

Wessely, Kurt

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lished. Claims from business transactions among the member states will be liquidated through special Sterling accounts that have been opened at the Central Banks of the respective countries.

The invoices for such trading operations will also be made out in Sterling. The accounts will be settled every half year and the remaining balances are to be offset vis-à-vis the creditor with goods or in currency in the following half-year. If the payment is not carried through correspondingly the creditor may demand settlement in any convertible currency. The Central Banks of the member states may arrange for the execution of these regulations between themselves.

At present a Committee of Experts is dealing with the problems of a uniform tariff legislation, a common external tariff, free flow of capital, free movement as regards professional practice and entrepreneurial activities as well as freedom of transport and transit. The co-ordination of foreign trade policies and an adjustment of the Arabian Common Market's policies vis-à-vis the European Economic Community are further points which have to be negotiated between the Arabian states.

RUMANIA

Independence Through Foreign Trade

By Professor Dr Kurt Wessely, Vienna

Of all the socialist member countries of the Council for Mutual Economic Aid (COMECON) special attention is being paid, apart from the Soviet Union, to Rumania's economic development. This country whose economy is based on sound foundation has, as the first of all the members, secured for itself a certain freedom in foreign trade. This influences COMECON's whole economic activity and directs it into new channels.

No Fundamental Economic Reform

To prevent any misinterpretations, it must be stated forthwith that there can be as little doubt as to Rumania's adherence to the socialist camp as to the Communist Party's claim to supremacy. Despite all national aims it follows a clear totalitarian course. So far Rumania has not joined those COMECON countries who, through a reform of the economic system, have introduced new market aspects, are now emphasising the independence of enterprises, have made the profit motive the most important feature of economic development and thus shaken off the shackles of a centrally controlled economy.

With the exception of agriculture, practically nothing has changed in Rumania's economic organisation in the last few years. True enough, there is the effort to raise the power of the economy. There is talk of low-

Further agreements may be concluded between individual member states if they bring about an accelerated realisation of the economic community. The member states are also authorised to conclude economic agreements with non-members. However, they should only enter into an arrangement with a customs union or a free trade zone after they have discussed the matter with the other partners of the Arabian Common Market.

On no conditions must such an agreement impair the interests of the Arabian Common Market. The members of the Arabian League who did not yet sign the agreement on the Arabian Economic Community, may join the Common Market any time. The same applies to Arabian and Afro-Asian countries who do not belong to the Arabian League.

Its early realisation is to be wished for the planned Arabian Common Market. Since the member states are countries with a common language, a common religion and the same customs and habits the conditions are quite favourable. Therefore we might justifiably expect the project to work even better than the European Economic Community.

ering cost of production, of raising effectiveness and applying material stimulants which are suited to improve economic direction. But a decision towards a systematic change of the whole economic organisation is still absent.

This does not exclude, however, that Rumania will not follow up its foreign trade policy and adapt new forms of economic direction, thus applying its avant-gardist ideas of foreign trade to its whole economic policy. But it is emphasised in Rumania that in view of the high rate of growth in industrial production and, it is true, of a rather low standard of living there is no compelling reason to rush into any reforms. Even without them, it is argued, the economy proceeds according to plan and expectation.

Solidarity But Independence

Thus the break through in Rumania to a new economic policy is confined, for the time being, to foreign trade, though it also applies to a certain extent to the selection and execution of investments. This is closely linked up with the concept of foreign policy which stresses the solidarity with the other socialist countries but rejects any interference and claim of supremacy by Moscow. Consequently COMECON had to drop the plan, still conceived by Khrushew, to establish joint development targets for its whole area and carry them out jointly.

The special position which Rumania occupies in the Council for Mutual Economic Aid is, among other things, also reflected in the fact that the country does not participate in some of its joint enterprises such as an organisation for ball bearing production and another one for the joint output and distribution of rolled steel products (Intermetall). To act jointly in this field the other member countries of COMECON had to establish separate organisations in which Rumania does not take part.

It may be remembered that the construction of the steelworks in Galati, in which a German industrial group has taken an important share, was carried out against Soviet wishes, though a better selection than Galati, situated on the Lower Danube which is navigable for sea going vessels, could hardly be made.

Rumania continues to import ore and other raw materials from the Soviet Union. But it is striking to what extent it also imports ore from overseas such as India, or other raw materials from China or Albania (chromium ore). Rumania is therefore on the point of not relying onesidedly any longer on raw material supplies from the Soviet Union, and this has also brought about a shifting of its other trade relations.

Rumania, which as the oldest petroleum country in Europe had developed its oil industry at an early stage, was plainly predestined to install the most modern petro-chemical processes, and this all the more since its rich deposits of salt also opened the way to sodium-chemical industry. At a time when organic chemistry in the other Eastern countries, including the Soviet Union, was still conventionally based on coal, and cracking processes for refining power fuels were used only in very isolated cases, Rumania had already laid the foundation for its petro-chemical industry. To develop it further Rumania could not rely on obsolete equipment of the Soviet Union. The country had to try to get into contact with the western world. But since the most essential parts of petro-chemical equipment were, until a few years ago, still on the various western embargo lists, trade relations first required better relations with the western governments and enterprises. Rumania has followed this way so consistently that it was regarded by its own people and by public opinion throughout the world as downright sensational.

The Shifting of Trade Channels

While Rumania's total foreign trade has risen only slightly above the average of the other COMECON countries, it belongs to the top group of COMECON countries as an importer from non-socialist states. The growth in the volume of foreign trade between 1960 and 1965 was 160 % in Rumania, compared with an average of 149 % in all COMECON countries. But Rumanian imports during the same period rose 140 %, compared with only 54 % in all COMECON member countries. Only in Bulgaria which had a lower starting point imports were even trebled. But while the non-socialist countries had only a share of 23 % in Bulgaria's foreign trade in 1965 (the developing countries

4 %), the non-socialist share in Rumania's foreign trade was then already 35 % (developing countries 6 %).

In its trade with non-socialist countries Rumania has now reached the position of Poland where the non-socialist share in trade, unlike Rumania, has steadily dropped since 1950 (41 %) and amounted to only 35.3 % in 1965. Rumanian trade with the West seems to be even more important now since the share of the developing countries in Poland's foreign trade is about 9 %. On the import side, which after all is more interesting to the West than Rumania's exports, the share of the socialist countries is now only 61 % and this may serve as a proof for the systematic way in which Rumania is building up its imports from the West.

The rise in imports has been made possible largely with the help of western credits. In contrast to the high surplus in Rumania's trade with the COMECON countries there was a considerable deficit in 1965 in its trade with EEC and EFTA. This is also clearly shown in Rumania's trade relations with the Federal Republic of Germany; there the Rumanian trade deficit rose from 65.6 million German Marks in 1964 to 172.9 million in 1965 and amounted to 136 million in the first nine months of 1966.

The future of West European trade with Rumania will largely depend on Rumania's readiness to make further use of western credits (for political and economic reasons the East bloc states appear to regard an increase in indebtedness as not desirable) or on Rumanian ability to raise exports to the West.

In this respect the Rumanians seem to proceed systematically and also to find understanding on the part of western industry. Apart from farm and oil products Rumanian supplies increasing quantities of semi-finished products (semi-finished rolled steel) and chemicals. Also the question of co-operation is important in this context. Signs of it are noticeable in the motor car industry.

Foreign Trade Expansion Slowed Down

A study of the total of foreign trade produces another interesting result. Rumania's foreign trade is split up into trade relations with the West and countries with convertible currencies and into the exchange of goods with the clearing countries of the socialist camp. The opposing trends balance each other and it can be seen that Rumania's foreign trade in 1965 was only slightly changed compared with 1964. But since all the eastern countries make a strict distinction between the results of trade with COMECON and those with countries with convertible currencies, it would be proper to speak of two different trade balances. Both combined show for 1965 an increase in Rumania's total foreign trade turnover (imports plus exports) by only 0.6 % from 13,009 million Foreign Exchange Lei¹ to 13,072 million.

¹ The "Foreign Exchange" Lei on which the foreign trade figures are based is calculated independently of the domestic price level; 100 "Foreign Exchange" Lei equal \$ 16.66.

