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THE ROMANIAN ECONOMY

Note by the Chairman of the Economic Committee

The attached report is based on a preliminary study of the Canadian Delegation and has been revised in the light of recent discussions in the Economic Committee and suggestions made by other delegations, especially that of Denmark.

2. The Economic Committee is of the opinion that the Council may be interested in the results of this work and is therefore submitting them concurrently with a study on Rumania's indebtedness(1).
3. The Council is invited to take note of this document.

(Signed) Y. LAULAN

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N A T O C O N F I D E N T I A L

THE ROMANIAN ECONOMY

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THE ROMANIAN ECONOMY

10th January, 1972

OBJECT

The purpose of this study is to review the economic, financial and growth factors operating in Romania.

SUMMARY AND CONCLUSIONS

1. Romania's determination to attempt to maintain a position of economic and political independence in both domestic and external affairs has been the dominant feature of the country's development in the past decade. Romanian economic policy has been aimed at rapid industrialisation in an attempt to transform a backward, predominantly agricultural country into a modern industrial state. It has been recognized that expanded trade with industrially developed countries of the West could help quickly to provide the capital and modern technology necessary to expand the country's industrial base.
2. During the 1966-1970 Plan period industry achieved the high average annual rate of growth of 11.8 per cent, even exceeding the target range of 10.6-11.6 per cent. Group A (producers' goods) industries out-performed Group B (consumers' goods) industries. Agricultural production, however, failed to rise as expected. Following two years of good crops, 1968 output was affected by a spring drought. In the next year, 1969, winter kill and a cold and rainy spring and summer reduced grain output. In 1970, torrential rain and associated floods caused extensive crop damage.
3. Over the current Five Year period (1971-1975), national income is slated to increase by 10-11 per cent annually, an increase above the 7.7 per cent achieved in 1966-1970. Industrial growth is scheduled to increase at a yearly rate of 10-11 per cent, an elevation of the original target set by the 10th Congress in August 1969 when a range of 8.5-9.5 per cent was set. No radical restructuring of industry is indicated since heavy industry is again given top priority. Special emphasis is to be placed on the qualitative aspect of the industrialisation process and on the modernization of the production structure. The industries scheduled to receive most attention are electronics and electrical engineering, precision mechanics, machine tools, petrochemistry and metallurgy. Party Leader Ceausescu in a recent statement recommended that emphasis be placed on producing machines having greater export returns. Better and more efficient use of raw materials is a priority so that in the future the country can rely to a lesser extent on foreign imports. Compared with an average increase of 4.4 per cent per year in gross farm output during the last plan period, gross production

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is slated to grow 6.3-8.3 per cent per year during 1971-1975. A very ambitious 1971-1975 total farm investment target of 100 billion lei is envisaged for the period in support of the production goals. The target of 80 billion lei from centralized funds is reported to amount to double the quantity of centralized funds allocated during 1966-1970. There is to be a three-pronged approach to investment, including further mechanization, growth of the use of chemicals and extension of irrigation facilities.

4. It will be increasingly difficult for Romania to maintain the high industrial growth rates of the past. A gradual slowdown has already set in which may continue during the present plan simply because it becomes increasingly difficult in the course of industrialisation to maintain high rates of growth which normally characterise the earlier phases. Ambitious targets are set for agriculture, but the growth envisaged could be achieved provided the investment plan is realised and provided that weather conditions are better than over the last few years.

5. Relative to that of other East European countries, Romania's trade in the late sixties was the fastest growing; absolutely, however, or expressed as per head of population, it remains among the lowest. Romania has somewhat reduced its trade dependence on its Communist partners, but these countries still provide the bulk of the raw materials necessary for industry as well as some equipment for development. The USSR alone accounts for about half of Romania's trade with all Communist countries. Communist countries play a vitally important rôle in another aspect of Romania's trade relations in that they are the principal export market for Romania's manufactured goods. Romanian trade with non-Communist countries grew from 35 per cent of total trade in 1965 to almost 46 per cent in 1970. Developed Western countries account for about 80 per cent of non-Communist trade. Importing advanced machinery and equipment from Western countries is an essential part of Romania's industrialisation policy. Exports to non-Communist countries are predominantly of an unprocessed or semi-processed nature. Foodstuffs are the principal foreign exchange earners.

6. The value of foreign trade in the 1971-1975 plan is scheduled to grow at a rate of 10-11½ per cent per annum. Exports are slated to grow by 14.3 per cent per annum. No target for imports has been announced but it is clear that growth in imports will be kept well below that of exports. The Soviet Union will continue to be Romania's principal trading partner during the 1971-1975 period but growth of this trade will be less than that achieved in 1966-1970.

7. An important factor in the advancement of its industrialisation program is Romania's ability to increase exports to hard currency areas. Potential increases in hard currency will increasingly depend upon the performance of exports of manufactured goods, principally machinery and equipment. Improvements in quality are essential if larger exports to the West of these commodities are to be realised. The volume of imports from the west is likely to be affected by the high level of Romanian indebtedness to Western countries. Repayments in the 1971-1975 period are expected to be heavy.

8. Romania's membership in the CEMA International Investment Bank and Interchim can be said to be based on fundamentally sound economic reasons and it should be viewed as serving its long-term economic interests rather than reflecting outside pressure applied by the USSR or other CEMA countries. Romania will no doubt continue to maintain an independent position. It will not confine its economic activity with Communist countries to Eastern Europe and the Soviet Union. Evidence of this is apparent in the existence of a long-term agreement with the Peoples' Republic of China which was signed last year. Romania's continued interest in the West is reflected by its application to join GATT and recent interest in associating with the OECD.

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I. GENERAL

Introduction

9. Romania is the second largest country in Eastern Europe(1) in both land area and population (see Table 1). At the beginning of 1971 the population of the country had reached 20.4 million. The birth rate jumped from 14.3 per thousand in 1966 to 27.4 in 1967 as a result of the withdrawal of facilities for abortion, and, next to Albania, Romania became the country with the fastest rate of population growth in Europe. The birth rate, however, fell back to 23.3 in 1969 and 21.1 in 1970. Since 1955 the rate of economic growth has been among the highest in Eastern Europe. Absolute figures of national income are not published in Romania and estimates of this and of GNP are very tentative. GNP per head is put at \$1000-1100 per head or at about the same level as in Bulgaria, another latecomer to industrialisation.

10. Romania's continued determination to attempt to maintain a position of economic and political independence in both domestic and external affairs is the dominant feature of the country's development in the past decade. Acceptance of a policy of economic integration of all CEMA member countries as proposed and still pursued by the USSR, especially integration of investment plans, would have relegated Romania to a position of being primarily a producer of raw materials for the integrated community and would have increased Romania's economic and political dependence on such a community. The Romanian response has been to pursue a policy of rapid industrialisation in an attempt to transform a backward, predominantly agricultural country into a modern industrial state capable of more independence than that envisaged by the Soviet policy makers as Romania's long-term rôle in CEMA.

11. Romanian officials have recognized that expanded trade with industrially developed countries of the West could help to provide quickly the capital and modern technology necessary to expand the country's industrial base. Hence, their policy has been to foster a steady increase in the share of Western countries in total Romanian trade in the past decade. Nevertheless, trade links with CEMA countries remain important contributors to continued Romanian economic development. CEMA countries provide the principal market for Romania's manufactured goods, and are a source of key raw materials, particularly those that are supplied by the Soviet Union.

(1) "Eastern Europe" includes the following countries: Bulgaria, Hungary, Poland, Romania, Czechoslovakia and DDR.

