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A Note on the Development of Rumanian Foreign  
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A Note on the Development of Rumanian Foreign Trade

After a lapse of many years, the Rumanian authorities have recently published selected foreign trade statistics. The material made available consists of data on the total value and country distribution of Rumanian exports and imports in 1958 and 1959. In addition, indexes are given that make it possible to compute export and import values for 1950 and 1955. The aggregate foreign trade statistics for these years are shown in the following table.

Table 1

Foreign Trade of Rumania, 1950, 1955, 1958-59

| <u>Year</u> | <u>E x p o r t s</u>         |                             | <u>I m p o r t s</u>         |                             |
|-------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
|             | <u>Index</u><br>(1950 = 100) | <u>Value</u><br>(Mill. lei) | <u>Index</u><br>(1950 = 100) | <u>Value</u><br>(Mill. lei) |
| 1950        | 100                          | 1,271                       | 100                          | 1,460                       |
| 1955        | 199                          | 2,529                       | 190                          | 2,774                       |
| 1958        | 221                          | 2,810                       | 198                          | 2,890                       |
| 1959        | 246                          | 3,130                       | 206                          | 3,012                       |

Source: Rumanian Statistical Pocket Book (Bucharest, 1960). Foreign trade values for 1950 and 1955 computed from indices given in source.

Two important developments are revealed by these statistics. The first is the substantial rise in Rumanian foreign trade since 1950, and especially between 1950 and 1955, when exports and imports doubled. Rumania is not an important trading nation, however, and the present level of the country's foreign trade is not high by Western standards.<sup>1/</sup> The rapid expansion of Rumanian foreign trade since 1950 is mainly a reflection of the low level of commodity exchanges in the base year.

Secondly, since 1950 there has apparently been a somewhat greater rise in exports than in Rumanian purchases from foreign countries. The period under review witnessed significant changes in the volume of trade with the Soviet Union--Rumania's principal trading partner--which are inadequately reflected in the statistics. For reasons discussed below, the greater rise in exports since 1950 is almost certainly the result of this fact.

<sup>1/</sup> At the official exchange rate of 6 lei to the United States dollar, Rumanian exports in 1959 amounted to roughly \$500 million. There are a number of objections to the use of the official exchange rate--chief among them the fact that it is not utilized for foreign trade transactions, and serves primarily as a unit for domestic accounting purposes--but there does not appear to be any satisfactory alternative method of converting Rumanian trade values into other currencies.

Soviet-Rumanian trade and reparations

The most important point to note in this connection is that the statistics shown in Table 1 exclude the large volume of indemnities and other obligatory commodity deliveries imposed under the terms of the Soviet-Rumanian "settlements" of the immediate postwar period. The trade deficit shown for 1950, therefore, gives an artificial and highly misleading picture of the Rumanian foreign trade position. If reparations and other Rumanian deliveries to the Soviet Union were taken into account, Rumanian trade accounts would show a substantial export surplus.

The burden of reparations and other forced deliveries was, without doubt, extremely severe; the severity of the burden reflected Soviet retaliation for Rumania's participation on the Axis side during World War II. In time, however, the burden was eased by small but gradual stages. Delivery periods for reparations were extended; the commodity composition of the volume of goods specified for delivery was changed, often resulting in some lessening of the resource drain; prices were increased for some commodities delivered under the postwar settlements, thereby redressing somewhat the harshness of the tribute exacted by the Soviet Government; and the value of reparations due was reduced by moderate amounts. To be sure, some adjustment of reparations requirements was really unavoidable, because the original scale of obligations exerted such depressing effects on the Rumanian economy. However, the adjustments made had a propaganda value in that the Russians, having begun by imposing severe conditions in the postwar settlements, could appear to be acting leniently by reducing the bill at the most crucial moments.<sup>2/</sup>

The pace of liberalization of the terms of the postwar Soviet-Rumanian agreements quickened in the period after Stalin's death in 1953. In the wake of Soviet adjustments to the disturbances in East Germany in 1953, and later to those in Poland and Hungary, the formal arrangements governing Soviet-Rumanian relations were quite radically modified. By the end of 1954, the system of joint companies employed as a device for exacting reparations was generally dismantled; and in the later stage (1955-56), debts arising from the liquidation of Soviet participation in these entities were cancelled.<sup>3/</sup>

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<sup>2/</sup> The harshness of the settlement imposed by the Soviet Union on Rumania, and the subsequent rather modest easing of the terms of the agreement, were generally duplicated in the Soviet agreements with Bulgaria and Hungary.

<sup>3/</sup> The joint companies were established in the ex-enemy satellites (Bulgaria, Hungary, Rumania) on the basis of extensive German assets acquired by the Soviet Union when these countries were defeated or "liberated." The virtually automatic growth and prosperity of the Soviet-Rumanian joint companies (popularly termed "sovroms," from Sovrompetrol, formed for oil exploitation; Sovromtransport, for road, river and maritime transport; Sovromtractor, for tractor manufacturing; and others) was ensured by the enjoyment of immense competitive advantages over ordinary Rumanian firms. These advantages, stemming from

While it would be going too far to characterize current Soviet-Rumanian economic relations as having a purely commercial nature, exploitation is no longer direct, and is much less of a burden on Rumania.<sup>4/</sup> The elimination of a substantial part of the reparations burden has facilitated the development of commercial trade, not only between Rumania and its trading partners in the bloc, but between Rumania and the non-communist countries as well.

Even during the period when reparations were very heavy, the Soviet Union was obliged--in partial (and no doubt grudging) recognition of the heavy drain on the Rumanian economy--to finance some essential Rumanian import requirements. Concurrently with the exaction of tribute in the form of reparations, the Soviet Union contributed resources to the program of "forced draft" industrialization in Rumania, and also assumed the greater share of the costs of certain ambitious joint projects constructed on Rumanian territory, such as the Danube-Black Sea Canal, several hydro-electric power installations, and others.<sup>2/</sup> The Rumanian imports connected with these two types of Soviet assistance are believed to be included in the data shown in Table 1, and--together with the exclusion of Rumanian reparations from the export side--to explain the trade deficit shown for 1950.

monopolistic trading positions created by the terms of original articles of establishment or resulting from management practices in conducting the affairs of these large and strategically placed entities, included complete exemption from Rumanian taxes, full latitude in the utilization of foreign exchange, the grant of important auxiliary facilities (warehouses, means of transport, and the like), the possibility of cartelization by simple agreement among the powerful Soviet managers of these concerns and, finally, de facto extraterritoriality in their freedom to participate in regional (intra-bloc) projects. The output of the joint companies, purchased by local governments and usually exported as reparations, yielded high profits to these tax-exempt ventures; and some portion of these high profits was "repatriated" to the Soviet Union in the form of additional commodity deliveries. When the joint companies were dismantled, the Soviet shares were transferred to Rumanian ownership in return for agreement to repay the value of the shares thus acquired over a period of years. These debts were later cancelled.

<sup>4/</sup> The evidence that exploitation is still taking place, although in a more subtle form, is found in the existence of adverse terms of trade of the European satellites in their trade with the Soviet Union--as compared with their terms of trade in exchanges with non-communist countries--resulting from a combination of artificial pricing practices and the superior bargaining position of the Soviet Union. The generalization that the satellites suffer adverse terms of trade in their exchanges with the Soviet Union, however, should not be understood to apply unreservedly to each of the satellite countries or to all commodities entering into trade. Horst Mendershausen's two studies of the terms of trade of the Soviet Union and the satellite countries, in the May 1959 and May 1960 issues of the Review of Economics and Statistics, are of interest in this connection.

<sup>5/</sup> Some of these undertakings, such as the canal construction, were abandoned, and the completion of others was delayed.

Geographic pattern of Rumanian trade

Data on the area distribution of Rumanian foreign trade in 1958 and 1959 clearly illustrate the single most important characteristic of Rumania's trade position--its extreme dependence upon trade with the rest of the Sino-Soviet bloc, especially with the Soviet Union. In 1959, for example, trade with other Soviet bloc countries accounted for roughly four-fifths of total Rumanian trade, and trade with the Soviet Union for almost one-half of the total.<sup>6/</sup> Only 20 per cent of Rumania's exports and imports are exchanged with non-communist countries. Rumania's trade with the West is not dominated by any single country; West Germany is in the lead (about 5 per cent of Rumanian exports and imports), followed by France, Italy, and the United Kingdom and the sterling area combined, in that order.

Table 2Foreign Trade of Rumania, 1958-1959(Millions of lei)

|                                   | <u>1 9 5 8</u> |                |                                   | <u>1 9 5 9</u> |                |                                   |
|-----------------------------------|----------------|----------------|-----------------------------------|----------------|----------------|-----------------------------------|
|                                   | <u>Exports</u> | <u>Imports</u> | <u>Surplus<br/>or<br/>Deficit</u> | <u>Exports</u> | <u>Imports</u> | <u>Surplus<br/>or<br/>Deficit</u> |
| USSR                              | 1,412.0        | 1,522.8        | -110.8                            | 1,500.6        | 1,408.7        | + 91.9                            |
| Eastern Europe                    | 521.1          | 639.8          | -118.7                            | 738.7          | 812.4          | - 73.7                            |
| Asian Communist bloc              | 178.3          | 106.7          | + 71.6                            | 220.2          | 191.8          | + 28.4                            |
| <u>Total Sino-Soviet<br/>Bloc</u> | 2,111.4        | 2,269.3        | -157.9                            | 2,459.5        | 2,412.9        | + 46.6                            |
| Yugoslavia                        | 30.1           | 21.3           | + 8.8                             | 24.3           | 10.2           | + 14.1                            |
| Non-communist countries           | 668.5          | 599.6          | + 68.9                            | 646.5          | 588.5          | + 58.0                            |
| <u>Total trade</u>                | 2,810.0        | 2,890.2        | - 80.2                            | 3,130.3        | 3,011.6        | +118.7                            |

Source: Same as Table 1.

If statistics were available on the country distribution of Rumanian foreign trade in earlier years, they would undoubtedly show that the proportions of trade conducted with the Soviet bloc and the Soviet Union were even higher than they are at the present time. In the earlier part of the period under review, trade with the Soviet Union (inclusive of reparations deliveries) may

<sup>6/</sup> These relationships are fairly typical for all the satellite countries in Eastern Europe.

have accounted for 65 per cent of total Rumanian trade, and trade with the combined Soviet bloc area for as much as 90 per cent. The general expansion of Rumanian trade since 1950, and the gradual elimination of indemnity obligations, have resulted in a rise in the share of trade conducted outside the bloc and a corresponding reduction in the proportion of trade with bloc countries.

It would be incorrect to view this development as evidence of a significant trend toward reduced dependence upon the Soviet bloc; the shift is clearly not of basic importance. While Rumanian trade outside the Soviet bloc may well continue to expand, there is no indication that Rumania's position of dependence upon trade with the rest of the Soviet-oriented area will be materially modified in the foreseeable future.

#### Trade balances in 1958-59

The shift from deficits in 1958 to surpluses in 1959 in total Rumanian trade and in trade with the Soviet Union cannot be completely explained with the information at hand. While it is true that there was a substantial reduction in the deficit with Eastern Europe, it is clear from Table 2 that the principal shift was in trade with the USSR. As a possible explanation, the greater part of a Soviet credit known to have been extended to Rumania in 1957 may have been drawn upon in the following year, while repayments in deliveries of Rumanian commodities may have commenced in 1959. With regard to trade with other areas, the surplus with non-communist countries, which also shows up in Western trade statistics, confirms Rumania's position as a net earner of foreign exchange in trade outside the bloc.

The difficulty of presenting a more precise analysis of Rumania's trade position reflects the fact that the value data as they stand contain an element of artificiality. The principal reason for questioning the accuracy of the new statistics is that they must inevitably suffer some distortion in the process of converting values into Rumanian currency. Generally speaking, trade with non-communist countries is conducted at world market prices and valued in foreign currency denominations, while trade with Soviet bloc partners is valued in ruble prices and denominated in rubles. The reduction of these sub-totals to a common denominator for Rumanian purposes requires their conversion into lei. According to the Rumanian authorities, both sets of foreign trade data were converted into lei at official exchange rates, which have been altered a number of times since the 1947 currency reform.

It may also be noted that although the figures reported in this paper are the most complete statistics of Rumanian trade to become available since World War II, they are to some extent in conflict with fragmentary information on trade in earlier years--generally in the form of indexes, on unknown bases--which the Rumanian authorities have released at intervals in the past. The data for 1958 and 1959, however, are probably more trustworthy than the statistics on trade in earlier years; and it is probably not too important that corrections or adjustments to older data may never be made available.

Although the trade statistics may suffer from some deficiencies, they have provided a general notion of the development of Rumanian foreign trade. The initial publication of statistics by Soviet bloc countries has often been the prelude to the regular release of data in the same field; and if that is also true in the present instance, the statistics on trade in 1958 and 1959 will provide a benchmark against which the future development of Rumanian trade may be measured. It is unfortunate that data on exports and imports of principal commodities, also included in the recent Rumanian publication, were given in a form which could not be adapted to statistical or analytical presentation. It is to be hoped that the Rumanian authorities will eventually provide more useful statistics on foreign trade, on a par at least with those regularly made available by most of the countries of Eastern Europe.