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Faculty of Economic Sciences



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Conference**

*„25 Years of Higher Economic
Education in Brasov“*

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**International Economic Conference
"25 YEARS OF HIGHER ECONOMIC EDUCATION IN BRASOV"**

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Ladies and Gentle

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THE IMPACT SUFFERED BY WINE PRODUCERS CAUSED BY ROMANIA INTEGRATION IN EUROPEAN UNION

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Abstract: *Although winemaking sounds romantic to wine drinkers, it's an economic issue for most wineproducers. From that perspective it's interesting to see what's really important in making a good wine. Quality of wine depends on a complexity of factors. Many archaeological testimonies, as well as some historical documents confirm that Romania, together with France, Italy, Spain, Germany Bulgaria can be righteously called "a grapevine country" of Europe. Romania recived the accept to join in European Union with a grapevine cultivated area of 233 thousand hectares in 2007, these doesn't guarantee the success of romanian wine industry.*

Key words: wine, integration, quality.

Although winemaking sounds romantic to wine drinkers, it's an economic issue for most wineproducers. From that perspective it's interesting to see what's really important in making a good wine. First of all, quality of wine depends on a complexity of factors:

- amount of UV light absorbed during the growth stage of the grapes;
 - average warmth during this period of time;
 - amount of UV light absorbed during that time of the year, so that chlorophyll is still present in the green leaves and bunches still hang down from the branches;
 - stress factors during the year like: drought, root dying because of initially high ground water levels followed by an extremely long, hot period. Leaf damage due to hail, wrong pruning of bushes. Lack of minerals and trace elements during the short period of growth;
 - strikes of moulds on both leaves and bunches;
 - the amount of UV light absorbed during the last weeks before harvesting.
- Especially in this period most of the sugars are stored in the bunches and acids are degraded. If UV rays are able to reach the grapes themselves, then malic acid is converted into tartaric acid leading to a flavory, rich wine. This process is very important and requires removal of old and dead leaves from the bunches in time. Grapes hanging in the top of the vines are of the least quality.

Wine quality not only depends on heat. For instance wine cannot be made from wine originating from green houses as glass absorbs almost all UV light. It's the total sum and alterations of rain, ground water level, sunny spells, sunshine, drought, wind and a clear sky.

Evrything should take place at the right time so es to end up with leaf-rich bushes. Influencing grape growth, formation of sugars and avoiding growth of moulds. Also the direction of plant paths and the distances between the individual plants are important. Finally, soil quality plays an important role. In fact, vines need to live and grow. Therefore a fertil soil, providing minerals and water, is necessary.

Other very important features are the temperature at which grapes are harvested and stored prior to crunching. It is better to harvest the grapes in the morning when is't cold, and stored at the low temperature to prevents inoculation by unwanted bacteria and enzymes.

In Romania, the cultivation of the grapevine has been known since ancient times, being favoured both by the geographical position of the country, and by the pedoclimatic conditions.

Many archaeological testimonies, as well as some historical documents confirm that Romania, together with France, Italy, Spain, Germany Bulgaria can be righteously called "a grapevine country" of Europe.

The beginnings of romanian viticulture go back into the past as long as 4.000 years already. The trade with wines has been practiced on the present territory of Romania since the ancient times. To the local varieties of grapevines (Galbenă de Odobești, Fetească albă, Fetească neagră, Băbească, Tămâioasă românească), other varieties were added in the 19th century, by acclimatization, imported especially from France, but also from Germany and Italy (Pinot gris, Pinot noir, Italian Riesling, Merlot, Sauvignon blanc, Cabernet sauvignon, Chardonnay, Muscat Ottonel, etc.).

In time, the viticulture of Romania knew two distinct stages. One bears in mind the period between 1950 and 1989, characterized by the apparition of the big modern vinification complexes, which determined a significant increase of the wine export, and considerring the wines presented to the international contests Romania has imposed itself as an important producer of quality wines;and the period after 1989 when one notes a declin both on the technical plan and on the economic one, the process of creation of new plantations or replantations decreasing significantly.

In Romania, the area cultivated with grapevine was 238,1 thousand hactares in 2004. From the viewpoint of the area cultivated with grapevine, Romania is on the fifth place in Europe after Spain, Italy, France and Portugal.

Romania's wine production was approximately 6.000 thousand tons in 2004, which shows the development of this branch.

Although at the first view the situation of romanian wine industry seems to be good, things aren't so simple as they seem. First of all, the romanian wine doesn't hold the monopoly on the domestic market. Slowly, but doubtlessly, wines from Spain, France, Italy or United States of America make their entrance. Although in this moment imported wines represent less than 5% from consupcion, the situation will change by Romania integration in European Union. The creation of unique market will determine the growth of imported wines, which represents a serious problem for romanian producers, that are dependent on local market. Producers fear

that after Romania's integration, lots of cheap wines from import will enter on the market and will compete with romanian wines.