Structure

12. Industry in 1970 provided 60.8 per cent of the country's national income as against 44 per cent in 1950 and employed 22.3 per cent of the labour force compared with 12 per cent in 1950 (see Tables 3 and 4). Over this same period the contribution of agriculture to national income dropped from 28 per cent to 20 per cent. The agricultural sector's share of the labour force, 49.1 per cent, is the highest in Eastern Europe. The actual share of those employed in agriculture is probably somewhat lower, since Romanian statistics take into account the activity of many people temporarily employed who in other countries would be counted as inactive(1). The proportion is therefore estimated to be closer to 40 per cent, or similar to the existing proportions in Bulgaria and Poland.

13. A better measure of Romania's structure of economic activity is provided by estimates of sector contributions to GNP at factor cost in constant prices (see Table 3). The 1967 relative shares of industry and agriculture, using this methodology, are estimated to be 33 and 22 per cent respectively. Both official national income figures and GNP estimates indicate a rise in the share of industry in the last two decades and a decline in the share of agriculture. The more advanced countries of Eastern Europe, such as Czechoslovakia and the DDR, have experienced a levelling off of the share of industry in recent years, the result of an increase in importance of the service sector. With continued economic development and popular pressure for increased standards of living, a similar trend is likely to appear in time in the Romanian economy.

(1) A. Elias, "Magnitude and Distribution of the Labour Force in Eastern Europe", Economic Developments in Countries of Eastern Europe, Joint Economic Committee, U.S. Congress 1970, pages 158, 160 and 216.

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II. RECENT ECONOMIC PROGRESS

National Income

14. National income as measured domestically failed to hit the target rate of growth of 8.0 per cent per year during 1966-1970 although the actual increase was still a respectable 7.7 per cent per year. If agricultural production had not stagnated in the three-year period 1966-1968, or had the country not been seriously affected by floods in 1970, the plan target might well have been exceeded. The floods, in particular, were very costly since they damaged or destroyed a large quantity of assets including: 45,000 dwellings and 20,000 other structures such as warehouses, stores and animal shelters; 1,700 km of railway lines; 6,700 km of roads; 10,000 km of power lines; and 2,000 km of communication lines. Flood waters covered 1,058 million hectares of which 700,000 were cropped, and inundated 621 industrial plants. The total cost of the floods was estimated by Romanian officials at more than 10 billion lei, which presumably does not include income foregone.

Industrial Output

15. Industry achieved an average annual rate of increase of 11.8 per cent over the 1966-1970 Five Year Plan period, a high growth rate and one exceeding the target range of 10.6-11.6 per cent. Output growth in 1966-1970 did however register a slight decline compared with the 1961-1965 period, when the annual increase was 13.8 per cent. Group A (producers' goods) industries out-performed Group B (consumers' goods) industries, with the former achieving an annual growth rate of 12.7 per cent and the latter a rate of 9.9 per cent. It appears that heavy industry's share of gross industrial output increased from 65 per cent in 1965 to about 70 per cent in 1970. The divisions of industry achieving the greatest growth were chemicals, electric power, engineering and metallurgy. The share of fuels in total industrial output, particularly crude petroleum extraction, has undergone a gradual decline in the period 1965-1969 (see Table 5).

Agriculture

16. Agricultural production failed to rise as expected in the period 1966-1970. Following two years of good crops, 1968 output was affected by a spring drought. Next year, in 1969, winter kill and a cold and rainy spring and summer reduced grain output. In 1970, torrential rain and associated floods caused extensive crop damage. Thus Romanian agriculture ended the 1966-1970 period with its smallest wheat, maize, potato and sugarbeet crops in five years. Average output for the period was said to be "merely 24 per cent" above the average for 1960-1965 and below plan provisions.

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17. The failure of agricultural production to advance as planned was probably the result of three years of bad weather. This tends to obscure the considerable effort made to strengthen the productive base of the sector. During the period 1966-1970, the government invested 37 billion lei in the farm sector, which was 1.2 billion lei above the Five Year Plan provisions. At the same time, production co-operatives invested 11 billion lei of their own funds. As a result of these aggregate expenditures, irrigation facilities were extended to 578,000 hectares to bring the total crop area under irrigation to 729,000 hectares. Further, the area worked per tractor was reduced to 91 hectares of arable land in 1970 from 121 hectares in 1965, and the amount of fertilizer supplied to agriculture was tripled compared with the preceding five years.

Investment

18. The 1966-1970 plan provisions for investment were surpassed. Investments from centralized state funds reached 289.7 billion lei, an increase compared with the target of 280.5. Industry reportedly received 55.8 per cent of the total volume of investments; agriculture, 12.7 per cent; and transport and telecommunications, 11.5 per cent.

Living Standards

19. The increase in the standard of living of the Romanian population was undoubtedly restricted because of the priority assigned to industrial development and disappointing agricultural performance. Nevertheless, during 1966-1970 there was a 4.1 per cent average annual increase in per capita real incomes, though real wages, scheduled to rise by 3.7-4.6 per cent annually, increased by only 3.5 per cent. Retail sales volume increased 8.3 per cent annually over the same period which may indicate among other things that the level of personal savings was fairly large in the period before the plan. Some improvement in the diet may have been registered though Romanians continue to depend more on cereals and plant products than they would evidently prefer.

20. Tentative steps towards economic reforms were made in 1965, and in 1967 a more comprehensive attempt to amend old patterns of industrial organization, investment, prices and wages was undertaken. The main features are as follows:

- (a) Major decisions are still made at the Centre and economic policy finds its expression in annual and medium-term (5-year) plans.
- (b) The creation of "Centrals", organizations grouping several industrial enterprises, has been the most significant feature of the reform. They have assumed many of the administrative functions of

industrial ministries but also economic management functions which in conditions of real decentralisation would have been delegated to enterprises. The principle of collective management in the form of a management board at enterprises, an administrative board at "Centrals" and a Collegium at Ministries has replaced the concept of one-man leadership, and general assemblies of employees have also been set up, giving the rank and file a limited chance to express an opinion.

- (c) The allocation of products and materials from the centre has been abolished in favour of contractual arrangements made, in the main, by the "Centrals" - on a long-term basis.
- (d) A new system of distributing profits is in force. Previously 90% of enterprise profit went to the budget; now the State share has been reduced to about two-thirds. In fact enterprises still have little say in the disposal of profits since a large proportion of profit retained finances investment specified by the Plan.
- (e) There has been some decentralisation in banking. In addition to the National Bank, formerly responsible for nearly all the banking decisions, there is now the Foreign Trade Bank, the Investment Bank and the Agricultural Bank. Interest rates have become more flexible, but enterprises are still not charged interest on fixed capital.
- (f) A draft law on prices, published in December 1971, seeks to take greater account of production costs but reserves the main rôle in controlling prices to the State Council.
- (g) The wage structure has been reformed to reward efficiency, responsibility and seniority.
- (h) Taxation of agricultural co-operatives is now based on income rather than mere acreage - which took no account of ability to pay. Efforts have recently been made to improve the relationship between the co-operatives and the machinery centres which service them.
- (i) Links are being established between producers and foreign markets to ensure both a better direction of investment and the production of goods for export which are competitive in type and quality, particularly in hard currency areas. This process, however, is being implemented relatively slowly. Provision of currency for imports depends upon meeting export plans. Co-operative ventures with other countries are being encouraged and a law has been passed permitting foreign partners to take a minority equity stake in Romanian enterprises.

