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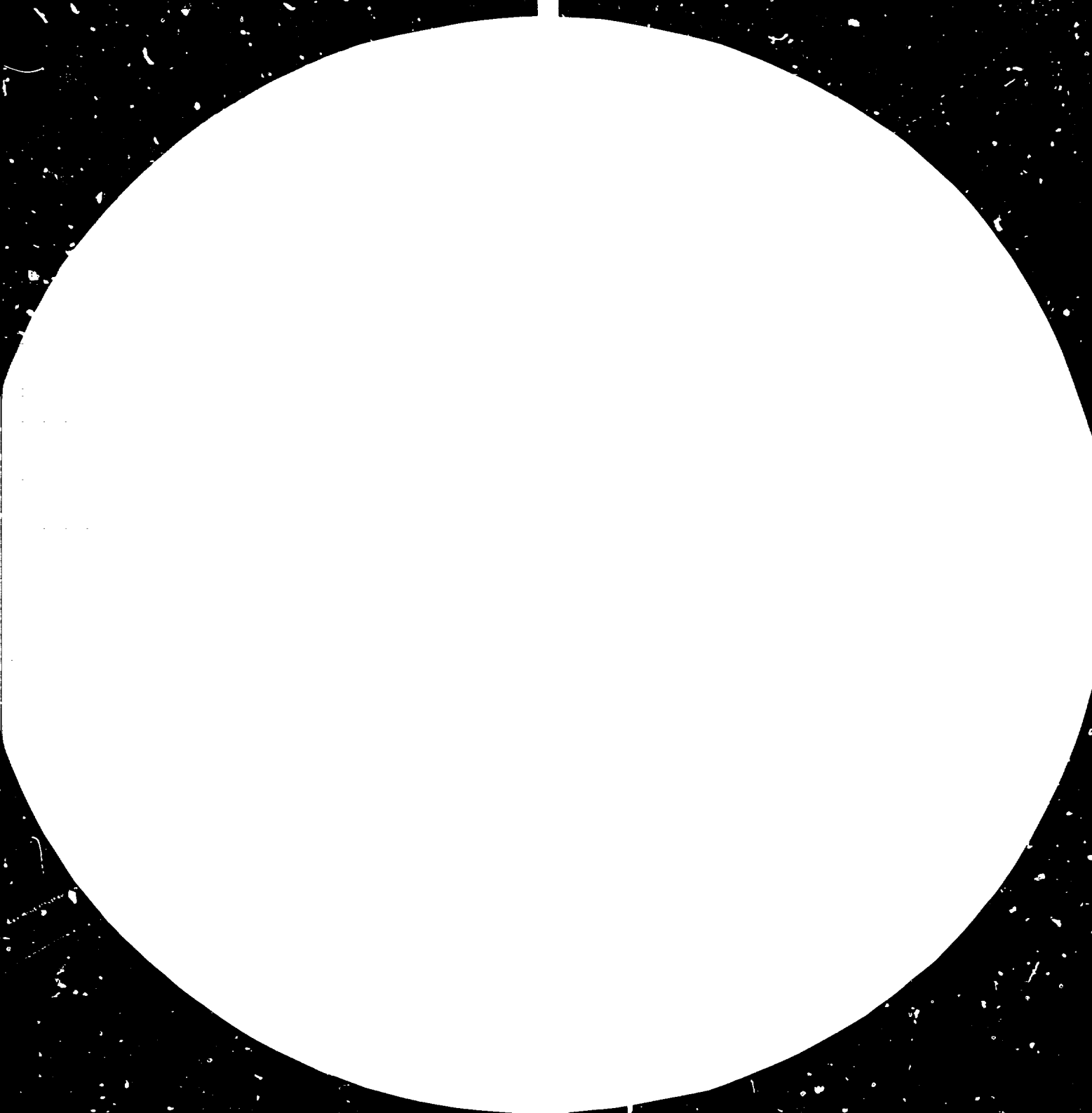

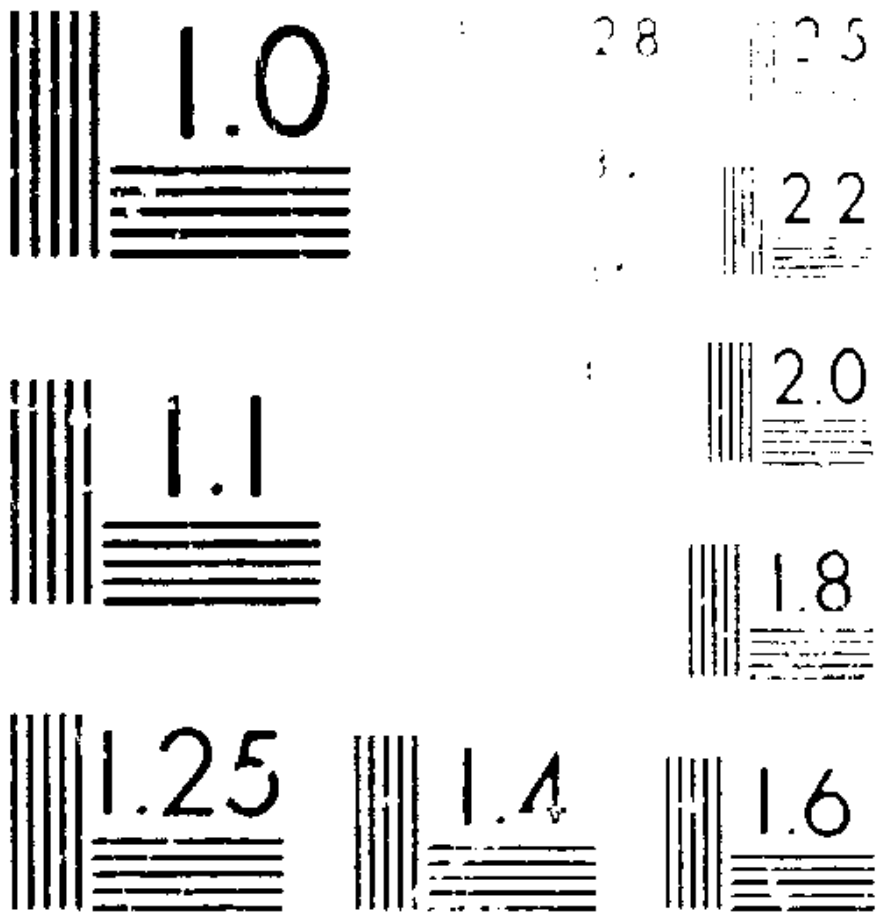
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United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.357/8
31 March 1982

