launched two more projects in Moldova with the total budget in the amount of almost 100 million Euros. "One of these projects envisages the construction of an up-to-date hospital, equipped with the most advanced devices, in partnership with an American commercial group. The second project is the construction of a wind-driven power generating plant in the south of Moldova", Bora said.

Mete Bora set up the Summa building company in Moldova. With the help of his company he implemented a number of projects, including the reconstruction of the Chisinau International Airport, the construction of the Russian Embassy, the construction of the Dedeman (now - Leograd) hotel, as well as the Crown Plaza elite housing complex.

AmCham Moldova launched the first edition of “Products of Moldova” Catalogue

In the framework of its policy of contributing to the improvement of Moldova’ business and social environment, AmCham Moldova launched the first edition of the “Products of Moldova” Catalogue on February 16.

The goal of this project is to increase exports of Moldovan products by targeting the diasporas of Eastern Europeans living in the United States, Canada and Western Europe who are already aware of the quality of Moldovan products. To give an idea of the potential of this market, the diaspora of CIS and Eastern Europeans living in the U.S. is nearly 20 million. Canada and Western Europe also offer significant target populations who might be interested in purchasing Moldovan products.

Supported by CEED project financed by USAID and the EU-funded SEPIA project, AmCham Moldova has developed a catalogue of products produced in Moldova for export that includes product descriptions, pricing and companies’ information. For the first edition, 31 Moldovan companies were selected to be promoted abroad. These are specialized in the fields of economy specific to Moldova, such as: agricultural foods, wine products, soft drinks, cosmetics, textile industry, producers of carpets and toys. The companies, included in the first edition of the catalogue, were selected taking into account such criteria as: company’s positive reputation, export orientation, quality certificates possession according to the legislation in force.



“We would like to have much more participants within the project “Products of Moldova” for the next years’ editions, as the catalogue is an efficient instrument of promotion for the participants. I take this opportunity to encourage all Moldovan companies that want to expand their markets shares abroad, to apply for participation within the next editions of the catalogue”, Elena Buzu, Project Manager of AmCham Moldova, mentioned.

„Taking into consideration selection criteria of the companies participating within the project, “Products of Moldova” becomes not only an instrument for promoting Moldovan producers abroad, but also a promoter of the high standards, the companies have to aspire to”, Mila Malairau, Executive Director of AmCham Moldova, stated.

The **Catalogue** was distributed to almost 2000 ethnic grocery stores and shops that serve the diasporas living in the United States, Canada and Western Europe. The information will be updated each year.

The catalogue is also available in an on-line version www.productsofmoldova.md. The site’s visitors will have the possibility to resort to a large variety of simple instruments easy to use, having more browsing options: company’s name, field of activity, categories of offered products, trade marks and the list of products. The on-line version of the catalogue allows the potential clients to obtain updated information about the products and services of the Moldovan companies.

Special thanks to “Dionysos-Mereni”, “Chateau-Vartely”, “Acorex Wine Holding”, “Purcari”, “Cricova”, “DK-Intertrade”, “Lion-Gri” for their tasty wine, and “Natur Bravo” for its delicious juice.

AmCham would like to thank all those that attended the Event. We will be looking forward to meeting you soon at the AmCham upcoming events.