Economic Reforms

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21. The economic reform programme in Romania has not been accompanied by some of the consequences - loss of control over investment and foreign trade in particular - which disturbed political leaders in Hungary and Czechoslovakia, and, above all, in Yugoslavia. This is in large measure a reflection of the limited extent of the reforms so far introduced, with their emphasis on devolution of executive power while retaining a large measure of authority over planning at the centre. Without greater freedom over investment and prices the results of the reforms are likely to remain limited, but there is scope for more initiative in management than at present. Decentralisation is likely to encourage those Romanian enterprises interested in broadening their links with Western firms through co-operation and joint venture deals.

III. THE 1971-1975 FIVE YEAR PLAN

National Income

22. In the original version of the 1971-1975 Plan, national income was to grow at much the same rate as in the previous five year period, that is at about 8% a year. However, as a result of plan revisions, the target set is now 11-12.7% a year. Comparable increases have been called for in the growth targets of industry and agriculture; investment has been stepped up, more labour has been promised to industry, and a much more ambitious export program laid down. Some of the extra national income envisaged, including the output of some consumer goods, must have been earmarked for exports, to ensure a positive trade balance. This, and the increased investment effort implies a certain sacrifice of living standards. These are indeed scheduled to rise, but, relative to the growth of the economy generally, at a rather modest rate. The Plan originally envisaged a rise in the civilian labour force (excluding collective farm workers) of up to half a million people, which could have been made available by the natural increase in the population of working age. The revised labour target, however, calls for double this number of extra workers, which implies a more intensive use of labour reserves in the towns and a further migration from the countryside to urban employment. The plan to reduce the working week to 44 hours by 1975 could add to the tautness of the labour situation, and it is possible that its application may have to be postponed.

Industry

23. The industrial growth rate is schedule to increase at a yearly rate of 11-12.2 per cent, an increase on the original target set by the 10th Congress in August 1969 when a range of 8.5-9.5 was fixed. No radical restructuring of industry is indicated since heavy industry is again given top priority, the target for capital goods (A) being 11.7-13%, that for consumer goods (B), 9.5-11%. Special emphasis is being placed on the qualitative aspect of the industrialisation process and on the moderization of the production structure and

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production processes. Nearly 40 per cent of 1975 in industrial output is slated to be represented by new or modernized products. This year, new and modernized products are to represent 11.5 per cent of total output. The branches that are to receive the most attention are electronics and electrical engineering, precision mechanics, machine tools, petrochemistry and metallurgy. Underlining the importance of the requirements of external markets to Romanian industrial development strategy, Party leader Nicolae Ceausescu in a recent statement recommended that emphasis be placed on producing machines having greater export returns. In an attempt to stress the need of conserving resources he claimed that this could be accomplished by making more efficient use of existing capacities and by the development of assembly plants rather than the commencement of new investment projects. In the field of industrial labour, measures are to be taken to assure a more efficient shift load, primarily by the use of two shifts and the extension and introduction of a third shift.

24. The Constanta shipyard is to be developed. Ore carriers and oil tankers up to 50,000-60,000 dwt are to be built in the first stage of expansion. Subsequently, ships up to 150,000 dwt will be built. Romanian shipyards at present have the capacity to build vessels up to 20,000 tons but have hitherto concentrated on much smaller ships.

25. Targets for the electronics industry are to be increased, particularly where the computer industry is concerned. The national data processing system will have more than 20 national computer centres in operation in 1975. The Romanians hope by these measures to provide a more scientific basis for the planning and organization of production and marketing.

26. Better and more efficient use of raw materials is a priority so that in the future the country can rely to a lesser extent on foreign imports. The original plan for the plastics industry is to be revised so that plastics production can be increased more rapidly from comparatively low levels and replace other raw materials. The production of man-made fibres and synthetic rubber is to be increased as well. Product quality, it is felt, must improve because domestic and foreign customers are becoming more demanding.

27. Steel production will almost double between 1970 and 1975, with the output of high alloy steel to increase from 5-6 per cent of total steel production to almost 10 per cent in 1975.

28. Since Romania's traditional fuel sources, especially crude oil and gas, will not be able to match the growing energy requirements of the country in the next 15-20 years, these requirements will be met by the expansion of hydro-electric power facilities (Romania has a good potential in this field because of the existence of many untapped rivers) and the introduction of nuclear energy. Romania's first atomic power station, using enriched uranium and having a capacity of 440 megawatts, is now being built and will use a Soviet reactor. During the 1971-1980 period, nuclear power stations with an installed capacity of 1,800-2,400 megawatts are to be built. The origin of the technology for all the stations potentially involved has not evidently yet been determined. A formal November 1968 bid on a 300 megawatt power station by the Atomic Energy Commission of Canada has not yet drawn any firm commitment to purchase by Romania. A purchase decision was postponed in 1970 for an unspecified period. The postponement was ostensibly the result of the 1970 floods and a consequent diversion of resources to the construction of dams for flood control. Annual crude oil production is not slated for any significant increase over the annual average attained during 1966-1970. Methane gas will however increase its annual rate of production.

29. In keeping with a growing awareness that industrial production costs ought to be restrained wherever possible, Ceausescu has emphasised that many ministries and economic organizations are too extravagant in their consumption of fuel, oil and electric power. He has suggested that any organization that unjustifiably exceeds consumption norms should pay for the excess consumption out of its own earnings.

30. It will be increasingly difficult for Romania to maintain the high industrial growth rates of the past which were achieved from a small industrial base. The logic of some slowdown in industrial growth seemed to have been accepted in the first version of the plan. In the revised version, however, high growth rates have again been set. Despite the extra investment and labour allotted to industry the task is going to be difficult to achieve.

Agriculture

31. Maintenance and expansion of the level of agricultural exports has long been the prime goal of Romanian agricultural policy. With increasing national requirements for hard currency earnings this priority is unlikely to be altered in the near future. It is now realized that if agricultural exports are to be expanded, large amounts of new investment in the production base are necessary. It has become clear that to attempt to squeeze the farm sector for extra produce, in the absence of new inputs, will result in reduced farm labour incentives and lead to an increase in the exodus of labour from the land.

32. Compared with an average increase of 4.4 per cent per year in gross farm output during the last plan period, gross production is slated to grow on average by 6.3-8.3 per cent annually during 1971-1975. It is envisaged that exports of food products, which constituted 23 per cent of total exports during 1966-1970, will increase to double the 1970 level. A very ambitious 1971-1975 total farm investment target of 100 billion lei is envisaged for the period in support of the production goals. Eighty per cent of the investment target is to consist of centralized state investments. The target of 81.4 billion lei from centralized funds is reported to amount to double the quantity of centralized funds allocated during 1966-1970.

33. There is to be a three-pronged approach to investment, including further mechanization, growth of the use of chemicals and extension of irrigation facilities. Irrigation is to receive major emphasis. Irrigation and sprinkler facilities are slated to be expanded in order to cover 2.2-2.5 million hectares, or 41-47 per cent, of a total irrigable area of 5.35 million hectares. To achieve this, 40 billion lei are to be expended. It is intended that by 1980 the needs of agriculture in respect of fertiliser should be fully met and that by 1990 the entire area in which irrigation is economically justifiable should in fact be irrigated.

34. The revised agricultural program, which postulates much faster growth than in the 1966-1970 period, is ambitious. Only if the investment target is reached and if weather conditions are better than in the previous period, is this plan, which implies considerable growth in productivity, likely to succeed. It is, moreover, a moot point whether markets will be found for the increased quantities of food products it is envisaged to export.