ENGLISH

Research Seminar on Structural Changes in Industry in European CMEA Countries

Budapest, Hungary, 22 - 26 March 1982

STRUCTURAL CHANGES IN ROMANIAN INDUSTRY AND THE EXPANSION OF ITS FOREIGN ECONOMIC RELATIONS*

by

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V.82-24158

PREFACE

This study was prepared by Mr. C. Russu, Director of the Institute of Industrial Economics, Bucharest, and Mr. I. Danescu, Deputy Scientific Director of the Institute of World Economy, Bucharest, and submitted to the Research Seminar on Structural Changes in Industry in European CMEA Countries, held in Budapest, Hungary, from 22 to 26 March 1982. The paper attempts to analyse the main objectives of the industrial policy, the prospects of further modernization of the structure of the Romanian industry and to point out some aspects in the development of Romania's foreign trade and co-operation.

The study fits in the framework of the research programme of UNIDO on industrial redeployment and structural change. This programme constitutes a surveillance of the international industrial restructuring process, aiming at highlighting pertinent trends in industrial development nationally and internationally. By identifying the factors that determine structural changes and indicating the likely direction and possible implications of this process, uncertainties and rigidities in this process might be reduced and a basis created for a forward-looking conception of industrial co-operation between the developed and the developing countries.

1. THE MODERNIZATION OF INDUSTRIAL STRUCTURE

1.1. Main objectives of the industrialization policy

Approaching the main option of determining the country's economic strategy, between the alternative that it should remain a predominantly agrarian country, with a slow industrial development, and that of an accelerated economic growth, in the process of which industrialization plays the main role, Romania has chosen the latter, the only one capable of leading the country out of the post-war socio-economic backwardness to the road of many-sided development of society.

The adoption of such option was founded on the objective assessment of the country's socio-economic realities and has led to the establishment of a policy of industrialization consistently pursued over a time-span of more than 3 decades of unabated economic growth, whose main objectives were[1]:

- the creation of a basic industrial configuration through the development of its main branches, which ensures the technical-material base of the economy as a whole ;

- the enforcing of the leading role of the industry within the economy and the priority development of the production of means of production relative to the production of consumer goods, which generates the creation of an industrial base for the process of industrial development ;

- the development and consolidation of high technology industries, the so-called growth industries, which brings the industrial structure close or makes it almost identical to that of an industrialized country ;

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1. See I.V.Totu "General şi particular în procesul de industrializare" (General and particular in the process of industrialization") in "Politica P.C.R. de industrializare socialistă a țării" (Romanian Communist Party's policy of socialist industrialization of the Country), Bucureşti, Editura Academiei R.S.România, 1978, p.16-18

- the extension of industrial activities and gradual formation of industrial subsystems in other branches of the national economy , thus corresponding to a higher stage of development - the existence of a national industrial system.

The fulfilment of these industrialization objectives permanently assumed specific forms, determined by a set of economic, social and political factors, among which the degree of overall economic development of the country, the branch structure of the national economy, the availability of necessary resources, the size of domestic market and the demand on the world market, production specialization and the development of international economic co-operation. The efforts made with a view to translating into life the policy of industrialization materialized in the transformation of Romania into an industrial-agrarian country, with an industrial structure basically changed from that of pre-war Romania, which mirrors the attainment, during the 1948 - 1965 period, of the first two mentioned objectives, pursuing now the attainment of the other two, having already achieved a diversified industry as a technical support for the whole economy.

The results of the implementation of the industrialization policy are convincingly illustrated by several figures : during the 1950 - 1980 period, the industry has increased its share in the national income from 44 per cent to 58,6 per cent, in the production assets from 40,6 per cent to 59,6 per cent and in the overall employed population from 12 per cent to 35,5 per cent, figures which confirm the role of industry as leading branch and propelling force of the entire national economy.

1.2. Major characteristics of the evolution of industrial structure during the last three decades.

The main features of the evolution of Romania's industrial structure during the mentioned period will be dealt with in the following.

a) The accelerated development of industry and its dominant place within the economy were implemented by the priority orientation of accumulations in its favour ; a process of preferential allocation of accumulations also took place among industrial branches and subbranches, the main beneficiaries being mining,

electrical power, metallurgical, engineering and chemical industries Thus, the increase in the share of capital goods producing industries (group A) in the overall industrial production was due to the redistribution of accumulations in favour of industries belonging to this group, for instance, if group A accounted for 55.9 per cent of the gross industrial output in 1955, during the 1951-1955 five year plan 86.9 per cent of the overall industrial investments were allocated to this group, this trend continuing with the same intensity until 1965, subsequently slowing down.

The shares of investments allotted to various Romanian industries during the 1960-1980 period fall into three categories : industries with rising shares - ferrous metallurgy including ore extraction, machine-building, chemistry, construction materials ; industries with relatively constant shares - energy, printing, textiles ; industries with decreasing shares - oil extraction and refining, nonferrous metallurgy, wood exploitation and working. As a matter of fact, the branch structural analysis of investments allotted to the industrial development in the European socialist countries reveals the existence of closely-related orientations, a common feature during the last two decades being the priority allocation of investment funds to the machine building and chemical industries, which got in 1978 between 30 and 41 per cent of the overall funds for industry, Romania being at the top limit.

A natural consequence of these orientations in the investment policy was the continuous increase in the share of industrial fixed assets in the national economy as a whole.