To surpass this situation, first of all, romanian producers have to keep an eye on bettering the wines quality and on their promotion on the market, because after 1990 romanian wine was forgotten by the western consumers. This situation is due to the fact that almost all wine exports were delivered in bulk, which made that the romanian wine remained anonymous. So, to make known the romanian wines on the extern markets, producers have to promote them, pointing out their originality.

The present situation of wine producers has at this bases a series of problems:

- the '90's can be considered as a lost decade for our viticulture. Wine producers were bought late by investors, which determined a delay in modernizing this branch;
- the grapevine is old, which determine, in time, the decrease of the quantity and quality of the noble wine production;
- in Romania there are large areas planted with hybrid sorts of grapevine, which produce low quality wines, or even dangerous ones, some of them being prohibited in European Union. To replant these areas with noble sorts, requires large investments, which even wealthy producers can't allow. So, to plant a hectare with grapevine are necessary almost 10.000 E. There is also the problem with the planting material that doesn't exist in the right quantity and the types that producers need;
- technology is oldfashioned, so the equipments and row materials for vinification are imported. To face the quality demands required by European Union, lots of producers accessed SAPARD funds for new technologies, but money are still necessary;
- the production's structure is another problem. Romania has a large production of table wines and a low percentage of those with controled name of origin (15%);
- also the change of consumers preferences is a problem and producers have to take this in account. So, locally appeared a tendency of consuming young wines.

In conclusion, also Romania recived the accept to join in European Union with a grapevine cultivated area of 233 thousand hectares in 2007, these doesn't guarantee the success of romanian wine industry.

Like president of Romanian Producers and Exporters Association, mr. Basil Zârnoveanu said: "two categories of producers will survive, with the condition of continuing the mordenizing programs: first, large companies, with a solide presence on the local market, like Murfatlar, Jidvei, Vincon, Vrancea, Wine Cellars Receaş, Wine Cellars Prahova and second, wine cellars boutiqe, focused on quality, like Vinarte, Vinterra, Carl Reh.

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THE ROLE OF THE FEDERAL TRADE COMMISSION IN THE CONSUMER PROTECTION

Nicoleta – Andreea NEACȘU, *Transilvania University of Brașov*
Anca MADAR, *Transilvania University of Brașov*

Abstract: *The role of the Federal Trade Commission in consumer protection in U.S.A. is very high. The Federal Trade Commission has a Bureau of Consumer Protection which has headquarters in Washington and regional offices around the country. In its regulation of deceptive trade practices the Bureau of Consumer Protection has focused traditionally on the ways sellers promote their products or services, especially through advertising.*

Key words: consumer protection, Federal Trade Commission, responsibilities.

1. INTRODUCTION

The Federal Trade Commission (FTC) was created in 1914 in U.S.A. in order to have an "independent" administrative agency charged with keeping competition free and fair. It has the function of enforcing a law known as the Clayton Act and its provisions on price discrimination, tying and exclusive contracts, mergers and acquisitions, and interlocking directorates. Commission has broad, sweeping powers and a mandate to determine what methods, acts, or practices fall within the vague category of being "unfair or deceptive" and are thus unlawful. Such decisions are made on a case-by-case basis.

From time to time the agency has been given numerous additional responsibilities, primarily in the area of consumer and debtor protection. Among the statutes giving the Federal Trade Commission consumer protection responsibilities are:

- The Export Trade Act;
- The Lanham Trademark Act (which provides for the registration and protection of trademarks in commerce);
- The Wool Products Labeling Act (which is designed to protect manufactures, distributors, and consumers from substitutes and mixtures in wool products that are not revealed by their labels);

- The Fur Products Labeling Act (which protects consumers and others from the misbranding and false advertising of fur products and furs);
- The Textile Fiber Products Identification Act (which protects consumers against the misbranding and false advertising of the fiber content of textile fiber products);
- The Fair Packaging and Labeling Act (which prohibits the use of unfair or deceptive methods of packaging or labeling of consumer commodities);
- The Consumer Credit Protection Act, also known as "Truth-in-Lending" (which requires the full disclosure of terms and condition of finance charges and restricts the garnishment of wages).

2. FEDERAL TRADE COMMISSION AND CONSUMER PROTECTION

The Federal Trade Commission has five commissioners appointed by the President of the U.S.A., with the advice and consent of the Senate of the U.S.A., in staggered terms of seven years each. A maximum of three of them may belong to the same political party. Commissioners are not permitted to engage in any other business or employment during their terms, and they may be removed from office by the President only for inefficiency, neglect, or malfeasance in office. One of the Commissioners is designated to serve as chairman of the Commission.