Investment

35. Between 31 and 32 per cent of national income has been earmarked for investment in the latest draft of the Five Year Plan. The amount allocated from centralized funds, originally put at 420-435 billion lei, has now been raised to 470 billion lei while the figure for total investment is put at 540 billion lei.

36. In the plan approved by the 10th Party Congress, agriculture was allotted 13-14 per cent of centralized investment funds (compared with 12.7 per cent in the 1966-1970 period); subsequently its share has been raised to 17.3 per cent. Congress originally earmarked 57-58 per cent of the centralized funds for industry; its share of total investment is put at 59.8 per cent. Within the industrial sector, 75 per cent of investments will be concentrated upon the chemical and engineering, metallurgy and power industries. Transport and communication will receive greater emphasis as will shipping and the development of ports.

37. Romania will attempt to improve the rate of return on her capital investments. It is the intention of the planners to concentrate materials, equipment and labour forces on a smaller number of construction projects.

38. Labour productivity in industry is six times higher than in agriculture. It is proposed, however, to increase the proportion of the population engaged in industry relative to the proportion employed in agriculture. The labour productivity of all industrial workers is scheduled to improve 7.3 per cent annually. This in turn will be responsible for three-quarters of the planned boost in output.

Food and Light Industry

39. The food industry came in for heavy criticism in a speech by Mr. Ceausescu late last year. The major criticisms relate to shortcomings in the quality and variety of available goods. Consumer tastes are to be met by introducing a wider variety of canned and semi-prepared edible goods, and by improving refrigeration facilities. With the consumers' durable goods industry, improvements are to be centred on the production of linens, ready-to-wear clothing, knitwear and footwear.

Living Standards

40. Retail sales, which in the 1966-1970 period rose 8.3 per cent a year, are scheduled to rise 7-8 per cent a year over the current plan period. The planned increase in real wages (3.7 per cent annually) is the same as that achieved in the previous period. This indicates that the overall standard of living will not improve markedly. There will be some increase in available living quarters if the planned 500,000 apartments, either built by state funds or financed by state loans, can be constructed (344,000 were built during 1966-1970). Some changes in the national diet are hoped for. The share of cereals is to drop while that of meat and other livestock products is to rise.

IV. FOREIGN TRADE

General

41. The volume of Romania's foreign trade increased very rapidly in the 1966-1970 plan period. The actual average annual increase of 11.8 per cent exceeded the planned growth rate range of 8.9-9.0 per cent. The annual rate of growth of exports, 10.9 per cent, did not match that of imports, 12.6 per cent. The planned annual rates of growth of exports and imports were 9.2 and 8.7 per cent respectively. Despite the fact that the growth in Romanian trade in the sixties was the fastest in Eastern Europe, trade turnover (i.e. exports plus imports) expressed in absolute terms or per head of population is still the lowest in the area.

42. Since 1960 Romania has had a surplus of exports over imports in her global trade only once and that was in 1965. A small surplus has been maintained in her trade with Communist countries since 1965 as well as a modest surplus with the USSR in four of the last five years (see Table 6).

Total Foreign Trade, 1966-1970

(in million US dollars)

	1966	1967	1968	1969	1970
Total	2399.4	2941.5	3077.6	3373.6	3799.6
Exports	1186.1	1395.1	1468.6	1633.1	1850.3
Imports	1213.3	1546.1	1609.0	1740.5	1949.3
Balance	-27.2	-151.0	-140.4	-107.4	-99.0

Romania's principal trading partners in 1969 in order of importance were the USSR, the Federal Republic of Germany, Czechoslovakia, Eastern Germany (the DDR), Italy, Britain and France.

43. Raw materials and semi-finished goods dominate Romania's export structure, although they are of declining importance (see Table 8). In 1969 they constituted about 40 per cent of total exports compared to almost 50 per cent in 1965. Mineral raw materials and metals are the largest elements of this group. The share of exports of highly processed products, that is, machinery and equipment, consumer goods, foodstuffs and chemicals and rubber, increased from under 50 per cent in 1965 to almost 60 per cent in 1969.

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44. As Romania continued to industrialise in the period under review, a gradual change in her trade structure was reflected by: (1) a decline in the exports of certain key raw materials as more of these were consumed at home - fuel exports fell 15 per cent from 1965-1969 because of increased domestic consumption by the petrochemical industry; and (2) a rise in the import of other important raw materials, such as iron ore, metallurgical coke, crude oil, cotton, natural rubber, ores and non-ferrous metals. Romania's industrialisation policy has been predicated in part on increased imports of machinery and equipment. Imports of this category rose rapidly in the last plan period, peaking in 1967 when they accounted for almost 50 per cent of the value of total imports (see Table 9). Within this category imports of complete industrial plants are the predominant element. These imports have contributed to the installations of the Galati iron and steel complex, the petrochemical complex at Pitesti, and the new wood processing enterprises.

Trade with Communist Countries

45. Although Romania has managed to reduce its trade dependence on its Communist trading partners, as indicated by Table 7, these countries provide Romania with raw materials for industry as well as equipment for development. About 90 per cent of this trade is with countries that are members of CEMA. The USSR alone accounts for about half of Romania's trade with all Communist countries. Almost 30 per cent of imports from the USSR are in the machinery and equipment category, and in 1969 half of these imports were complete installations of plant and equipment (see Table 10).

46. One of the main reasons why Romania will continue to have close ties with CEMA countries is the importance of this area as a supplier of key raw materials. Imports of such materials from CEMA countries allow Romania to use her limited reserves of foreign currency to purchase advanced industrial equipment from the West. The USSR is a particularly important supplier of raw materials. Metal and metal products, including rolled steel products and pipe, contribute about a quarter of all Soviet exports to Romania. Romania is especially dependent upon the USSR for imports of iron ore. Romanian domestic sources of iron ore provide less than half of the consumption needs of the steel industry. The USSR provides an estimated 70-75 per cent of Romanian requirements of this strategic commodity. Although Romania is attempting to diversify her sources of this raw material, and is importing increased quantities from India as well as from Brazil and Algeria, the

USSR will continue to be an important supplier. Under the terms of a long-term agreement signed by the two countries in September 1970, Romania will receive 4.5 million tons of iron ore in 1972 (3 million tons in 1968) and 8 million tons in 1976. The USSR, as well as Czechoslovakia and Poland, is also an important supplier of metallurgical coke. Romania is seeking alternative sources of this material from non-Communist countries such as Austria. In addition, the CEMA countries provide Romania with substantial quantities of textile fibres and yarns.

47. Communist countries play a vitally important rôle in another aspect of Romania's trade relations in that they are the principal export market for Romania's manufactured goods, particularly machinery and equipment, rolled steel, petroleum products, and consumers' goods. The Soviet Union is the major recipient of these exports (see Table 11). Timber and timber products also contribute to exports to Communist countries.

48. Romania's trade with the Peoples' Republic of China has increased very rapidly in the last five years. In 1970, the total volume of trade between the two countries was approximately \$137 million as against \$48 million in 1965. Romania supplies China with machine tools, trucks, cargo boats, steel pipes and chemical products. In return the Chinese supply Romania with rolled steel products, machine tools, mineral and chemical products, textiles and consumer goods.

Trade with Non-Communist Countries

49. Romanian trade with non-Communist countries has grown from 35 per cent of total trade in 1965 to almost 44 per cent in 1970. Developed Western countries account for about 80 per cent of non-Communist trade.