Table no.1

The structure of fixed assets by branches of national economy

%

Years	Industry	Construction	Agriculture	Transport and telecommunications	Housing Stock administration and other non-productive services	Education culture, arts, social security, physical culture
1950	19,8	0,7	19,0	13,7	31,2	2,5
1960	27,7	2,0	14,9	11,1	28,4	3,3
1970	37,4	2,7	12,6	11,7	21,6	3,4

1980	44,0	4,4	10,7	12,9	17,4	3,2

Source: Anuarul statistic al R.S.România 1981,Directia Centrală de Statistică,Bucuresti,1981,p.110 (Statistical Yearbook of the Socialist Republic of Romania)

b) The industrialization process, especially during its early stages, aimed, in particular, at the realization of the first mentioned objective, ensuring the priority growth of the production of means of production : of approx.47 times during the 1950 - 1980 period as against 33 times for the whole industry and 18 times for the production of consumer goods. As a consequence, the share of group A in the gross industrial output has risen from 51,9 per cent in 1950 to 74,5 per cent in 1980, characteristic for this period being the sustained efforts made for the creation and development of the technical - material base for the large industry.

c) Within this general trend concerning the two groups, the branches included in them had their own evolutions determined by a number of factors among which the investment potential and the requirements made by branches as to the investment specific consumption, technical - scientific potential of each branch, branch technical level, labour force qualification level, the degree of utilization of primary resources within each branch etc.

The main changes in the structure of industrial output illustrated by the figures included in table no.2, have been aimed at achieving high rates of balanced economic growth, rational exploitation of natural and labour resources, and the dissemination of technical progress throughout the economy.

Table nc.2

The evolution of the structure of gross industrial output by industries x)

	195o	196o	197o	198o
Electric and thermal energy	1,9	2,5	3,2	1,8
Fuel	11,3	9,1	5,3	4,5
Ferrous metallurgy(including ores extraction)	5,4	6,3	8,5	7,4
Non-ferrous metallurgy (including ores extraction)	2,1	2,1	3,3	3,2
Machine-building and metal working	13,3	24,o	25,o	35,2
Chemistry	3,1	6,1	1o,1	8,7
Non-metal ores extraction	o,1	o,3	o,2	o,3
Construction materials	2,4	3,2	3,4	3,4
wood exploitation and working	9,9	7,5	6,4	4,1
Cellulose and paper	1,3	1,o	1,4	1,4
Glass,china,crockery	o,7	o,7	o,8	o,7
Textiles	11,1	7,9	7,2	8,2
Garments	7,5	5,6	4,3	3,6
Leather, furs,footwear	4,o	2,8	2,1	2,2
Foods	24,2	18,9	17,3	12,8
Soap and cosmetics	o,4	o,4	o,2	o,2
Printing	o,8	o,9	o,3	o,2
Other industries	o,5	o,7	1,2	2,1

x) For 195o and 196o in 1955 prices; for 197o in 1963 prices; for 198o in prices prevailing on 1.o1.198o

Source : Anuarul statistic al R.S.România,1981,DCS,Bucuresti, 1981,p.164-165 (Statistical Yearbook of the Socialist Republic of Romania)

Among the most significant aspects regarding Romania's industrial structure and the main influencing factors are the following :

- The share in the gross industrial output of "fuel" and "electric and thermal energy" industries in 1980 were 4,5 per cent and 1,8 per cent, respectively, the first figure ranging within the average level recorded for the CMEA countries, the latter being the smallest. For the overall primary energy resources, production and consumption have risen very rapidly, outstripping the world growth rate by some 15 per cent for production and by 71 per cent for consumption. Within the production structure achieved, the share of solid fuels has risen significantly and that of oil has decreased almost twofold offset by the shift in the opposite direction recorded for methane gas. Proved reserves of primary fuel are modest, being,with the exception of Hungary, the smallest among European socialist countries,especially due to small coal reserves.

- The share of ferrous and nonferrous ores extraction has risen in 1980 to 1,2 per cent. Up to 15 per cent of consumption needs are met by domestic extraction of ferrous ores, Romanian ores having a low yield, ranging between 70 and 100 per cent for copper, lead, zinc and aluminium.

- The development of ferrous and nonferrous metallurgy was oriented towards ensuring, to the greatest extent, the raw and other materials needed by processing industries, in the conditions of permanent import reductions and a better turning to account of domestic resources. Although Romania has considerably increased its physical outputs of cast iron, steel, ferroalloys and rolled goods, the share of this branch has diminished from 13,5 per cent in 1970 to 9.4 per cent in 1980, trend which was also manifest in all European socialist states, as well as in many other countries, being more pronounced for ferrous metallurgy. A wide reorientation took place within ferrous metallurgy towards the production of converter steel - whose share in the overall steel production has risen from nil in 1965 to 44 per cent in 1980 - and of electric steel - whose share has risen, during the same period, from 8 to 17 per cent, the share of Martin steel decreasing to a commen-

surate amount. In the production of rolled goods, the share of higher process groups (welded pipes, hot-rolled plate) has risen from some 2o per cent in 196o to 49 per cent in 198o.

- Machine building and metal working industry has consolidated its leading position within the national economy, increasing its share from 23.1 per cent in 197o to 35.2 per cent in 198o. The priority orientation of this branch was towards the subbranches which produce the machinery, technological equipment and installations required by the economy as a whole, its recorded level being approx. 1o per cent of the overall industrial output. In the production of machine-tools for metal working, the orientation is towards cutting tools (their share in the machine-tools output, in value terms, was 84.6 per cent in 198o), in many other countries, including socialist ones, the predominant share being that of forming machine-tools. Significant changes also occurred in the production of the means of transportation of all kinds, internal combustion and electric motors, tractors and combines, telecommunication equipment, automation equipment etc.

