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Memorandum on Foreign Trade Régime

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MEMORANDUM ON THE ECONOMY AND FOREIGN TRADE OF THE
SOCIALIST REPUBLIC OF ROMANIA

Romania is a socialist country with an economy in full process of development and diversification, this fact creates premises and objective needs for the extension of its economic relations with other countries.

The Romanian Government pursues a policy designed to expand trade and economic co-operation with the socialist countries, the developing countries, the developed countries with market economies - with all countries in the world, irrespective of their social and economic system - on the basis of the principles of independence and national sovereignty, equality of rights, non-interference in internal affairs and mutual advantage.

Romania is interested in participating in the international organizations that contribute to the development of international trade.

Since 1957 Romania has participated as an observer in the work of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade. Considering that the General Agreement on Tariffs and Trade, whose membership includes a great number of countries at different levels of development and with different social and economic systems, offers possibilities for the promotion of the international trade, Romania wishes to express its interest in acceding to the General Agreement.

The present memorandum is designed to furnish information to the CONTRACTING PARTIES on the economy and the external trade system of the Socialist Republic of Romania.

I. Brief notes on Romania's economy

The Socialist Republic of Romania has a territorial area of 237,500 square kilometres and a population of approximately 19.5 million inhabitants.

The Romanian economy, based on socialist ownership - by the State and by co-operatives - of the means of production, is characterized by dynamic and harmonious development of industry, agriculture and all other sectors of the national economy.

In the context of this harmonious development, envisaged in annual and long-term plans, special emphasis is laid on the country's socialist industrialization. Between 1950 and 1970, approximately lei 600,000 million were granted for investment out of State funds, allocated principally to industry, in order to provide it with modern and technically advanced equipment. At the same time, substantial funds were made available for the development of the country's scientific research with a view to improving production and introducing modern technology. For the current five-year period (1966-70) planned investments are to reach lei 280,000 million, a sum almost equal to total investments over the past fifteen years. Investments in Romania's economy are financed out of internal resources, a substantial part of national income being earmarked for economic development.

As a result of this industrialization policy and investment programme, Romania's economy is developing rapidly and becoming more diversified. Material and labour resources are being used more effectively and the standard of living of the population is continuing to rise.

Between 1951 and 1967 the annual average growth-rate of overall industrial output was 13.2 per cent; over the same period, the annual growth-rate was 19 per cent in the engineering industry, and 22.3 per cent in the chemical industry.

Output of the principal industrial products has developed as follows:

Product	Unit	1938	1950	1960	1967
- Electric power	Thousand million kWh	1.1	2.1	7.7	24.8
- Coal	Million tons	2.8	3.9	8.2	15.0
- Petroleum	Million tons	6.6	5.0	11.5	13.2
- Methane gas	Thousand million cubic metres	0.3	2.0	6.7	16.0
- Steel	Million tons	0.3	0.6	1.8	4.1
- Machine tools for cutting metals	Thousand units	-	..	4.4	9.7
- Tractors	Thousand units	-	3.5	17.1	17.6
- