

# Romania: Land For Sale

MAURIZIO BONGIOANNI



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**B**UCHAREST, Romania—Mauro, 28, and Adrian, 27, are two brothers from the southern Italian region of Puglia, who were sent by their father to cultivate 750 acres of corn in southern Romania, not far from the Bulgarian border. Their plot is small by Romanian standards. The two brothers are considered tiny landowners. Country life is hard, they confess, and they live in an area where they often go without electricity for days. “Here, the goal is quantity, not quality,” one of them says. “For months

we have had a single young worker—young because the older ones have a concept of working that is light years away from farming as we understand it. At the same time, we know many of our people who were cheated, who have had all their possessions stolen. Because here, Romanian workers see us as rich western entrepreneurs from whom they can steal as much as possible instead of seeing us as people who can employ them, and offer them a future. Even the [Romanian] state shares the same point of view. Sometimes we must give a gift to someone, paying for attention.”

Yet there are large profits to be made for those willing to seize the moment—a goal

## A LATIN ISLAND IN A SEA OF SLAVS.

Mauro and Adrian are attempting to achieve. In a scene from *Far and Away*, the 1992 Ron Howard film, Irish immigrants grab slices of American land, firmly planting their country's flag on New World soil. Such a race for free and fertile land has moved elsewhere. Today, one key locus is Romania, where land grabbing by foreign investors is on the rise. Among the leaders of the pack are Italian farmers who, due to the high cost of land back home, lack of credit, and a paralyzing bureaucracy, are moving from Italy to Romania where it is easier to start a business, especially a farm.

Italy is one of Europe's biggest investors in foreign land, second only to Britain and followed by Germany, France, Scandinavian countries, the Netherlands, and Belgium. Generally perceived as a nation of large banks and insurance companies, auto and

clothing giants, and mega utilities, there is another Italy—comprised of predominantly smaller businesses. Re: Common, a Rome-based group engaged in resource management, observes, “Other smaller players, such as Italy's small and medium enterprises, are ready to diversify their production if there is a chance to get incentives or tax relief, and Italy's ubiquitous small power plants, seeking greater funding and convenient shortcuts to secure positive environmental impact outcomes.” And then there are the farmers.

Marco Oletti is the Italian Honorary Consul stationed in Craiova, a city of 200,000 and capital of the southern Romania state of Dolj. He knows many Italians who have settled in this remote agricultural region—people who would not be able to build the same kind of lives in their home country. But they are quite aware that their adopted nation of Romania is also dangerously exposed to speculative investments by foreigners with deep pockets, who carry with them the approval of the governments of Romania and the European Union.

## ITALIAN COLONIES

The Dolj region, bordering Bulgaria, is only the latest to be colonized by Italians in search of low cost agricultural land. The first was Timisoara in western Romania, a region of rich, black soil. In the early years of the millennium, large numbers of Italians moved to this region—the first to break free from communism. Indeed, Venetians now consider it the “eighth province of Venice,” as scores of Italians speaking with heavy Venetian accents wander the streets. The

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presence of so many Italians is not surprising. At the peak of the Roman Empire, its legions rolled through and annexed large swaths of what is today Romania, grafting their language and culture onto the region. Now, the Romanian language is closer to Italian than the languages of any of the surrounding Slavic regions of Serbia to the west, Moldova to the east, and Bulgaria to the south. Its residents often call themselves “a Latin island in a sea of Slavs,” and Italians have no problem reading daily newspapers in Bucharest or making themselves understood in most parts of the country.

In the Dolj region alone, 135 farms with Italian investment capital have been registered at the Agency for the Internationalization of Italian Companies (ICE), accounting for nearly 75,000 acres of arable land—half of all the farmland managed by foreign companies in this region. Nationwide, there are 1,174 Italian farms, representing 25 percent of all Romanian agricultural land, or some 50,000 acres. Romania is a large country, with vast stretches of fertile agricultural land. Indeed, Romania has four times as much productive farmland as Italy. Still, foreign companies here only grow corn, wheat, rape plants, and sunflowers—less expensive crops. Since the price of land is very low, this still allows for substantial profits.

A towering former basketball player who later studied medicine, Oletti took over several rice companies in Vercelli, in the heart of northern Italy’s Piedmont region. But he spends half of each month in Craiova, where he performs the functions required of an honorary Italian consul, while serving as an agricultural manager, leading an agency providing expert advice to Italian farms on Romanian soil. “My job became buying land on behalf of third parties, increasing their price. In one word: speculation,” he says.

But the activity that occupies most of Oletti’s time is the “unification” of slices of Romanian ground. As it happens, Romania is still divided into millions of strips of property that nostalgic Italians call *lasagne*—slices of land no wider than 20 to 25 feet. A product of Lupu’s Law, named for a former agricultural minister, they are a fragmented legacy of the transitional period between the fall of the Ceausescu-run Communist regime and the establishment of the new post-Communist government. By dividing farmland into many small plots allocated equally to the peasants of the former state-owned cooperatives, the goal was to make it possible for everyone to have a slice of the land they once worked as cooperative farmers, providing them some measure of self-reliance. But the real intention was to keep agriculture as a rural subsistence activity.

The “unification” process of these slices of land is a necessary step to create a viable agriculture industry. The bureaucratic process of assembling the ownership certificates takes a long time. Until 2007, Romania never had a real bureaucracy capable of handling such a process. But the land market has not stood still. The number of owners with less than 2.5 acres has dropped by 14 percent in the past five years, while large companies that manage tens of thousands of acres have increased by 35 percent. Many of these larger companies are Italian-owned or controlled. Indeed, some activists for the rights of workers believe that Romania entered the European Union in 2007, at least in part, to facilitate land speculation and to gain access to cheap labor. Meanwhile the price of land has continued to surge. A decade ago, an acre cost barely \$40. Today, the price of that same acre has soared to an average of \$1,000—still a fair price for foreign investors, faced with prices in Italy 10 times





as high, but completely out of reach for the majority of Romanian farmers whose average monthly salary is barely \$135.

#### HELPING COMPANIES GROW

Totò, a Sicilian, arrives with another Italian contractor in the Romanian infrastructure and energy sectors. “Here, there is everything to do,” Totò says. Meaning what? “Roads, bridges, highways—in Romania there is nothing,” he replies. “In Italy, this manager cannot get credit from banks. In Romania, all is simpler, and moreover, there is land on which to build at reduced prices and maximum revenues if we consider that taxes here are 16 percent, compared with 44 percent in Italy, and a low cost of labor.” Clearly, both are added incentives for outside investment in land and farming. Totò adds that “my daughter made me think when she told me that Romania was as a tree full of fruits almost ripe, ready to be picked. Now that the tree has already been picked almost

clean, but there are many other fields to be picked. The important thing is to know how to find them.”

With the growth of this new agricultural market, there are biomass power stations—another area of foreign investment using Romania’s fertile land. Domenico Pisano, 40, an agronomist from the southern Italian region of Calabria, lives in Bucharest and manages two farms in the Romanian countryside. He is replacing his cultivation of corn with rape plants for energy. “Subtracting crops in the food sector to produce energy is, I know, a contradiction,” he smiles. “But I am not the master of my company. It is the market. And if the market goes in that direction, if I want to continue to work, I must follow.”

One hundred miles west of Bucharest is a big farm on the outskirts of the village of Scornicesti, the birthplace of the former dictator Nicolae Ceausescu. Antonio, a Neapolitan from Milan, manages more than 12,000

acres of land there. Corn, rape plants, and sunflowers stretch on to the horizon, worked by hundreds of tractors. Much of this farm machinery is modern and requires qualified technicians—another sector of the market covered largely by Italians. In his office, Antonio confesses that he wants to sell the entire farm to have time to dedicate to his real passion—dogs. When he arrived in Romania, he wanted to create a major dog breeding operation. For a time, he succeeded, but was unable to give it the undivided attention it required. He had simply bought too much land. “It cost too little to not take... advantage [of],” Antonio confesses sheepishly. Now, Antonio, 62-years-old, is in the process of selling off his property for \$11 million, land which in Italy would be worth at least \$55 million.

#### CHINESE & EXODUS

In 2007, the year Romania joined the European Union, Bucharest decreed that national farmland could only be bought through local companies. But the law contained a number of loopholes. If a foreign company wants to bring investment capital to Romania and is prepared to partner with a local company, if the domestic company is then bought out, the foreign company becomes the sole owner. However, even this restriction on foreign acquisition of farmland is expected to be removed in 2014. At that point, the real estate market must be brought into compliance with EU Common Agricultural Policy.

Currently, foreigners can purchase agricultural land only on behalf of a company incorporated in Romania, though they may maintain 100 percent foreign capital. Beginning in 2014, any international corporation would be able to buy Romanian farmland. They would neither need to be incorporated in Romania, nor maintain funds within

the country. This system has already led to sharp increases in agricultural prices, making both Romanian farms and their output more valuable.

As it happens, Romania has the highest percentage of land controlled by foreign companies in the European Union. Hence, there is eager anticipation to see what happens as government restrictions are lifted. Indeed, a host of multinational companies

have been preparing for this moment. Rabobank, the Dutch bank, and Lukoil, a big Russian oil company, are two giants who are working the land to produce grain, but not for Romanian, Dutch, or even Russian consumption. They are looking to meet growing

demand from China. The State Secretary of the Romanian Ministry of Agriculture, Daniel Botanoiu, says that enormous business opportunities are becoming apparent with the opening of this new market since China needs cheap food, and Romania is the place to produce it. Such commercial exchanges do not flow in just one direction. The Romanian government has begun to encourage immigration from China to stem the loss of Romanian laborers who have sought more opportunities at higher salaries in other parts of the EU, especially Italy and Spain, which EU accession has made possible. Today, there are already some 10,000 Chinese workers in Romania, living in the Afumati district on the outskirts of Bucharest—which has become Eastern Europe’s largest Chinatown.

While Romania may become the new breadbasket of Europe, or at least the East-

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ern European market, the exodus of farmers to the cities continues to grow. In fact, 20 years ago, 80 percent of the national population was strictly rural. Today, that figure has plummeted to 45 percent. Meanwhile, some 8.5 percent (more than 1.8 million acres) of Romanian agricultural land is already in the hands of transnational owners or operators. Italy is the largest foreign investor in Romanian farmland, with 24 percent of these total foreign-owned territories, accounting for 1,174 individual farms, followed by Germany with 15 percent and Middle Eastern countries with 10 percent, according to former Agriculture Minister Valeriu Tabara.

In her study, *Scramble for Land in Romania: An Iron Fist in a Velvet Glove*, Judith Bouniol, of the Ecole Supérieure Européenne de l'Ingénierie de l'Espace Rural in France, observes that this process will eventually lead to the control of Romania's agricultural resources by a few large investors, mostly foreigners. Equally, it will give them the power to decide on the use of these lands, causing a progressive loss of Romanian food sovereignty. Nevertheless, Bouniol admits that it is difficult to speak of a real land grab because people are not forced to leave their land, and the rural population, mostly elderly and vulnerable, is generally excited when there are massive investments of this variety. "However," writes Bouniol, "the apparent legality of this phenomenon is driven by a velvet glove that masks the aggression of an iron fist."