- The chemical industry is among the most dynamic ones, its share rising from 7.5 per cent in 197o to 8.7 per cent in 198o. The most remarkable aspects concerning the structure of this branch are : priority orientation toward "synthetic rubber, synthetic fibres and yarn, synthetic resins, plastic materials" and "rubber and plastics processing" subbranches, although since 1975 becomes manifest the trend to reduce the production under the impact of raw materials and energy world crisis ; the still small share in the gross industrial output of the "basic chemical production" (processing acids, bases, salts, carbon black, dyestuffs) which records, in other socialist countries, considerably larger shares ; also, the small share of the "drugs and pharmaceutical products" subbranch ; the priority orientation of the production of chemical fertilizers towards nitrogenous and phosphatic brands etc.

- As far as the evolution of other branches of industry is concerned, their share in the overall industrial production, during the period under review, either diminished (wood exploitation and working, the food industry) or kept at a fairly constant level (construction materials, cellulose and paper, glass, China and

crockery), or finally, varied between fairly broad limits, depending on various factors, recently recording a stabilization (textiles, garment, leather, furs and foot-wear).

d) The orientation of economic growth, especially by restructuring the industry in favour of metallurgy, machine building and chemistry, has contributed to the considerable rise in the required amounts of mineral and energy resources, increasingly obtained through imports, concurrently with the diminished dependence on renewable resources from agriculture and forestry.

Illustrative to this effect is the fact that, for instance, during the 1960 - 1980 period, the share of imports of fuels, mineral raw materials and metals has risen from 34.2 per cent to 50.3 per cent in the overall amount of imports ;

e) In the context of accelerated development of industry within the economy and of priority development, within the industry, of branches producing means of production, another noteworthy phenomenon for the modernization of Romanian industry is the high rates of development recorded by leading, high technology industries which ensure the dissemination of technical progress throughout the entire economy and enjoy a particular technological and product-mix mobility.

To this end, it is relevant to mention the comparison between the growth rates of leading industries in Romania and worldwide, which points to the existence of a similar trend [2]. Thus, on a world level, relating the growth rate of the production of each branch to that of the growth of the overall industrial production makes it possible to obtain some elasticity coefficients recording the highest values for the leading industries : 1.75 for electric machinery; 1.46 for chemical products, petrochemicals and plastics; 1.25 for metal products, machinery and equipment etc. the smallest values were recorded for the extracting industries, cellulose and paper, textiles and garment industries. During the 1967 - 1976 period in Romania there were recorded closely-related values for these coefficients : 1.64 for electric machinery ; 1.39 for chemical industry ; 1.44 for machinery ; 1.34 for metal products.

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2. See A. Iancu "Modernizarea structurii industriei (I)" (Modernization of industrial structure) in Revista economică nr. 31/1981, p. 17

To the same purpose, it is appropriate to point out that, during the 197o-198o period, as against an average annual growth of 15.3 per cent recorded by the machine building industry, the electrical engineering industry, which also includes the branch with the highest technology - the electronics - has experienced a more accelerated average annual rate of growth (17.4 per cent).

The sustained development of leading industries - which turn out products with low material and energy consumption and make better use of material resources, have a high amount of added value determined by the sizable volume of high skilled labour spent in research, design and execution, constituted a characteristic feature of the last three five year plans and will also continue to represent a major direction of future evolution of Romanian industry. As pointed out by President Nicolae Ceausescu, "we shall have to provide for the more accelerated development of electronics and microelectronics, of production automation and control equipment. Particular emphasis should be laid on the elaboration of new technologies, production renewal, raising its technical and qualitative performance up to the level of the best world-wide similar products"[3]

f) The foreign trade of any country represents, by its volume, structure and trends, a mirror of its economic potential, as well as of the structure of its national economy. Furthermore, as far as the industrial structural changes are concerned, foreign trade reflects not only the quantitative and qualitative transformations generated by the industry in the economic potential of the country, but at the same time, constitutes an important and efficient means of producing and stimulating these transformations.

Under the impact of accelerated development of the national economy, of the growth and modernization of industrial production, the role of industry in expanding Romania's foreign trade has risen continuously, since 1965 the growth rate of the amount of trade exchanges and production co-operation and marketing acti-

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3. Nicolae Ceausescu "Expunere la deschiderea lucrărilor Congresului al II-lea al consiliilor oamenilor muncii (Expose at the opening of the debates of the II Congress of working people's councils) 24 iunie, 1981, Bucureşti, Editura politică, 1981

vities has outstripped the rates of growth of the national income and industrial production. A detailed account of the qualitative and structural evolution of Romania's foreign economic relations is given in chapter 2.

g) Considering the gross industrial output of recent years, the structure by Romania's main industries has a configuration rarly close to that of developed countries, which means that during the present stage of economic evolution the process of switching over from the extensive to intensive development implies restructuring not as much at the level of branches but, especially, at the level of subbranches, groups of products, some products and production processes.

1.3. Prospects for the further modernization of industrial structure.

Far-reaching changes will take place at the level of branches, subbranches and groups of products determined by the objective need of the long-term adaptation of industrial production to the new trends and phenomena which manifest themselves in Romanian economy and world-wide, as well as by the necessity to considerably raise the efficieny of economic activity, in line with the expressed goal of Romania's present stage of socio-economic development - changing over to an intensive economic development, emphasising its qualitative sides. The most significant trends and phenomena, in which context future changes in Romania's industrial structure and, implicitly, in the foreign trade, could be projected, are the following :

- The pressure exercised by resources, determined by their limited character, will be increasingly felt by the foreign trade - due to the continuous rise on the world market in prices of raw materials and, especially, of energy - and by the domestic production - as resources exploitation is made in ever more difficult technical and more costly economic conditions.

Naturally, these conditions determine the adoption of some major options of restructuring leading to an accelerated development of industries making more efficient use of resources, capable of turning out technically-advanced, high skilled labour intensive products with low raw materials and energy consumption.

- Technical-scientific progress is the predominant feature of our era, which has the widest impact on the changing industrial structure by stimulating the development of subbranches receptive to the most up-to-date technical-scientific discoveries, where their introduction has deep and wide-ranging effects, concurrently with the continuous decline of subbranches where these effects are slow and limited.

- The increasingly stronger links of each national economy with the world economy, means, at the same time, the exposure of its economic potential to the rigours of foreign markets, materialized in particularly high standards demanded as regards the quality of products and services, their renewal and diversification, the technical, technological and organizational flexibility of production activities. The future modernization of Romania's industrial structure is conceived along these lines, in terms of developing those industrial subbraches and groups of products which meet, to an ever greater extent, the above-mentioned requirements.

In the context of such major trends and phenomena that will influence, to a great extent, the future evolution of Romanian economy, the industrial policy of the Romanian Communist Party hinges on the idea that the existence of a strong industry is the decisive factor of the many-sided development of society, of the continuous raising of the material and spiritual living standard of the people.

Further development of Romania's industry will take place within several main coordinates, among which : its decisive orientation towards high technology branches and subbranches that make better use of raw materials and social labour ; the broadening and diversification of its own raw materials and energy base by identifying new sources and elaborating appropriate technologies for the complete utilization of all resources ; the improvement in the quality of industrial products, ensuring their competitivity on foreign markets, the raising of technical level and improving of manufacturing technologies ; the continu s increase in economic efficiency, the reduction of production material costs, the most efficient utilization of material means and labour force. The main structural changes to be generated by the evolution of Romanian industry within

the above mentioned co-ordinates could be discerned from the goals set out by the single national socio-economic development plan for the 1981-1985 period, as well as from the guide-lines included in other long-term programmatic documents - "The programme-directive in the field of energy research and development for the 1981-1990 period and the main guide-lines up to the year 2000" and "The programme-directive in the field of scientific research, technological development and introduction of technical progress during the 1981-1990 period and the main directions until the year 2000". The most noteworthy changes resulting from the analysis of the industrial policy envisaged by the mentioned documents for the present decade will be synthetically reviewed in the following.

- As far as the national energy system is concerned, the measures already undertaken and those to follow up refer to : the identification and introduction into the economic circuit of new fuel reserves, as well as the expansion of the raw materials base : the extension of the construction of hydro-electric power stations and starting the construction of nuclear stations; the utilization, to a greater extent, of solid fuels, etc., all these leading to the improvement in the production and consumption structure of primary energy resources (for instance, in 1990, in comparison with 1980, out of the overall electrical energy output, hydro-energy will account for 24 per cent as against 17.6, nuclear energy 17-18 per cent as against nil, energy based on coal and oil shales 44 per cent, as against 40 per cent). At the same time, particular stress will be laid on the rational administration of reserves, on increased efficiency in the utilization of resources, on finding new energy sources and appropriate non-conventional technologies. Great importance will be attached to energy conservation measures, which are channelled in two main directions: the achievement of a technological improvement for the reduction of specific energy consumptions recuperation of thermal energy resources and their turning to good account; the improvement of production structure by the strict limitation of the production of energy-intensive goods and the development of subbranches and groups of products with low energy consumption and high process and technology.

- It is envisaged that, the metallurgical industry, by broadening its own mineral raw materials base, modernizing its equipment and importing some quantities of coke and coking coal should be able

during the present decade, to provide from the domestic production, the entire necessary amount of steels and more than half of that of copper, lead and zinc. Particular importance will be attached to the increased recuperation and reutilization of all materials used in production and consumption processes. to this effect, being stipulated that, in 1985, 46 per cent of the amount of steel required for the domestic production, 40 per cent of lead and 41 per cent of copper should be met in such a way. Efforts will be directed towards increasing the share of special, alloyed and highly alloyed steels, obtaining highly processed metallurgical products, raising the share of rolled goods and plates in the production of aluminium, so that it would gradually eliminate the need to import products from steel and aluminium based alloys for meeting the needs in the main industrial fields and leading industries.

- The changes which will take place in the structure of machine building industry are subordinated to the objective of boosting the role of this industry in expanding and improving the exports and in sustaining the investment programme which will continue in the future. As a matter of fact, the average annual growth rate of this industry during the 1981-85 five year plan - 8.8 per cent is, with the exception of that of the chemical industry and oil processing (10.2 per cent) the highest in comparison with other industries (mining 6 per cent ; metallurgy 7.7 per cent ; light industry 7.5 per cent ; food industry 7.7 per cent etc.); being conspicuously above the average rate of development for the whole industrial production- 7.6. per cent. In obtaining this growth rate, the most significant changes will be : the increase in the share of the production of high performance machinery and equipment needed for the technical endowment of all branches of the economy, as well as that of complex systems which integrate elements of precision mechanics, automation and computer technique in their structure ; development of the production of thermoenergy equipment

based on coal and oils shales, of turbines and hydroelectric installations of nuclear-electric equipment, etc,needed for sustaining the changes which will take place in the energy system structure and in the raw materials base ; the intense development of the electronics complex (telecommunications, automations, computers), taking into account its decisive role in modernizing the economy and in the entire socio-economic life ; within electronics, whose production will account in 1990 for more than 16 per cent of the overall production of the machine-building industry,computers and computing equipment will experience a faster growth than electronic components and consumer electronic products ; the development of machinery, equipment and systems of machines needed by the agricultural foodstuffs industry.

- The chemical industry which,as already mentioned, will experience the highest growth rate during the 1981-1985, will undergo deep industrial structural changes, determined by a number of considerations and conditions ; it is highly energy - intensive ; in our country still records a lower efficieny than that in other countries in terms of energy consumption ; its prospects of exporting its products are increasingly deteriorating, due to stiff competition on the world market and some indications of a reduction in sales ; encounters growing difficulties in importing the necessary raw materials, as a consequence of a sizable increase in their price. Under such conditions, changes in the structure of chemical industry will be oriented towards the raising of production economic efficiency, the strong reduction in the exports of finished and intermediary energy - intensive products, concurrently with the increase in the share of products with higher process and low energy and raw materials consumption. The envisaged changes will materialize in the priority development of petrochemistry (which will account in 1990 for some 75 per cent of the overall chemical industry), of fine chemicals, of the production of substitutes for a number of natural products - wood, leather, cotton, wool, natural fertilizers, etc.

- In the field of consumer goods industry, the main structural changes will be determined by the need to modernize this industry and by the shifts which take place in the demand on the world and domestic markets and will consist, in the main, in the increase of the share of high quality foods and garments, as well as of the amount and qualitative level of consumer durables. With a view to taking full advantage of the favorable conditions prevailing in Romanian economy for developing a successful consumer goods industry and, especially, the food industry, further wide-ranging measures are needed which should lead to the diversification and improvement of products quality, in order to meet in better conditions domestic demand, as well as to increase their competitivity, thus raising their share and efficiency in foreign trade relations.

x x x

The outline of the main structural changes in Romania's industry envisaged for the future, as shown above, reflects the most significant shifts in the policy of continuing, within new co-ordinates and at a higher qualitative level, the intense industrial development, in full agreement with Romania's goal of becoming a medium economically developed country.

2. Some aspects in the development of Romania's foreign economic relations

2.1. Trends in the foreign trade qualitative and structural evolution.

The development of our national economy and the positive changes that occured in the level and structure of industrial production have given new dimensions to Romania's foreign economic relations.

During the last decade, Romania's foreign economic relations have witnessed a dynamic evolution, which is reflected not only by the increased volume of imported and exported goods, but also by the extension of their geographical orientation, by the improvement of exports structure, by the extention, under various forms, of its international economic cooperation.

During the 1970-1980 period, the overall industrial output increased by 2.9 times, scoring an annual average rate of 11.2 per cent while the foreign trade volume has, in value terms, increased by 4.9 times, with an annual average increase rate of 14.1 per cent.

In 1981 the total volume of exports increased by 12.5 per cent, while exports in hard currency rose by 14 per cent, thus achieving a trade balance surplus that is to be further increased in the years to come.

About 30 per cent of Romania's industrial output is export-oriented. As concerns certain groups of products, such as tractors, lorries, four-wheel-drive cars, oil equipment, train wagons, certain chemical products etc, their export quotas are higher than fifty per cent.

The restructurings that have been taking place in Romania's economy are also reflected in the country's foreign trade ; they have ensured an improvement in the structure of our export offer required by the process of a permanent adjustment to the requirements of the foreign market.

Consequently, the share of the manufactured goods has increased alongside with a process of permanent modernization and renewal of products. Thus, the weight of highly processed products in the group : "Machinery, equipment and means of transport" has recorded a particular development, as the volume of products within that category increased by 5,6 times during the seventies, accounting, in 1980, for 26.2 per cent of the total volume of exports.

In the field of certain machinery and equipment Romania has succeeded to get a front-ranking position as an exporter on the international market : thus, Romania is the second world exporter of oil well drilling equipment, the eighth exporter of tractors etc. Mention should be made that high technology products have an ever increasing share in the exports of Romania's industry : telecommunication equipment, other electronic equipment, electronic computers, precision engineering products and optical instruments etc. Alongside with that, the export products implying a low degree of processing has been significantly reduced, as was the case with fuels, mineral raw materials (from 67.1 per cent in 1950 to 29.4 per cent in 1980).

The further development of Romania's foreign relations aims at achieving an active trade balance, alongside with a further improvement in the structure of our exports, so as to increase the share of energy saving products and of those that imply a high content of research and skilled work.

By 1985, the share of products of machine-building and chemical industries will account, in the total exports, for more than 60 per cent. At the same time, improvements are to take place in the export structure for products made by these two industries. Consequently, the export offer for products made by the electronics, precision engineering and machine tools industries, as well as for fine chemicals, is to increase at higher than average rates of development.

As far as the geographical orientation of Romania's trade exchanges is concerned, it is worth mentioning that, alongside with the intensifying of exchanges with the socialist countries, a wide opening of economic relations with the developing countries has taken place during the last decade, reflected both by the number of countries we are having trade exchanges with, and also by the increase and diversification of mutual exchanges.

Mention should be also made that a dynamic growth has been recorded in our relations with the industrialized capitalist countries within efforts we are making to balance the import and export flows and to promote new forms of cooperation (including production and trade joint-ventures having their headquarters on the Romanian territory, such as the Romanian-West German joint venture Resita Rank, Romanian-American joint venture Pomcontrol Data set up in cooperation with U.S. firm Control Data Corporation, the Oltcit joint venture for the production of cars set up in cooperation with the French firm Citroen (and which has started production of cars at the beginning of this year).

2.2. The development of Romania's foreign trade and cooperation with the socialist countries

In the general context of our foreign trade, Romania's trade exchanges with the other socialist countries hold a front-ranking place.

In 1980 the share of the socialist countries in Romania's total volume of foreign trade accounted for 43.2 per cent in our exports and 37.8 per cent in our imports.

During the last decade, the volume of mutual exchanges between Romania and the other socialist countries increased by more than three times.

The progress recorded by Romania's economy has made possible not only a quantitative increase, but also a qualitative improvement that reflected itself in the structure of exchange flows.

Consequently, the weight of processed industrial products in Romania's exports towards socialist countries has increased due to more dynamic sales of machinery, equipment, chemical products and food-stuffs. The export of machinery and equipment towards CMEA member countries during 1971-1980 increased by five times, the export of chemical products by almost five times, that of processed food-stuffs by 4.3 times.

A deeper analysis made at the level of sub-groups, shows an increase by more than eight times in the export of electrical

engineering equipment, by five times in the export of lathes, among which those of a more sofisticated construction became more and more frequent and that of oil drilling and chemical equipments by six times. It is worth mentioning that in our exports there have emerged new products, such as precision measuring instruments, laboratory apparatus for scientific research, telecommunication equipment etc.

In Romania's imports from CMEA member countries structural modifications have been recorded, determined by the rapid increase in our imports of highly processed industrial products.

Romania's needs for investment goods are covered in a proportion of more than 61 per cent by CMEA member countries.

In our opinion, there are real possibilities that such imports, which represent an important contribution to the development of the country's industrial base, be further developed, having in view the production potential and diversification the socialist countries have attained as a whole.

During the last years, Romania's purchases of chemical products from socialist countries have also recorded high rates of growth, covering at present some 22 per cent from our import needs, as compared with only 2o per cent in 1975, and imports of industrial consumer goods 44.5 per cent, as compared with 42 per cent in 1975. An important contribution to the development and diversification of exchanges structure was brought about by the process of getting Romania into the framework of cooperation in production and technical scientific cooperation offered by CMEA on a bilateral and multilateral basis.

During 1976-198o, Romania participated in the implementation of 45 multilateral conventions with CMEA member countries for specialisation in machinery production. During the last five-year plan, the volume of exports in products manufactured in accordance with such conventions for specialisation and cooperation in production with CMEA member countries increased at a faster rate than the total exports of such products towards the above mentioned countries.

As concerns the period after 1980, Romania has already expressed her interest to participate in eighty out of one hundred multilateral specialisation conventions.

Alongside with intensifying her participation in multilateral conventions, a particular attention has been paid to achieving new bilateral agreements on specialisation and cooperation in production, aiming mainly at concluding such agreements in fields that have not been yet covered by multilateral conventions, or which have not been approached by CMEA so far.

The bilateral specialisation agreements concluded with other socialist countries aim at a wide range of products of machine building industries. Such agreements have been concluded with the USSR for ships, electrical engineering equipment and agricultural machines, with GDR for precision mechanics, power transformers, Diesel-hydraulic locomotives; with Czechoslovakia for machine-tools (heavy vertical lathes, jig boring machines), integrated circuits, semi-conductor devices; with Poland for machine-tools, hoisting and carrying equipment, cassette recorders ; with Hungary for hydraulic elements, assemblies and subassemblies for vehicles, medical apparatus ; with Bulgaria for means of auto transport and general machine tools.

It is also worth mentioning a series of examples of cooperation under different forms, such as :

- Hydroelectric power stations on the Danube river, built in cooperation with Yugoslavia ;

- Romania's participation in important projects sponsored by the USSR in the field of iron ore pellets, cellulose, asbestos, natural gases ;

- Building in Romania with Soviet participation of a plant for the production of caustic soda, chlorine and dyestuffs from which eighty per cent of the output is to be taken over by the USSR in exchange for of high economic value products.

- Manufacturing in Romania of subassemblies on technical documentation supplied by partners to be paid in deliveries of products to meet our partners needs (example in this respect is the production of photo lenses in Romania for GDR).

- Building, in cooperation with Bulgaria, of a joint

enterprise for the production of heavy machines at Giurgiu and Russe having production units in the two neighbouring towns ;

Setting up the Romanian - Bulgarian joint company "Dunărea", whose object of activity is to supply engineering services, to participate in investment projects in the two countries or on third markets, to market the products obtained through various forms of Romanian-Bulgarian cooperation.

The mutual cooperation can bring its contribution to the settlement of the complex problems that emerged in the middle of the last decade, as a main effect of the negative consequences brought about by the world economic crisis.

The implementation of important projects for Romania's economic growth during the present decade raises, however, new problems as regards the supply of the national economy with raw materials and fuels, as well as with machinery, equipment and high technologies.

In order to solve such problems an all country action is now under way with a view to recycling raw materials, reducing specific consumptions, saving fuels, chanelling further developments in the national economy towards raw materials and energy saving sub-branches etc.

On the other hand, we consider as necessary the further development of cooperation with the socialist countries with a view to increasing the degree of meeting our import requirements for raw materials and investment goods from those countries. So, we think there are wide possibilities for further expanding the cooperation in production, as well as mutual exchanges with highly technical products, starting from the research stage until the final product.

We consider there are also wide possibilities of ensuring the supply with raw materials, including actions by which to jointly develop mining and processing projects, both in socialist countries and on third markets.

2.3. The development of Romania's foreign trade and cooperation with the developing countries.

Romania has considerably extended her sphere of economic relations with the developing countries, having at present economic exchanges with about one hundred developing countries in Africa, Asia and Latin America.

During 197o-198o, within our total trade exchanges, that increased by about five times, our trade exchanges with the developing countries increased by more than fourteen times, the imports growing at a higher rate than the exports.

The dynamics of our trade exchanges

	1980/1970		
	Total	Import	Export
Total foreign trade	4.9 times	5 times	4.8 times
Total developing countries	14.4 times	2o.7 times	9.4 times
from which :			
- Africa	16.8 times	27.5 times	4.8 times
- Asia	15 times	2o.8 times	1o.2 times
- Latin America	5.5 times	7 times	4 times

As a consequence of the higher dynamics in our exchanges with the developing countries, their share in Romania's foreign trade increased from 7.8 per cent in 197o to about 23 per cent in 198o.

Romania's trade exchanges and cooperation with the other developing countries have witnessed such a growth during the last years that, at present, some developing countries (Irak, Iran, Lybia, Egypt) are ranking among Romania's first fifteen trade partners.

As far as Romania's export structure towards the developing countries is concerned it is worthy to note that it underwent significant changes according to our country's successes on her way of setting up a modern diversified industry. Accordingly, Roma-

nia's exports towards the developing countries during 197o-198o were made up by more than 5o% of products with a high level of processing such as machinery, equipment and chemical products.

Although in the past Romania's imports from developing countries were mainly made up of raw materials, in the last years our import specification from developing countries has registered a tendency of diversification, covering more processed products, including products of machine building and chemical industries (pig iron, ferroalloys, rolled products, cables, machine-tools, micro-buses, tanning agents, yarns and synthetic fibres, tyres etc.).

Alongside with the classical forms of trade exchanges, modern forms of economic and technical scientific cooperation play an ever increasing role in Romania's foreign relations.

In such a context, a particular attention is being paid to extending economic cooperation with developing countries. It is worth noting in this respect that, during the last few years, half of Romania's total cooperation ventures were concluded with those countries.