50. Imports of advanced machinery and equipment from Western countries are an essential part of Romania's industrialisation policy. In 1967 half of her imports from non-Communist countries fell into the machinery and equipment category (see Table 12). Complete installations, particularly in the petrochemical industry, are the largest single element. Romania is the largest purchaser of machinery and equipment from free world countries among the Eastern European countries. Imports from this category have fallen off in the last two years, undoubtedly a result of insufficient reserves of hard currency and thus the difficulty of increasing its already substantial hard currency debt. Romania's largest trade deficits in 1969 were with the United Kingdom, the Federal Republic of Germany and France. Manufactured commodities,

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including metals, constitute the other principal category of imports, accounting for over a quarter of total imports from non-Communist countries. Raw material imports from non-Communist countries include textile fibres, particularly cotton imports, crude rubber, coke and coking coal, and iron ore and concentrates. Oil import agreements have recently been concluded with two Middle East countries, Iran and Saudi Arabia. These agreements probably reflect an increasing gap between domestic supply and demand for oil. Industrial expansion is creating a market for oil within the country which the domestic oil industry cannot satisfy on the basis of internal petroleum extraction. Some portion at least of Iranian crude oil exports to Romania is believed to pass through the trans-Israeli pipeline, linking Eilat and Ashkelon. Romania is the only destination in Eastern Europe for Iranian crude supplied by this means.

51. Exports to non-Communist countries are predominantly of an unprocessed or semi-processed nature. Foodstuffs are the principal foreign exchange earners, although the size of their share is usually determined by unpredictable sales of wheat and corn. The most significant development with respect to the structure of exports to non-Communist countries in the period 1965-1969 is the increase in exports of manufactured goods. Iron and steel and semi-manufactures contribute to export earnings in this sector. Progress in this sector is probably attributable to better quality products being turned out by Romanian industry, based on the operation of imported Western machinery and equipment which has been brought into use recently.

52. The growth since 1965 of machinery and transport equipment exports is a further important development in Romanian export trade. Exports in this category previous to this date had been almost exclusively to Communist trading partners. However, Romania is near the bottom of the list of Eastern European suppliers of these exports to the free world. Its exports in 1969 were valued at \$49 million compared to \$214 and \$212 million respectively for the Soviet Zone of Germany and Czechoslovakia.

53. Whereas Romania supplies only about 8 per cent of Eastern European machinery and equipment exports to the free world, it supplies approximately 14 per cent of total Eastern European exports to the same area. Romania's total imports from the free world, however, have exceeded its exports to the free world, leaving it with the largest combined 1968 and 1969 trade deficit of any of its Eastern European neighbours.

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1971-1975 Trade and Prospects

54. According to the original, 1969, draft of the 1971-1975 plan, foreign trade turnover was to grow by some 40-45 per cent over the period, or at 7.0-7.7 per cent a year. In November 1970, the target was raised to 9.2-10.5 per cent, and in May 1971 to 10.0-11.5 per cent. Exports are supposed to rise at a rate of 14.3 per cent per annum. No figure for imports has been given, but clearly a rather modest increase is implied.

55. The recent and anticipated trend in Romanian foreign trade is as follows:

Romanian Foreign Trade, 1965, 1970, 1975

(in million US dollars)

	Value in 1965	Annual Growth 1966/70	Value in 1970	Proposed Annual Growth 1971/75	Value Planned 1975
Total	2179	11.8%	3800	10/11.5%	6118/6536
Exports	1102	10.9%	1850	14.3%	3608
Imports	1077	12.6%	1950	5.2/8.4%	2510/2928
Balance	+25		-100		+680/+1098

The planned growth in turnover is not much short of that achieved in the 1966-1970 period. Whereas in the past imports increased faster than exports, which resulted in a trade deficit of \$100 million in 1970, over the coming period exports are supposed to rise much faster than imports with a view to achieving a favourable balance of trade. If total trade rises 10 per cent per year throughout 1971-1975 (the lower figure in the bracket proposed) and the planned rate of export growth (14.3 per cent) is achieved, this implies a yearly increase in imports of only 5.2 per cent or some 30 per cent over the period. It is difficult to see import growth (66 per cent in 1961-1965 and 81 per cent in 1966-1970) being kept at this low rate, given the need to import materials and industrial equipment in order to achieve the industrial development envisaged. If, on the other hand, total trade rises by the maximum envisaged (11.5 per cent a year) and the export target of 14.3 per cent remains the same imports could rise by some 50 per cent over the period, a rather more realistic assumption.

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56. By 1975, chemical products and machinery and equipment are to constitute more than 45 per cent of industrial exports compared with approximately 40 per cent in 1970. The share of timber and timber products is to be reduced from a fifth to a tenth of these exports. The share of finished food products will increase from 10 per cent to 16 per cent, while that of agricultural produce will remain constant.

Soviet-Romanian Trade

57. The Soviet Union will continue to be Romania's principal trading partner for the present plan period. A new trade agreement covering the 1971-1975 period was signed in November 1970. Total trade between the two countries is scheduled to rise to \$5.83 billion, an increase of 30.7 per cent over the \$4.46 billion for the period 1966-1970. Of all the trade turnovers projected for 1975 between the USSR and the Eastern European countries, that with Romania is the smallest. Judging by the latest estimate of Romanian trade in 1975, the Soviet share should fall to 21/22 per cent by that date. However, it seems likely that Soviet-Romanian trade will, as in the previous period, exceed plan, and that this share will come out at about 25 per cent. Indeed it is unlikely that any significant change in the general direction of Romanian trade is contemplated. The agreements with the other CEMA countries; the share of the USSR will decline to about a quarter while that of Poland, the DDR, Bulgaria, Hungary and Yugoslavia will increase, as will, probably, trade with China.

58. Romania is expected to continue to rely on Communist sources for imports of strategic raw materials, such as iron ore and coke, and also to continue its large exports of machinery and equipment to these areas as well. An existing agreement with the Soviet Union in which Romania will supply machinery and equipment in return for Soviet deliveries of iron ore is one example of the type of co-operation in the economic sphere that Romania will use to its economic advantage in the next five years. On the other hand, Romania will participate in other types of co-operative agreements, such as the current exchange with the USSR which features the Soviet Union supplying machinery and equipment in return for Romanian production of processed forestry products. Co-operation agreements with other CEMA members are likely to increase during the present plan.

1971-1975 Exports to the West

59. Progress in Romania's industrialisation program will depend to an important extent on the success achieved in increasing exports to hard currency areas. Improvements in the flow of hard currency will allow Romania to maintain a high level of

imports of advanced Western equipment and technology. Agricultural produce is the principal hard currency earner, accounting for some 25-35 per cent of all exports to non-Communist countries in recent years. This type of export will continue to be an important contributor but it is unlikely that its present share will be exceeded during the 1971-1975 plan. Potential increases in hard currency will increasingly depend upon the performance of exports of manufactured goods, principally machinery and equipment. Improvements in quality are essential if larger exports to the West of these commodities are to be realized. Evidence that appreciable progress has been attained is apparent in view of French satisfaction with the results of the Romanian co-operative agreement with Renault of France. Under this agreement, Romania supplies the French firm with gear boxes for utility trucks. French acceptance of the quality standards achieved is evidently responsible for the fact that this agreement has now been extended for a further five-year period with Romania scheduled to supply, in addition to gear boxes, front and rear axles for the same trucks. Exports of this same type of automotive equipment are to be expanded to other western countries.