The Office of administrative Law Judges is made up of those lawyers who conduct hearings and perform the quasi-judicial function. The Office of General Counsel serves as legal advisors to the commissioners and to the staff. This office works with Congress on needed legislation in addition to representing the commission in litigation and other matters. The major work of the Federal Trade Commission is performed by three bureaus:

- The Bureau of Competition;
- The Bureau of Consumer Protection;
- The Bureau of Economics.

The chart lists the various areas covered by each of these bureaus. The Federal Trade Commission has a number of regional offices throughout the country. These have the power to proceed without prior approval of the Commission itself in enlarging consumer protection and public-information activities in their respective regions. They have been given subpoena power and the authority to bring legal actions in the courts.

The Federal Trade Commission has a Bureau of Consumer Protection which has headquarters in Washington and regional offices around the country. The activities of the Bureau of Consumer Protection are authorized under Section 5 of the Federal Trade Commission Act. Section 5 empowers the Commission to regulate "unfair or deceptive acts or practices in trade".

In its regulation of deceptive trade practices the Bureau of Consumer Protection has focused traditionally on the ways sellers promote their products or services, especially through advertising, that this focus is not misplaced can be seen from a comment in a congressional report which accompanied the amendment of the Federal Trade Commission Act in 1938 to enable the Commission to pursue consumer protection activities: "We cannot ignore the evils and abuses of

advertising; the imposition upon the unsuspecting; and the downright criminality of preying upon the sick as well as the consuming public through fraudulent, false, or subtle misleading advertisements." Although the ethics of advertisers have improved considerably since the 1930s, the Bureau still spends much regulatory effort in controlling the promotion of products through advertising.

The chief legal tools of the Bureau are the consent order, the cease and desist orders, and the trade regulation rule. If a seller will not accept a consent order, the seller will be prosecuted before an administrative law judge who, provided the seller is found guilty, will issue a cease and desist order prohibiting future violations. Cease and desist orders may be appealed to the full five-member Commission and from there to the Court of Appeals if legal basis for further appeal is present.

Trade regulation rules are approved through a majority vote of the commissioners and apply to an entire industry rather than merely to a specific seller. Some of these quasi-legislative rules require sellers to disclose information to buyers. Others promulgate standards for product promotions. Still other rules require that buyers be given warnings about potentially dangerous products.

For learning purposes, the enforcement activities of the Bureau of Consumer Protection can be divided into those against seller promotions which have traditionally been considered deceptive and those establishing new trends.

Traditionally, the concept of deceptive trade practices includes all business promotions which have a "tendency or capacity" to mislead consumers. No actual harm to any specific group of consumers need be shown. Often, as the following discussion reveals, proof of traditional deception relies more on a showing of less-than-legalistically-accurate promotional language, rather than on consumer injury.

One common type of advertising which has been traditionally attacked by the Federal Trade Commission is that designed to make prospective purchasers believe they will be getting a good deal in terms of price if they buy the product in question. An example in this way is if a seller of good was ordered to refrain from advertising its products for sale by use a price comparison in which its actual price was compared to a higher regular price or a manufacturer's list price. The Commission ruled that it was deceptive to refer to regular price unless the defendant had usually sold the items at the price recently in the regular course of business. Also, it was held deceptive to refer to the manufacturer's list price when that list price was not the ordinary and customary retail sales price of the item in the locality. This was in spite of the fact that manufacturers themselves had suggested the retail prices to which the seller compared its lower selling price.

In 1969-1970 a study of the American Bar Association (ABA) accused the Federal Trade Commission of taking a mail-bag approach to regulation. That is a reaction only to actual complaints received from outside the agency without taking any systematic, considered approach to regulation in the public interest. It also charged the Commission with relying too much on the consent order process, which gives sellers and advertisers little incentive to take the law seriously.

Stung by these criticisms, the federal Trade Commission reacted. In its first response the Federal Trade Commission began to focus more on industry wide rule making and less on the consent order. Rules were passed regulating claims about sleeping bags, sewing machines, power amplifiers, and tablecloths. The Federal Trade Commission has also responded to the ABA report's criticisms by taking a

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more considered approach to its regulatory duties. The commission now regularly brings in marketing experts from the academic and business communities to advise it. Out of this advice has come the Commission's current emphasis on rules and cases which involve various types of disclosure to consumers.

The role of the Federal Trade Commission in consumer protection in U.S.A. is very high. Many states have laws designed to aid and protect consumers in a multitude of transactions. These laws, which are enacted pursuant to the police power, are usually enforced by the state attorney general. Their purpose is almost identical to that of the Federal Trade Commission Act.

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