Romania's economic cooperation with the developing countries has embodied a wide range of forms, in accordance with the mutual interest and has covered a wide area of fields of activity. Among such forms should be mentioned the joint companies, building up by Romania of economic objectives in the developing countries to be paid by exports of products of the partner country, granting technical assistance by Romanian specialists and training of staff from developing countries in Romania.

Consequently, in 198o there were 24 joint companies functioning in developing countries that had been set up by Romanian companies and local partners. They carried out activity in fields of maximum importance for those countries such as : mining, oil, wood working, building materials, light industry, agriculture, chemical and metal working industries etc.

Besides that, Romanian enterprises were engaged in over 13o economic projects in developing countries, many of them turn key projects including refineries, thermo and hydro-power plants, mineral enriching complexes, chemical complexes, tractor and cars assembling lines, wood working complexes, cement plants, grains silos, port facilities and many other.

Some 15 thousand Romanian specialists were granting technical assistance in 6o developing countries in 198o. At the same

time, over 16.000 youth from developing countries attended university and improvement courses in our country.

The weight of Asian developing countries in Romania's overall trade exchanges accounted in 1980 for two thirds of our country's exchanges with the developing countries.

In the period after 1965, Romania has carried out cooperation ventures with 16 developing countries in Asia.

Those ventures covered a wide range of forms and fields of activity, among which:

a) Carrying out studies and geological surveys: Syria, Iran, Irak, India, Yemen, Lebanon, Pakistan

b) Deliveries of equipment and turn key objectives in branches important for the economies of these countries:

- Energy : India, Phillipines
- Chemical and Petrochemical industries : Iran, Irak, Syria, Lebanon, Kuwait, India, Jordan, Pakistan, Phillipines
- Machine buildings industry : Iran, India
- Building materials industry : Iran, Syria, Lebanon, Jordan, DP Yemen;
- Textile industry : Bangladesh
- Food industry : Iran, Irak ;
- Wood working industry : Sri Lanka
- Agro-industry : Iran, Irak, Syria, Jordan, Pakistan

c) Carrying out studies for land reclamation and irrigation works : Syria, Irak, PDR Yemen ;

d) Civil construction works : Kuwait, Jordan, Lebanon, Irak, Syria

e) Joint companies

f) Granting technical assistance (within deliveries of economic projects);

g) Staff training

In 1980, the share of <u>African</u> developing countries in the total of Romania's trade exchanges accounted for 28.5 per cent. Romania's exports towards African developing countries was mainly made up of oil and gas extracting equipment, geological survey equipment, chemical and petrochemical equipment, locomotives, passengers train wagons, road vehicles, freight wagons, cars, lorries, buses, chemical and petrochemical products.

As regards imports, the main weight is being held by oil and some mineral raw materials: iron ore, copper, phosphates, cobalt, tin, Romanian imports of finite and semi-finite products have also

increased and diversified.

Romania's cooperation with the developing countries in Africa embodies a wide range of forms and covers many fields of activity.

Romanian specialists in geology and extracting industry are carrying a fruitful activity in different African countries in the field of oil and mining prospection and exploitation. In Morocco, copper deposits have been turned to account (in the south, at Ouansim and Talaat-Iminirfi), research, exploration and exploitation of iron, copper, zinc, nickel and coal deposits have been carried out in Zambia, Tanzania, Burundi, Guineea and Gabon and important oil drilling works are being effected in Algeria. We have cooperation ventures underway or to be set up in other countries, such as Congo, Zair, Liberia, Angola, Mozambic.

The economic and technical cooperation ventures included the achievement of important projects in the field of chemical and petrochemical incustry, energy and machine building industry, wood working industry, building material industry, transports and agriculture.

Of projects implemented or just underway mention should be made of the soda ash plant and the phosphates enriching complex at Hamrawein in Egypt ; the hold-back water dam K'Soob, important hydro technic project in Algeria ; tractors and cars assembling lines in Egypt ; a cotton spinning mill in Sudan ; building blocks of flats and schools in Lybia, the building that houses parliament in Khartum-Sudan ; Nador and Ras Kebdana ports in Morocco. The Beni Valid- Tarhuna high road in Lybia ; plants growing farms in Morocco and Ghana and animal growing farms in Lybia.

At present, about 18 production and trade joint companies are being set up in Africa between Romanian enterprises and enterprises in different African countries.

The Latin American countries have a somewhat more reduced weight in Romania's trade relations with the developing countries, although the number of countries in this geographical area Romania has trade relations with, has increased, amounting, at present, to 18.

The structure of trade exchanges has recorded a tendency of diversification, both as regards Romania exports of oil equipment, tractors, agricultural machines, as well as imports from these countries.

As regards cooperation ventures with developing countries in that area, it is worth mentioning the joint company MHASA - Peru for the production of machine tools in which Romania supplies technology and subassemblies ; The Romanian - Mexican joint company "Mexicana de Farmacos" in the field of pharmaceutical products and other ventures for granting technical assistance in the forestry field etc.

We consider that further development, at high rates of growth, of our trade relations with the developing countries for mutual advantage is both necessary and possible.

Besides exchanges of physical goods, our country has been offering transfer of technology as well, both under the form of deliveries of studies and engineering projects, technological Know-how, technical assistance, staff training, implementation of assembling lines capable of stimulating in those countries industrial activities in the field of assembling and sub-contracting production. Within our country's general development, our industry has acquired a wide experience and attained a high technical level in export-oriented industrial branches such as oil equipment production, agricultural tractors, chemical and petrochemical installations, mining equipment, machine tools etc., fields in which Romania can both offer the equipment required and the transfer of technological know- how as well.

The accent we have been putting on cooperation with the developing countries is in keeping with our country's policy which, as a member of "the Group of 77", has been striving for mutually advantageous economic relations among developing countries in order to jointly develop technological capacities and to increase their degree of collective autonomy.

We believe that this cooperation could contribute to the developing countries industrial growth and generate a favorable framework for the further diversification of our imports from developing countries, in accordance with the progress made by these countries on the road of industrialisation.