

ROMANIA'S FOREIGN TRADE BETWEEN 1945 AND 1989

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Abstract: *In this paper we have analysed a “special” period in the history of Romania’s trade, namely the period when market economy was replaced by the state economy. It is the period preceding the transition. We analysed how Romania’s exports and imports have evolved between 1945 and 1989, highlighting the events that influenced trade, and also what changes occurred in the structure of exports and imports by product groups and, not least, who were the main external partners of Romania.*

Keywords: foreign trade; export; import; trade balance.

JEL Classification: F1; O24; O52.

INTRODUCTION

The period between 1945 and 1989 was a unique stage for Romania’s economy because during this period the state economy has replaced the market economy. The state has established its monopole on foreign trade and the gap, both economically and socially, from the developed capitalist countries, has emphasized.

The economic policy pursued by Romania had a pronounced autarchic nature, with excessive diversification and extensively developed, with no rationality and no solid anchorage in the international market. Thus foreign trade activity was ineffective, but, if there was a clear specialization on more competitive products, and also required by the foreign market, including the western market, it was possible to obtain it (Constantinescu, 1988, p. 22).

1. ANALYSIS OF EXPORTS AND IMPORTS, TRADE BALANCE AND THE DEGREE OF COVERAGE OF IMPORTS THROUGH EXPORTS BETWEEN 1945 AND 1989.

The entire analysed period 1945-1989, highlights an accelerated evolution of Romanian foreign trade, possible only in a state economy. We observe (from table 1) that in comparison with 1948, year in which total trade had a value of 274.4 million dollars, in 1989 total trade increased by 69 times reaching a total value of 18.922 million dollars. Exports increased from 1948 to 1989 by

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70 times, and imports by 67 times. The average growth rate of foreign trade from 1960 until 1980 was of 15.9 %, outpacing industrial production which grew by 12%, the national income with an increase of 11 % and the GDP with a growth of 9.5 %.

According to some authors (Sută et al., 1996, p. 195) Romanian foreign trade's rhythm of growth has been different from one period to another and comparing with other indicators of national economic development, such as national income and GDP, Romania could not fit the world wide trends.

Table 1 – Average growth of Romanian exports and imports (%)

	1950/87	1950/60	1960/70	1970/80	1970/75	1975/80	1980/87
Export	13,3	23,8	9,9	20,1	26,3	16,4	1,2
Import	12,5	15,2	10,6	21,5	25,3	20,4	-3,9

Source: Sută, N., Drăgan, G., Mureșan, M., Sută-Selejan, S. (1996) *Istoria comerțului exterior românesc – o prezentare sintetică*. București: Editura Eficient, p. 195.

Table 2 - Evolution of exports and imports, trade balance and the degree of coverage of imports through exports between 1945 and 1948 (million \$)

Year	Total	Export	Import	Balance	Degree of coverage of imports through exports (%)
1945	29,8	6,3	23,5	-17,2	26,8
1946	76,6	25,9	50,7	-24,8	51,1
1947	99,9	38,6	61,3	-22,7	63,0
1948	274,4	149,3	125,3	+24,0	119,1

Source: Ghișă, V., Păunescu, Gh. (2001) *Parteneriatul comercial extern al României 1900-2000*. București: Editura Camera de Comerț și Industrie a României, pp. 133-134.

In reference to Romania's trade between 1945 and 1947, the data available to us do not include products and services that were available to the Soviet Union Army located on Romanian territory, and the level of imports is bigger because it included the Soviet military supplies for the Romanian army (Niță, 2010, p. 70).

1948 is the year in which Romanian nationalization began, triggering agricultural collectivization (communization), being also the first year, since 1945, when Romania's trade balance encountered a surplus and, as it can be observed in table 1, it remained the singular case until 1956.

Romania's new political orientation caused the monopolization of foreign trade, starting from 26 June 1949. Also, during this year, the first enterprises specialized in export/import activities, "Romanoexport" for consumer goods and "Exportlemn" for wood and wood products, were founded (Sută, Miron and Sută-Selejan, 2000, p. 56).