60. As mentioned above (paragraphs 20-21), measures have been taken to decentralize Romania's foreign trade. As of January 1971, industrial "centrals", which are now responsible for establishing supply programs for their products, have additional responsibility for the marketing of their goods abroad. The purpose of this reform measure is to put the industrial "centrals" in direct contact with buyers abroad. It is hoped that this will allow the "centrals" to become more aware of the specific demands of foreign buyers which they can then attempt to translate into the production of a better selection of commodities. Gains resulting from this reform are not likely to be substantial in the 1971-1975 period as it will require more time for the reforms to become fully effective.

Western Credits

61. Over the six years 1965-1970 Romania obtained from NATO countries more than \$1200 million in credit, the peak years being 1966 and 1968. The volume of 'credit outstanding' (credits less reimbursements) in favour of Romania at the end of 1970 was \$789 million. This represented \$39.5 per head of population in Romania, as against an average of \$24 for East Europe (without the USSR), and about 3½ per cent of the GNP in Romania as against the East European average of less than 2 per cent. A sizeable

proportion of these credits were granted for more than 5 years, over 50 per cent in 1965-1966 and just over 40 per cent subsequently. In 1969-1970 the level of new credits dropped to \$182 and \$146 million, while debt service payments rose to \$139 and \$165 million. In 1971 Romania will have had to find most \$200 million to service these foreign debts(1).

62. Over the period 1971-1975 the Romanian position in respect of debt repayment will remain difficult. It is most unlikely that the Romanians will cease buying western equipment on credit altogether, but they will probably keep the volume of new credits well below the level reached in 1966-1968. Within the limits of this position they will, no doubt, make use of all facilities offered. Thus, in the Federal Republic, for instance, the Romanians are able to obtain officially guaranteed credits not linked to specific deliveries. As a general rule the normal market rates of interest apply to these loans, but in 1970, in connection with funds raised to make good flood damage, special concessionary rates were allowed.

1971-1975 Imports from the West

63. In the immediate future it seems probable that Romanian imports from the West will be increasingly geared to Romanian exports to Western markets. Ceausescu has called for a reduction in imports in order to assure a favourable balance of payments. The new Plan foresees a much smaller rise in imports than exports, and, except in special cases, industrial enterprises are now permitted to import only to the extent that their own exports provide the currency required.

64. Certain current measures and policies may ease the situation. Increased industrial co-operation with western firms could reduce the demand for foreign currency insofar as the import of equipment and know-how is offset by the export of products to the West. Recent legislation permitting western firms to set up business in the country in co-operation with the Romanian Government should facilitate this development. Hard currency outlays can also be avoided by importing increased quantities of raw materials, particularly from underdeveloped countries, in exchange for Romanian deliveries of engineering goods. In the case of increased oil imports, oil exploration equipment may be bartered.

65. An increase of exports to Western countries could become more difficult as more of Romania's exports to these countries attain a higher degree of processing, bringing into force tariffs and other trade barriers. Romania applied for membership in GATT in November 1968 and negotiations were

(1) See ED/EC/71/62

successfully concluded late in 1971. Romania has also recently shown interest in associating with the OECD. Thought is apparently being given to the question whether Romania should try to work out a relationship with the OECD similar to that now enjoyed by Yugoslavia. Yugoslavia has evidently encouraged Romania in this endeavour. The long-term interest of Romania in OECD may be connected with a Romanian desire to encourage Western capital investment in Romania. This objective is in keeping with the country's policy of quickly developing a viable modern industrial economy which would in turn help generate an improved competitive edge for domestic industries attempting to market their products externally.

66. One possible development which may enable Romania to supplement its hard currency reserves is the potential improvement of its Western tourist trade in the next four or five years(1). This potential addition to hard currency reserves is not large enough to cover the country's current deficit with the West but combined with other export earnings and import limitations would enable Romania markedly to improve her payments position.

Recent Developments

67. Several recent political and economic measures taken by Romania during the last few months indicate that perhaps Romania is less anxious to appear radical from a Soviet viewpoint and is attempting to offset its efforts to increase its relations with western countries and institutions such as GATT and OECD and its willingness to have dealings with Israel, such as importing oil which has been transported by the Israeli pipeline. These include the recent visit of Czechoslovak leader Gustav Husak to Bucharest, Defence Minister Ionita's attendance at the recent meeting of Warsaw Pact defence meetings, the signing of the long delayed Soviet-Romanian Treaty of Friendship, and Romania's decision to join the CEMA International Investment Bank. This latter decision has been taken after considerable delay, perhaps because of the prospect that this organization's voting procedure, unlike that of the CEMA International Bank for Economic Co-operation, does not require unanimous consent of the members for approval of certain operations. This, in the

(1) Hard currency income from tourism in 1969 has been estimated at \$25-30 million.

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past, has given Romania a veto over any project that potentially could have been forced upon it. The new organization is a bank for promoting investments and offering long-term credits with a period of repayment of 5-15 years. Decisions relating to fundamental questions require unanimous consent while other questions require a qualified majority of three-fourths. The term "fundamental questions" is vague but presumably Romania is satisfied with the voting procedure. Romania has also belatedly joined another CEMA organization, namely **Interchim**, which is devoted to furthering co-operation in certain spheres of the chemical industry.

68. Romania's membership in the CEMA International Investment Bank and Interchim would appear to be based on fundamentally sound economic reasons and therefore should be viewed as serving its long-term economic interests rather than reflecting outside pressure applied by the USSR or other CEMA countries. Romania's relations with its CEMA partners have undoubtedly improved over the past year. Romania would no doubt use its membership in CEMA organizations to further its own economic interests wherever economic benefits can be gained. Greater than normal activity in this sphere may be a result of an attempt to redress the economic effects of the May-June floods of 1970.

69. Romania will no doubt continue to maintain an independent position. It will not confine its economic activity with Communist countries to Eastern Europe and the Soviet Union. Evidence of this is apparent in the existence of a long-term agreement with the People's Republic of China which was signed last year. This agreement includes the granting of an interest-free, long-term loan to Romania. Peking's economic aid to Romania under the agreement is estimated to be the equivalent of between \$200 and \$300 million.

NATO,
1110 Brussels.

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APPENDIX

TABLE 1
Population
(thousands)

	(middle of the year)			Yearly Growth	
	1960	1965	1970	60-65	65-70
USSR	214,238	230,556	243,360	1.48	1.09
Bulgaria	7,867	8,201	8,500	0.83	0.72
Hungary	9,984	10,148	10,335	0.33	0.37
Poland	29,703	31,496	32,800	1.18	0.81
Romania	18,403	19,027	20,300	0.67	1.30
Czechoslovakia	13,654	19,159	14,473	0.73	0.44
DDR	16,164	15,955	16,016	-0.26	0.07

Sources : Basic Statistics Relating to the Defense Effort
and Economic Development of the Warsaw Pact
Countries, NATO, Working Paper AC/127-WP/277,
25th March, 1971.