#### A PERVERTED PROCESS

The entire process has been facilitated by the Romanian government and financed by the European Union. From 2000 to 2006, Romania received more than \$200 million for agricultural modernization from the Special Accession Program for Agriculture and Rural Development fund, designed

to help new members prepare their rural countries for joining the EU. But this money flowed principally into large-scale projects, since the European framework mainly benefits massive agri-businesses. Of the 500 companies receiving EU subsidies, half the funds went to one percent of those enterprises; the other half went to the remaining 99 percent. Moreover, in 2012, the European subsidy amounted to \$65 per acre, covering the entire cost of leasing the land for a year. This means that the companies that have benefited from these subsidies were allowed access to market-oriented agri-business using public funds, even though existing law might have prevented them from purchasing the property outright, at least until 2014.

Romania has also received \$4 billion from the European Agricultural Fund for Rural Development—contributions that are paid only if the applicant can match the request dollar for dollar. Small farmers, who lack collateral or guarantees, often are unable to access conventional bank loans and are therefore deprived of this type of development aid. Or, as Re: Common observes, "land grabbing has become synonymous with agricultural investment, expropriations have been called acquisitions, and privatization has been named development." Moreover, Bouniol also points out, "Banks are likewise supporting the agro-industrial sector and turning their backs on peasant farms." As Bouniol explains, the influential Romanian Center for Economic Policies concluded that the low productivity of Romanian agriculture was the result of the dominance of small-scale subsistence farms. The center's director, Valentin Lazea, also the chief economist of the Romanian National Bank, further pledged to make every effort to get "small subsistence farming out of Romanian agriculture," if necessary

by levying “punitive” taxes that would force small farmers to merge or sell their plots.”

The central question remains whether such a policy is in the best interest of any but large-scale foreign investors, or land grabbers. Indeed, as far back as 2003, the Assicurazioni Generali Spa, Italy’s largest insurer and one of the world’s leading insurance groups, organized the purchase of 13,600 acres of land in northern Timisoara province—land that has risen in value from \$440 an acre in 2002 to \$660 an acre barely a year later, but still a fraction of the \$7,200 to \$8,300 an acre in Italy, France, or Germany.

In Romania, however, land grabbing has effectively been hidden behind the broader and widely anticipated process of joining the EU. Not only is greater participation by and consultation with local communities essential, but it is clear that one of the key weapons in the arsenal of those snapping up these lands is their connivance with a repressive and undemocratic host government. Romania must understand that only democratic institutions have the power to remove this risk by legislating accordingly. To curb speculation by foreign investors in fragile nations like Romania, it is essential to reverse the EU subsidies put in place to sustain rural agriculture and the peasants who farm these lands—subsidies that are now increasingly being perverted by many who they were never intended to help.

To do this, the Romanian government could follow the advice of Eco Ruralis, a group of small Romanian farmers who practice organic and traditional farming based on environmentally conscious principles. In 2013, it launched a campaign against farmland profiteering. Its program, potentially a blueprint for a national policy, seeks an

extension of the deadline for opening agricultural and forest markets to the rest of the EU to 2024; the end of current local, national and regional policies supporting land consolidation; and the establishment of policies promoting local agriculture and agro-ecological practices. But “prolonging the period during which Romania can restrict farmland acquisition by foreigners after 2014 can only have been achieved if the accession treaty is changed, an almost impossible endeavor,”

Eco Ruralis concedes.

“Instead, the authorities said they would find solutions to limit transactions made by foreigners, such as allowing land purchases only up to a specified maximum or allowing acquisition only by individuals who can prove they have a background in agriculture.”

Apparently embracing such a goal, the nation’s agriculture minister, Daniel Constantin, says Romania must reach a balance between limiting farmland acquisitions by foreigners and encouraging foreign investments in local agriculture. A solution could lie in persuading local owners, especially those who own small tracts, to lease their land to foreigners rather than sell it. The measure is included in the proposed reform of the Common Agricultural Policy (2014-2020) that is still under review in Brussels. Yet, despite these initiatives, much damage has already been done. Foreign landowners are deeply entrenched in Romania. The goal must now be to put curbs on future expansion. ●

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