**Weekly Events**

**26 – 30 June 2017**

1. **Health**

**The hearing of proposed Minister of Health, Florian-Dorel Bodog (29 June)**

As part of the investment of the new Gov’t, all proposed ministers have to pass a hearing in the committees of the two chambers of the Parliament (the Chamber of Deputies and the Senate), that have the same field activity as the ministry. Therefore, the hearing of the proposed Minister of Health was held by the Health Committees. The hearing consists in a round of question from the MPs addressed to the proposed minister, who will answer all at the end.

The proposed minister declared that the Vaccination bill „is completed, it is ready to be sent and read in the first meeting of the Government”. The bill will be transmitted to the Parliament after the holiday. He mentioned a supportive partnership on this law and that all parties should support it. Regarding the price decrease for the reimbursed medicines that was postponed for 1 January 2018, the proposed minister said that after the public debates and debates organized in the PM cabinet, with the patient associations, importers and distributors, we have made some changes to the minister's order, but they do not affect the reduction with 35% of the price for innovative medicines that have lost their patent and which have generic. Also, the MoH is working together with the National Integrity Agency (NIA) on a new ministerial order regarding the incompatibilities at the specialized committees in MoH.

1. **Politics**

**The questions surrounding the new Gov’t**

President Klaus Iohannis rushed to end the political crisis generated by PSD and Liviu Dragnea. He accepted very easily the nominations put forth by the PSD-ALDE alliance for the Prime Minister position and and the new Cabinet, something which raises a few questions. After the parliamentary elections in December 2016, Mr. Iohannis said he would only accept a PM candidate with integrity, a message he repeated after the Grindeanu cabinet was dismissed following a vote of no-confidence in the Parliament. Nevertheless, President Iohannis accepted the nomination of Mihai Tudose, who was charged with plagiarism in the past, for the top government position. Also, the President accepted the nomination of Mihai Fifor for the office of Minister of the Economy; Mr. Fifor is the same person the President refused to confirm for the office of Minister of Transportation in the previous government on grounds that he isn’t qualified for a top public administration position because of his Bachelor’s degree in Philology. In addition, the President also accepted the nomination of Mihai Ciolacu for the office of Vice Prime Minister, a controversial figure who had to withdraw himself from consideration for a position in Victor Ponta’s cabinet after revelations emerged about his close ties to people charged with terrorism. The new minister of communications, Lucian Sova, has also been accused of having ties with the Russian military intelligence.

Through his silence, President Klaus Iohannis has placed his trust in a new Cabinet that seems to be even weaker and more controversial than the previous one. There are just two explanations about this. First, it is what the President Iohannis publicly explained himself: the political crisis had to end very quickly due to its negative impact on the country. The second explanation is harder to accept: President Iohannis pushed his own PM candidate to PSD. We remind here that PSD leader Liviu Dragnea was very ironic about Mihai Tudose’s connections to the intelligence services during the press conference at which he announced PSD’s nomination for Prime Minister.

It is expected that Liviu Dragnea, with the support of the PSD leaders from the local organizations, will shortly distance himself from Mihai Tudose and the new Gov’t, just as he did with Grindeanu’s cabinet.

1. **The Economy**

**New government’s program – new taxation policy**

The main provisions from the new government’s program that impact multinational companies are:

* Raising the profit tax on natural and nonmanufactured resources by at least 20%, by adopting the new Royalties Law by September 1st 2017.
* **Setting an income tax for all companies which operate in Romania (Fiscal Value Tax), effective since January 1st 2018. This tax will replace the profit tax and will have two or three rates.**
* Lowering the VAT rate from 19% to 18% from January 1st 2019.
* Lowering the profit tax rate from 16% to 10%, as well as both the social and healthcare contributions – by 4.5%, starting January 1st 2018. The employer will bear the burden of actually paying these taxes to the state budget.
* The so-called “solidarity tax” will be effective from January 1st 2018. There are no details on what this tax refers to, its proposed rate and and how it is to be applied.
* The harmful products tax. Neither its rate nor the products that will carry the tax have been announced.
* Improving the VAT collection mechanism (split payment), which follows a similar one from Italy, starting September 1st 2017.

New Finance minister Ionut Misa caused alarm by proposing a new income tax. He also hinted at changes to the country’s private pension program, only to be quickly contradicted by Mr. Dragnea. The new Gov’t is trying to raise money from new sources because the ruling coalition promised that it was going to increase salaries and realized that it didn’t have the money to do that.

Nevertheless, analysts predicted that the change in power would have minimal impact on the economy, which relies heavily on funding from the European Union and foreign investment. While the political turmoil is a cause of worry, Romania offers a combination of low wages, a good business infrastructure and consumers with strong affordability, a mix which is usually hard to match.