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TABLE 2

Gross National Product
(at current market prices)

at the exchange
rate reflecting
purchasing power
(\$US milliards)

	1960	1965	1968	1969
USSR	235.5	345.0	478.0	514.0
Bulgaria	4.67	6.92	8.93	9.82
Hungary	8.76	10.30	13.67	14.36
Poland	21.0	29.73	37.42	40.45
Romania	12.26	16.30	20.06	(21.5)
Czechoslovakia	18.31	19.49	27.6	28.4
DDR	22.22	26.36	30.67	32.53

Per Capita Gross National Product

	1960	1965	1968	1969
USSR	1,099	1,496	2,010	2,136
Bulgaria	594	844	1,067	1,155
Hungary	877	1,015	1,330	1,395
Poland	707	944	1,158	1,242
Romania	666	857	1,017	(1,060)
Czechoslovakia	1,340	1,376	1,922	1,970
DDR	1,375	1,652	1,917	2,032

Source : NATO

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TABLE 3

Net Material Product (National Income) by Sector

(current prices)

(percentage)

	1950	1960	1965	1967	1969	1970
Industry	44.0	44.1	48.9	51.7	57.4	60.8
Agriculture and Forestry *	28.0	33.1	29.3	28.6	24.1	20.0
Construction	6.0	9.0	8.0	8.4	9.0	9.6
Transport and Communications	4.3	3.8	4.0	4.2	3.9	4.2
Trade	11.8	6.5	7.2	4.6	3.1	3.2
Other	5.9	3.5	2.6	2.5	2.5	2.2

* Forestry comprises only silviculture, i.e. it does not include timber cutting.

Source : Statistical Pocket Book of the Socialist Republic of Romania, 1970.

Gross National Product by Sector

(at factor cost, constant prices)

	1950	1960	1965	1967
Industry and Handicraft	19.2	24.2	30.4	32.9
Agriculture and Forestry	31.3	31.8	24.2	22.0
Construction	4.1	7.6	10.2	11.1
Transport and Communications	6.6	7.6	8.4	8.8
Trade	7.4	6.5	5.9	5.4
Housing	13.8	9.2	7.8	7.0
Government and Other Services	17.7	12.9	13.2	12.8

Source : Economic Developments in Countries of Eastern Europe, Joint Economic Committee, US Congress, 1970.

TABLE 4

Employment by Sector
(Percentage of total)

	1950	1960	1968	1969	1970
Agriculture and Forestry *	74.3	65.6	53.0	51.2	49.3
Industry	12.0	15.1	20.7	21.8	22.3
Construction	2.2	4.9	7.2	7.4	8.2
Transport and communications	2.2	2.8	3.8	4.0	
Trade	2.5	3.4	4.1	4.3	
Municipal Services	0.7	1.5	2.8	2.9	
Education, Health, Administration	5.3	5.9	7.2	7.2	
Other	0.8	0.8	1.2	1.2	

* Forestry about 0.2%

Source : Statistical Pocket Book 1970

TABLE 5

STRUCTURE OF INDUSTRY

(Share of branch in gross output - 1963 prices)

	(percentage)	
	1965	1969
All Industry	100	100
A	65.2	69.3
B	34.8	30.7
Fuel and power	9.6	8.7
Metallurgy	11.5	11.8
Engineering	21.2	24.2
Chemicals	6.7	9.0
Building Materials	3.3	3.4
Forestry	2.3	1.3
Woodworking	5.9	5.5
Pulp, paper	1.2	1.4
Textiles	7.4	7.0
Clothing, footwear etc.	6.6	6.6
Foodstuffs	22.0	18.6
Other branches	2.3	2.5

Source: Statistical Pocket Book, 1970

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TABLE 6

Geographical Distribution of Romanian Trade
(million US dollars)

	1965	1966	1967	1968	1969	1970
<u>Total Trade</u>	2178.7	2399.4	2941.5	3077.6	3373.6	3799.6
Exports	1101.6	1186.1	1395.1	1468.6	1633.1	1850.3
Imports	1077.1	1213.3	1546.1	1609.0	1740.5	1949.3
Balance	+ 24.5	- 27.2	-151.0	-140.4	-107.4	- 99.0
<u>Communist Countries</u> (1)	1415.5	1429.6	1543.1	1699.9	1857.9	2132.6
Exports	755.9	735.4	789.1	873.3	970.4	1075.5
Imports	659.6	694.2	754.0	826.6	887.5	1057.1
Balance	+ 96.3	+ 41.2	+ 35.1	+ 46.7	+ 82.9	+ 18.4
<u>USSR</u>	844.6	803.9	829.4	882.7	919.7	1029.6
Exports	438.4	409.8	432.9	455.7	454.9	528.8
Imports	406.2	394.1	396.5	427.0	464.8	500.8
Balance	+ 32.2	+ 15.7	+ 36.4	+ 28.7	- 9.9	+ 28.0
<u>Developed Non-Communist Countries</u> (2)	630.0	814.2	1163.5	1128.8	1128.8	
Exports	272.0	352.8	436.8	436.5	489.3	
Imports	358.0	461.4	726.7	692.3	730.1	
Balance	- 86.0	-108.6	-289.9	-255.8	-240.8	
<u>Developing Non-Communist Countries</u> (3)	128.7	144.6	214.5	216.0	256.3	
Exports	70.0	88.2	155.3	142.8	159.1	
Imports	58.7	56.4	59.2	73.2	97.2	
Balance	+ 11.3	+ 31.8	+ 96.1	+ 69.6	+ 61.9	

- (1) The term Communist countries includes the following: USSR, East Europe, Albania, China, Mongolia, N. Vietnam, N. Korea, Cuba and Yugoslavia.
- (2) The term non-Communist developed countries includes the following: Common Market (EEC) countries, member countries of the European Free Trade Association (EFTA), Spain, Greece, Finland, Ireland, Iceland, Japan, United States, Canada, Australia, New Zealand, and South Africa.
- (3) The term non-Communist developing countries includes Romania's trade with all other countries listed in its Official Statistics, and also its trade with unlisted countries.

Source : Statistical Pocket Book, 1970.

TABLE 7

Geographical Distribution of Total Foreign Trade

(percentages)

	1960	1965	1966	1967	1968	1969	1970
Communist Countries	73.1	65.1	59.9	52.8	55.8	55.1	56.1
USSR	40.2	38.8	33.7	28.4	29.0	27.3	27.1
Other Communist	32.9	26.3	26.2	24.4	26.8	27.8	29.0
Non-Communist Countries	26.9	34.9	40.1	47.2	44.2	44.9	43.9
Developed	22.2	29.0	34.1	39.8	37.1	36.1	35.7
Developing	4.7	5.9	6.0	7.4	7.1	8.8	8.2

Sources: Statistical Pocket Book, 1970
Official statements

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TABLE 8

Exports by Commodity Group

(percentages)

	1965	1966	1967	1968	1969	1970
Commodity Group						
I Machinery and Equipment	18.5	17.3	19.0	21.3	21.7	22.8
II Raw materials and semi-finished products	49.3	47.6	42.1	41.9	40.7	
of which:						
Fuel, mineral raw materials, metals;	25.3	24.3	20.5	21.2	20.6	
Chemicals, fertilizers, rubber;	6.5	5.8	6.0	6.2	7.1	7.2
Vegetable and animal raw materials (excluding food)	14.1	14.3	12.9	11.9	10.3	
III Foodstuffs and Raw Materials for processing	21.2	23.7	27.8	22.4	21.9	
of which:						
Raw material for processing;	7.3	9.6	12.7	8.3	7.7	
Foodstuffs	13.9	14.1	15.1	14.1	14.2	
IV Manufactured consumer goods	11.0	11.4	11.1	14.4	15.7	18.5

Sources: Statistical Pocket Book, 1970
Official statements

TABLE 9

Imports by Commodity Group

(percentages)

Commodity Group	1965	1966	1967	1968	1969
I. Machinery and Equipment	39.0	41.0	48.8	46.7	44.3
II. Raw materials and semi-finished products	51.2	48.5	41.6	43.6	46.2
of which; Fuel, mineral raw materials, metals; Chemicals, fertilizers, rubber;	32.4	28.5	24.9	27.3	28.4
Vegetable and animal raw materials (excluding food)	6.3	7.2	6.5	6.3	6.7
III. Foodstuffs and Raw Materials for processing	11.1	11.4	8.9	8.7	9.1
IV. Manufactured consumer goods	3.1	3.2	2.7	3.5	3.8
	6.7	7.3	6.9	6.2	5.7

Source : Statistical Pocket Book, 1970.