State economy involved planning and thus the first annual plans for 1949 and 1950 were made and the first five year plan for the period between 1951 and 1955 afterwards. One of the

recommendations made by Soviet officials asserted: “the draft export / import for 1954 must be revised, taking recovery measures of the trade balance and ensuring, in 1954 and subsequently, a foreign trade without deficit” (Ghişa and Păunescu, 2001, p. 88).

Table 3 - Evolution of exports and imports, trade balance and the degree of coverage of imports through exports between 1949 and 1955 (million \$)

Year	Total	Export	Import	Balance	Degree of coverage of imports through exports (%)
1949	386,9	193,2	193,7	-0,5	99,7
1950	455,8	212,4	243,4	-31,5	87,3
1951	536,0	263,0	273,0	-10,0	96,3
1952	668,0	304,0	364,0	-60,0	83,5
1953	829,0	366,0	463,0	-97,0	79,0
1954	757,0	369,0	388,0	-19,0	95,1
1955	884,0	422,0	462,0	-40,0	91,3

Source: Ghişa, V., Păunescu, Gh. (2001) *Parteneriatul comercial extern al României 1900-2000*. Bucureşti: Editura Camera de Comerţ şi Industrie a României, pp. 133-134.

As we can see, between 1949 and 1955, foreign trade’s total level has increased in each year of this period, with an increase in both exports and imports. We also noticed that from 1949 until 1955 both exports and imports have doubled in value, the maximum volume of exports being registered in 1955, 422 million dollars, and imports peak was registered in 1953, 463 million dollars. During this period trade balance was negative; the maximum deficit has been registered in 1953 reaching 97 million dollars.

Table 4 - Evolution of exports and imports, trade balance and the degree of coverage of imports through exports between 1956 and 1965 (million \$)

Year	Total	Export	Import	Balance	Degree of coverage of imports through exports (%)
1956	846,0	444,0	402,0	+42,0	110,4
1957	903,0	411,0	492,0	-81,0	83,5
1958	956,0	468,0	482,0	-14,0	97,1
1959	1024,0	522,0	502,0	+20,0	104,1
1960	1365,0	717,0	648,0	+69,0	110,6
1961	1608,0	793,0	815,0	-22,0	97,3
1962	1759,0	818,0	941,0	-123,0	86,9
1963	1937,0	915,0	1022,0	-107,0	89,5
1964	2168,0	1000,0	1168,0	-168,0	85,6
1965	2179,0	1102,0	1077,0	+25,0	102,3

Source: Ghişa, V., Păunescu, Gh. (2001) *Parteneriatul comercial extern al României 1900-2000*. Bucureşti: Editura Camera de Comerţ şi Industrie a României, pp. 133-134.

This period between 1956 and 1965 can be described as one of reforming and modernization of the socialist system and encouraging economic relations with the Occident. The major events for the economic relations were the entry into UN (1955), cancellation of mandatory quotas of agricultural products (1957), the entry into COMECON (1959), redemption by the Romanian side

of the 8 SovRoms which managed the Romanian debts to the Soviets, the conclusion of the collectivization process (1962), “The statement from April 1964” in response to Soviet plans of country's specialization in agricultural production when it was firmly decided to focus on foreign economic relations and towards capitalist developed countries or developing (Niță, 2010, p. 71). In this period foreign trade grew rapidly and, in 1965, it was almost double in comparison with the level recorded in 1956. The entry into COMECON in 1950 brought a considerable increase in exports, the trade balance recording an excess of 20 million dollars. The maximum budget surplus for this period was recorded in 1960 and had a value of 69 million dollars, and the maximum deficit was recorded in 1964 being 168 million dollars. 1965 is the first year in which the trade balance recorded an excess of 25 million dollars after four consecutive years in which the trade balance was deficient.

After 1965 the principle of economic independence was exacerbated by the state party, which led to an autarchic development planning, aiming to produce all. Romania's trade policy consisted in promoting exports. During the period which we are about to analyse, from 1966 until 1980, important events for Romania's economy have been recorded, such as: entering into GATT in 1971, accession to the IMF and World Bank in 1972, the inclusion of Romania in the Generalized Reciprocal Custom System of Preferences for developing countries in 1974, sectorial agreements with the EU and the establishment of a joint commission through which Romania recognized *de facto* the EU. Romania was the first socialist country that recognized the EU (Sută et al., 1998, pp. 85-86).

Table 5 - Evolution of exports and imports, trade balance and the degree of coverage of imports through exports between 1966 and 1980 (million \$)

Year	Total	Export	Import	Balance	Degree of coverage of imports through exports (%)
1966	2399,0	1186,0	1213,0	-27,0	97,8
1967	2941,0	1395,0	1546,0	-151,0	90,2
1968	3087,0	1469,0	1609,0	-140,0	91,3
1969	3374,0	1633,0	1741,0	-108,0	93,8
1970	3811,0	1851,0	1960,0	-109,0	94,4
1971	4204,0	2101,0	2103,0	-2,0	99,9
1972	5215,0	2599,0	2616,0	-17,0	99,3
1973	7243,0	3738,0	3505,0	+233,0	106,6
1974	10018,0	4874,0	5144,0	-270,0	94,7
1975	10683,0	5341,0	5342,0	-1,0	100,0
1976	12233,0	6138,0	6095,0	+43,0	100,7
1977	13997,0	6979,0	7018,0	-39,0	99,4
1978	17324,0	8237,0	9087,0	-850,0	90,6
1979	20639,0	9724,0	10915,0	-1191,0	89,1
1980	24601,0	11401,0	13200,0	-1799,0	86,4

Sursa: Ghișă, V., Păunescu, Gh. (2001) *Parteneriatul comercial extern al României 1900-2000*. București: Editura Camera de Comerț și Industrie a României, pp. 133-134.

Throughout entire period between 1966 and 1980 foreign trade growth was spectacular, total trade volume growing 11,3 times in 1980 in comparison with 1966, from 2399 million dollars in 1966 to 24601 million dollars in 1980, exports growing 10,3 times and imports 13,2 times. During year 1980 foreign trade reached the highest value considering 1948 – 1989 period, foreign trade's volume being 24601 million dollars, exports reaching a value of 11401 million dollars, and imports a total value of 13200 million dollars. Excepting two years, 1973 and 1976, throughout the entire period between 1966 and 1980 the trade balance encounter deficits (the highest in 1980 of 1,799 billion dollars), the overall deficit encountered during 1966-1980 reached 4.4 billion dollars.

Table 6 - Evolution of exports and imports, trade balance and the degree of coverage of imports through exports between 1981 and 1989 (million \$)

Year	Total	Export	Import	Balance	Degree of coverage of imports through exports (%)
1981	22158,0	11180,0	10978,0	+202,0	101,8
1982	18171,0	9848,0	8323,0	+1525,0	118,3
1983	17495,0	9847,0	7648,0	+2199,0	128,7
1984	17627,0	9898,0	7729,0	+2169,0	128,1
1985	18754,0	10173,0	8401,0	+1772,0	121,1
1986	17847,0	9763,0	8048,0	+1679,0	120,8
1987	18805,0	10492,0	8313,0	+2179,0	126,2
1988	19035,0	11392,0	7643,0	+3749,0	149,1
1989	18922,0	10468,0	8463,0	+2050,0	124,3

Source: Ghişa, V., Păunescu, Gh. (2001) *Parteneriatul comercial extern al României 1900-2000*. Bucureşti: Editura Camera de Comerţ şi Industrie a României, pp. 133-134.

The period between 1981 and 1989 was called the National Socialism multilaterally developed. The measures that were taken *between 1981 and 1985 and between 1986 and 1990* considerable focused on forcing drastic limitation of exports and imports, with negative effects for the living standards of the population and for the national economy's developments. Romania's total foreign trade between 1981 and 1989 gradually decreased from 22,158 million dollars in 1981 to 18,922 million dollars in 1989, reaching in 1989 to only 85.4 % of the level recorded in 1981. Between 1981 and 1989 although the total volume of trade decreased, the exports level was higher than the imports level, the trade balance encountered a surplus in each year, total trade surplus reaching a value of 17.5 billion dollars, amount used for paying Romania's external debt.

2. CHANGES IN THE STRUCTURE OF ROMANIA'S EXPORTS AND IMPORTS BETWEEN 1945 AND 1989

Foreign trade and especially exports structure, and also the share of industry in Romania's GDP are important evidence that the period which we are referring to was one of industrialization,

but still autarchic and inefficient because of the concept “multilaterally developed socialist society” of the national note given by the last decade and because of the international isolation to which it led, culminating with getting the most favoured nation clause treatment in the relations with US (Niță, 2010, p. 73).

Table 7 - Evolution of exports structure for the key product groups between 1950 and 1989 (million dollars and %) in the order held in 1989

Years/Product groups	1950	1960	1970	1980	1985	1989	1989/1950
Total – mil. \$	212,4	717,0	1851,0	11401,0	10173,0	10486,0	493,7
%	100,0	100,0	100,0	100,0	100,0	100,0	-
1 Fuels, raw materials, minerals and metals	32,8	37,0	22,6	29,5	30,1	32,1	97,9%
2 Machinery and means of transportation	4,2	16,7	22,4	24,9	28,7	29,3	697,6%
3 Industrial and consumer goods	1,3	5,8	18,2	16,2	16,7	18,1	1392,2%
4 Chemicals, fertilizers, rubber	1,7	2,1	7,2	9,7	10,5	9,5	558,8%
5 Food	14,1	12,1	12,1	8,5	6,2	4,3	30,5%
6 Non-food raw materials and processed products thereof	28,9	14,7	10,2	4,8	4,7	4,1	14,2%
7 Building materials and supplies	4,4	2,5	2,8	2,2	1,6	2,0	45,5%
8 Food raw materials	11,6	9,1	4,5	4,2	1,5	0,6	5,2%
9 Live animals (other than for slaughter)	-	0,4	0,3	0,3	0,2	0,1	-

Source: Own processing after Ghișa, V., Păunescu, Gh. (2001) *Parteneriatul comercial extern al României 1900-2000*. București: Editura Camera de Comerț și Industrie a României.

From the data presented in this table we find out that the Romania’s export structure has radically changed by the end of the analysed period in comparison with the beginning. Thus, between the years 1950 and 1960 the export of agricultural products represented approximately between 55 and 60 % from the export potential, while industrial goods were exported in proportion of approximately only between 40 and 45 %. Starting with the 70’s and until the end of the analysed period, industrial goods accounted between 75 and 80 % of total exports, while the share of agricultural products exported fell to less than half the value recorded in the 50’s to only between 20 and 25 %.

Analysing the degree of processing of the products we see that in the early 50's raw products accounted more than 70% of total export, while the processed products approximately 30%, but starting with the 70’s the share of the basic products fell sharply at approximately between 30 and 35 % for the share of processed products to grow at between 65 and 70%.

A careful analysis of the product groups highlights that the group fuels, raw materials, minerals and metals constantly stood first in exports, the minimum share being owned by 22.6 % in the 70’s and the maximum 37 % in the 60s.

The group of machinery, equipment and means of transportation has been constantly increasing ranging from 4.2% in the 1950's to 29.3% in 1989. Within this group Romania recorded outstanding performances in export in 1980: 48,000 tractor units compared to 3,256 tractors in 1969, ships worth \$ 107.8 million compared to \$ 12.5 million in 1960, oilfield equipment \$ 386.9 million compared to \$ 14.6 million in 1960, 6582 wagon pieces compared to 3000 pieces in 1960, 1720000 tons of cereals, 191.4 thousand tons of meat and meat products, 9494 trucks, 17,400 city vehicles, furniture worth 403 million dollars (Niță, 2010, p. 75).

The group of industrial and consumer goods registered a spectacular growth during this period by almost 14 times from 1950 until to 1989. The share of food products group decreased only in value terms from 14.1 % in the 1950's to 4.3 % in 1989, because the quantities exported increased early. It is interesting that the reduction of exported food products share was possible only by faking statistics, reporting less data, to induce the idea that food shortages were not caused by export. We refer here to the food commodity group that faced the most drastically decrease in export share, from 11.6% in 1950 to 0.6% in 1989.

Another group of products which has drastically decreased was food raw materials and processed products thereof, from 28.9 in 1950 to 4.1 in 1989 due to the new orientation of no longer exporting logs and timber, but manufactured goods, especially furniture.

Table 8 - Evolution of imports structure for the key product groups between 1950 and 1989 (million dollars and %) in the order held in 1989

	Years/Product groups	1950	1960	1970	1980	1985	1989	1989/1950
	Total – mil. \$	212,4	717,0	1851,0	11401,0	10173,0	10486,0	493,7
	%	100,0	100,0	100,0	100,0	100,0	100,0	-
1	Fuels, raw materials, minerals and metals	32,8	37,0	22,6	29,5	30,1	32,1	97,9%
2	Machinery and means of transportation	4,2	16,7	22,4	24,9	28,7	29,3	697,6%
3	Industrial and consumer goods	1,3	5,8	18,2	16,2	16,7	18,1	1392,2%
4	Chemicals, fertilizers, rubber	1,7	2,1	7,2	9,7	10,5	9,5	558,8%
5	Food	14,1	12,1	12,1	8,5	6,2	4,3	30,5%
6	Non-food raw materials and processed products thereof	28,9	14,7	10,2	4,8	4,7	4,1	14,2%
7	Building materials and supplies	4,4	2,5	2,8	2,2	1,6	2,0	45,5%
8	Food raw materials	11,6	9,1	4,5	4,2	1,5	0,6	5,2%
9	Live animals (other than for slaughter)	-	0,4	0,3	0,3	0,2	0,1	-

Source: Own processing after Ghișa, V., Păunescu, Gh. (2001) *Parteneriatul comercial extern al României 1900-2000*. București: Editura Camera de Comerț și Industrie a României.

As presented in table 8, as concerns Romania's imports, we notice that the goods intended for productive consumption prevailed, with a share amounting to approximately between 85 and 90%

of total imports, while the remaining 10-15% have represented goods intended for individual consumption. Industrial products prevailed imports with an oscillating share between 75 and 80 %, the difference between 15 and 25 % being assigned to agricultural products.

By analysing the table data we notice that until the 1980's an important share, 40 % of Romania's import, has been held by the machinery and means of transportation group, but starting with the '80s the group of fuels, raw materials, minerals and metals predominated, owning over 50 % of total imports.

A continued reduction in the value of imports has been registered by the group of non-food raw materials and processed products thereof, their share steadily dropped from 21.4 % in the 50's to only 5.4 % in 1989.

The most dynamic increase was recorded by the group of fuels, raw materials, minerals and metals, from 31.2 % in 1970 to 56.0 % in 1989, due to the construction of the giant steel plant in Galati.

The policy of substituting industrial consumer goods imported with those produced in the country led to a drop in group share from 10.2% in 1950 to 3.4% in 1989.

1980 was the year with the highest imports: 16 million tons of iron ore in comparison with 0.9 million tons in 1960, oil in value of approximately 6.6 billion dollars, 120,000 tons of cotton in comparison with 50,000 tons in 1960, 145,000 tons of ferroalloys comparative with 25,000 tons in 1960, 3.2 million tons of metallurgical coke compared with 0.7 million tons in 1960.

3. GEOGRAPHICAL ORIENTATION OF FOREIGN TRADE BETWEEN 1945 AND 1989

Romania's external economic relations have been influenced both by internal and external factors, such as the political change of the regime, that approached us to USSR and the discrimination of the socialist countries by capitalist countries. These influences have reduced the geographic scope of our foreign economic relations, our foreign trade being mostly made with socialist countries.

According to the data published by GATT, in 1988 Romania was on the 38th place in terms of export (13.1 billion dollars), representing a total share of 0.5 % from worldwide export, and on the 45th place (10 billion dollars) in terms of imports, with a total share of 0.3 % from worldwide import.