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The global development of Rumania's foreign trade in 1965 is thus contrary to its expansion during the past six-year period (1960—1965) when it was more than doubled, and also contrary to industrial production which in 1965, too, reached a growth rate of 13%. This obviously reveals a shifting in the direction of Rumanian foreign trade.

Lower Deficit in Trade with COMECON

Significant for the changes in Rumania's foreign trade is firstly the trend towards an increase in exports. They rose in 1965 about 10% from 6,000 million to 6,610 million Lei. Simultaneously imports were, to about the same extent, cut drastically by 7.7% from 7,000 million to 6,462 million Lei. A trade deficit, which, compared with 1963, rose in 1964 from 642 million to 1,000 million Lei, was changed into a surplus in 1965, amounting to 146.5 million. But this change from a large deficit in previous years into a surplus does not yet mean that Rumania has been able to pay off all its older debts. Anyhow, a new trend is shown, and this is an effort to synchronise foreign trade with the ability to pay and to avoid an undesirable dependence on foreign countries.

Rumania has aimed above all at discharging its debts to the other socialist countries. Exports to Czechoslovakia, Poland and the Soviet Union rose by about 55 million Lei each and those to Vietnam by 12 million. Altogether Rumania was able to increase its exports to the socialist countries by about 400 million Lei and still: their share in Rumanian exports, including those to Yugoslavia, remained almost unchanged at 68.4%. There is, it is true, a drop in the trade deficit with the COMECON countries, but at 500 million Lei it is still quite considerable.

On the other hand, Rumania has cut—rather drastically in part—its imports from the Eastern bloc countries. The Soviet Union has been affected most. Rumanian imports from the Soviet Union in 1965 dropped from 2,960 million to 2,437 million Lei, or by no less than 18%. Imports from Czechoslovakia and

Hungary also fell by 161 million and 88 million Lei respectively. All this resulted in a reduction in Rumanian imports from the European COMECON countries alone by 835.4 million Lei. There was only a slight rise of imports from China by 23 million Lei.

No Uniform Trend in Trade with the West

A new trend, though in a different form, is also noticeable in trade relations with Western Europe. Rumanian exports to West European countries show an almost all-round reduction. The only exceptions are Italy and the Federal Republic of Germany, with an increase of their imports from Rumania by 100 million and 58 million Lei, respectively. There were also larger exports to Egypt and the United States. The heterogeneous trend of exports to western countries is partly due to the fact that the short supply of goods for exports had to be used mainly for increased deliveries to the socialist countries.

The clear effort to cut imports from the socialist countries is not matched by a corresponding trend in trade with the West. There were lower imports from only a few West European countries by a total of 58 million Lei (Austria 7.9 million, Belgium 23 million and Spain 14 million). This compared with an increase by 208 million Lei in imports from all the other West European countries. The Federal Republic of Germany led with an increase in its exports to Rumania in 1965 by 136 million Lei.

Rumania's trade policy to curb imports from countries of the Rouble bloc but to increase them from countries with convertible currencies is all the more striking since the very opposite trend prevails in the other Eastern countries.

Production, Exports and Share of Exports in Rumanian Industrial Products

Item	Percentage Increase in 1960-65		Percentage Share of Exp. in Production	
	Production	Exports	1960	1965
Turning Lathes	14.7	176.8	13.1	31.7
Anti-Friction-Bearings	198.0	1381.3	6.0	30.2
Lubricating Oil	55.3	38.9	67.9	66.2
Diesel Oil	51.5	53.8	54.1	54.9
Sheet-Glass	53.0	54.1	30.8	31.1
Deciduous Wood	75.4	56.1	33.6	29.9
Caustic Soda	214.8	255.2	41.0	46.3
Calcined Soda	94.4	75.6	52.9	47.8
Footwear	40.5	378.4	3.2	10.6
Cotton Cloth	28.6	38.6	9.9	10.6
Tinned Vegetables	192.1	311.1	18.6	26.1

There is no doubt, however, about Rumania's long-term aim to balance again its trade with the western countries. For this reason there may well not be a further considerable rise in western exports to Rumania, though the country may want to modernise its industrial plants with western equipment. Production of plants thus equipped with western machinery should soon enable Rumania, however, to pay for additional imports by its own exports without any danger of increasing its indebtedness. All the western trading partners of Rumania should take this increasingly into account.