TABLE 10

Commodity Composition of Imports from the USSR, 1967-69

Commodity Group	Per cent of Total Imports		
	1967	1968	1969
I. Machinery and Equipment of which: Complete plant; Motor vehicles and garage equipment	29.5 (9.1) (3.0)	28.2 (9.6) (2.7)	31.1 (15.3) (2.1)
II. Coal and coke	4.4	3.9	4.6
III. Iron ore	6.4	7.2	7.6
IV. Metal and metal products of which: Cast iron and ferro alloys; Rolled ferrous products and pipes; Non-ferrous products	31.3 (7.1) (22.8) (1.4)	28.3 (8.3) (18.3) (1.7)	25.8 (7.4) (16.9) (1.5)
V. Textile fibres and yarns	6.0	5.3	4.4
VI. Chemicals and fertilizers	3.0	2.9	3.2
VII. Consumer goods	3.2	2.5	1.6
VIII. Other	16.1	21.9	21.6
Total (errors due to rounding)	100.0	100.0	100.0

Source: Statistical Review of USSR Foreign Trade,
1968-1969

TABLE 11

Commodity Composition of Exports to the USSR, 1967-69

Commodity Group	Per cent of Total Exports		
	1967	1968	1969
I. Machinery and Equipment of which: Oilwell drilling equipment;	18.4	22.9	20.8
Equipment for petroleum refineries;	(1.4)	(1.4)	(.4)
Ships and marine equipment	(-)	(1.3)	(2.0)
	(4.2)	(5.3)	(6.1)
II. Petroleum products	7.0	5.7	5.4
III. Ferrous rolled stock	2.6	5.6	5.9
IV. Pipes	11.4	8.7	8.3
V. Lumber	9.4	8.5	8.2
VI. Foodstuffs	2.4	2.1	2.1
VII. Consumer goods	22.8	27.1	30.5
VIII. Other	25.9	19.2	18.7
Total (errors due to rounding)	100.0	100.0	100.0

Source : Statistical Review of USSR Foreign Trade,
1968-1969.

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TABLE 12

Commodity Composition of Imports
From Non-Communist Countries, 1965-1968

Commodity Group	Per cent of Total Imports				
	1965	1966	1967	1968	1969
I. Machinery and transport equipment	36.8	39.9	50.7	46.0	39.1
II. Manufactured goods	27.4	25.5	25.2	26.2	28.4
Textiles	(5.3)	(4.3)	(4.6)	(3.7)	(3.2)
Metals and metal products of which:	(15.7)	(15.0)	(14.7)	(15.5)	(18.0)
Iron and steel and semi-manufactures	(11.9)	(10.1)	(10.1)	(10.5)	(12.6)
Other	(6.3)	(6.3)	(6.0)	(5.0)	(5.4)
III. Textile fibres	11.7	9.1	5.3	5.8	6.1
Manmade fibres	(4.2)	(3.0)	(1.5)	(1.2)	(1.5)
Cotton	(7.4)	(6.1)	(3.7)	(3.6)	(3.7)
IV. Chemicals	9.4	8.7	7.3	7.2	7.6
V. Crude and synthetic rubber	2.0	2.4	1.8	1.9	2.6
VI. Foodstuffs	4.1	4.7	3.3	4.8	5.5
VII. Iron ore and concentrates	2.3	2.6	0.6	1.0	1.1
VIII. Coke and coking coal	1.0	0.4	0.1	0.6	2.0
IX. Other and unspecified items	5.3	6.7	5.5	6.5	7.5
TOTAL (errors du to rounding)	100.0	100.0	100.0	100.0	100.0

Source : United States Department of Commerce

TABLE 13

Commodity Composition of Exports
to Non-Communist Countries, 1965-1969

	Per Cent of Total Exports				
	1965	1966	1967	1968	1969
I. Foodstuffs of which: corn (maize) wheat	28.9 (10.9) (---)	22.6 (1.7) (1.7)	35.2 (6.8) (9.3)	26.7 (1.2) (8.4)	25.4 (2.8) (4.2)
II. Petroleum and petroleum products	16.4	14.7	11.2	13.4	9.0
III. Timber and timber products	20.4	16.4	12.5	10.1	10.7
IV. Chemicals	5.3	4.5	5.1	4.3	5.2
V. Manufactured goods of which : Iron and steel and semi-manufactures	14.3 (1.6)	16.4 (3.3)	14.7 (3.2)	17.2 (3.5)	22.8 (5.3)
VI. Machinery and transport equipment	1.9	2.4	3.2	5.4	7.4
VII. Other and unspecified items	12.7	23.0	18.1	23.0	19.5
TOTAL (errors due to rounding)	100.0	100.0	100.0	100.0	100.0

Source : United States Department of Commerce

DECLASSIFIED/DECLASSIFIEE - PUBLIC DISCLOSED/MISE EN LECTURE PUBLIQUE

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TABLE 14

Romanian Credits From the Free World
(\$US million)

	Outstanding Credits	New Credits	Reimbursements	Percentage Change Total Credits
1965 I	128.0	39.3	19.9	+ 17.9
II	226.2	111.4	13.2	+ 76.6
1966 I	295.5	72.9	3.6	+ 30.6
II	463.8	191.9	23.6	+ 56.9
1967 I	562.9	134.2	35.1	+ 21.4
II	626.7	94.5	30.7	+ 11.3
1968 I	728.6	164.9	63.0	+ 16.3
II	748.5	73.0	53.2	+ 2,7
1969 I	719.8	110.3	79.2	+ 4.2
II	791.8	90.6	78.4	+ 1.6
1970 I	786.9	75.3	80.2	- 0.6
II	789.3	70.3	85.1	+ 0.3

Source: Credits Granted by NATO Countries to Communist Countries
NATO, AC/127-D/333, 22nd February, 1971, and
ED/EC/71/62 dated 11th October, 1971

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TABLE 15

Main Economic Indicators

	1966-70 Plan	1966-70 Actual	1971-75 Plan 1 Aug. 69	1971-75 Plan 2 Nov. 70	1971-75 Plan 3 Oct. 71
	Annual Average				
National Income	8.0	7.7	7.7-8.5	10-11	11-12.7
Gross Industrial Production	10.6-11.6	11.8	8.5-9.5	10.11	11-12.2
Gross Agricultural Production	4.5-5.7	4.4	5.0-5.5	6-7	6.3-8.3
Foreign Trade	8.9-9.0	11.8	7.0-7.7	9.2-10.5	10.0-11.5
Industrial Labour Productivity		7.7	6.5-7.0	6.7-7.5	7.3
Real Wages	3.7-4.6	3.5-3.7	3.0-3.7	3.5-3.7	3.7
Retail Sales		8.3	5.4-6.2	5.5-6.5	7.0-8.0
			TOTAL		
Investment (Billion lei) Centralized state funds	280.5	289.7	420-435	450-470	470
Wage earners (thousands)			400-500	700	1010

It should also be noted that the target for the 1971-1975 yearly rate of increase in total real incomes par capita has been set at 6.7 per cent.