Table 9 - Geographical distribution of Romania's foreign trade between 1950 and 1988 (in percent from total exports + imports)

Years	Trade with socialist countries			Trade with non-socialist countries		
	Total	CAER countries	Other socialist countries	Total	Capitalist developed countries	Developing capitalist countries
1950	83,2	-	-	16,8	-	-
1960	73,0	66,8	6,2	27,0	22,3	4,7
1965	65,0	60,7	4,3	35,0	29,0	6,0
1970	56,0	49,3	6,7	44,0	35,8	8,2
1975	44,8	38,0	6,8	55,2	36,7	18,5
1980	41,0	34,6	6,4	59,0	33,0	26,0
1985	56,7	51,0	5,7	43,3	23,7	19,6
1986	64,2	58,3	5,9	35,8	20,6	15,2
1987	63,7	55,0	8,7	36,3	23,7	12,6
1988	61,9	54,0	7,9	38,1	24,7	13,4

Source: Own processing after Sută, N., Drăgan, G., Mureșan, M., Sută-Selejan, S. (1996) *Istoria comerțului exterior românesc – o prezentare sintetică*. București: Editura Eficient.

1955 is the year that marks the resumption of trade with Romania's traditional partners from Western Europe: Germany, Great Britain, Austria, France, at the same time USSR's share of the total trade operations being reduced from 57.5% between 1945 and 1948 to 53.6% between 1949 and 1955. In 1965 the impartiality of Romania's foreign trade towards non-socialist countries is confirmed, these countries already owning over 35 %.

The share of the socialist countries in Romania's trade relations decreased drastically from 73% in 1960 to only 41% in 1980. Between 1980 and 1989 Romania brings a new shift towards socialist countries reaching to about 62% of the Romanian foreign trade in 1988. Romania isolated itself during this period and the trade conducted with the capitalist countries dropped to 38.1 %, comparable to the level in 1965. We distinguish a peculiarity of Romania's economic relations namely the fact that the share of developing countries has tripled in 10 years from 8.2% in 1970 to 26% in 1980.

In 1970 Romania had one hundred and ten economic ties, increasing to one hundred and fifty two in 1980 and decreasing to one hundred and forty two in 1989.

Hence we notice that geographical orientation of foreign trade relations had an inconstant evolution. Three stages are being distinguished: a first period of forced tightening between 1954 and 1964, in which socialist countries were the main trading partners, a second stage between 1965 and 1980 in which the number of economic ties reaches 152, and a third stage in the 80's in which Romania limited its economic relations deliberately.

CONCLUSIONS

In this paper we have analysed Romania's foreign trade between 1945 and 1989 highlighting its evolution, its group structure and geographical orientation of the economic relations.

Because of forced industrialization that was much more induced between 1945 and 1989 in comparison with the interwar period, exports structure improved radically and processed products have replaced basic products and the two shares of 30 % and 70 % have been reversed, respectively.

The export trade offer has also been diversified, but many products were ineffective taking into consideration their low value, reduced quality and technical performance, exported in clearing or on credit. These were the consequences of a forced economic independence, which lacked economic rationality and implicit efficiency.

Having a constant growing share mechanical engineering products, metals and industrial consumer goods were the most dynamic. The agro-alimentary products have played an important internally role because it worsened the population's food situation and externally served as currency exchange at import of raw materials from the USSR.

The dependence on imported raw materials became visible as industrialization and oil, iron ore, coking coal and metallurgical coke have reached 56% in 1989, compared to 23.5% in 1950.

Romania has pursued a policy of replacing imported products by internally manufacturing them and the share of consumer goods fell from 10.2% in 1950 to 3.4% in 1989.

The degree of coverage of imports by exports is significant in each group; the only group being deficient was the one of fuels, ores and metals.

As we have noticed, Romania's main trade partners were socialist countries, to a lesser extent between 1975 and 1980, during which non socialist countries were the central trade partners.

Foreign trade's structure in an state monopoly economy could not be different than that of an excessive centralism, in which the central body had all the leverages (planning, authorization, control, appointment of managers) and the trade was not an exception, as it didn't have any autonomy, but only to follow the import-export plan and it could benefit of small rewards when exceeding the plan only.

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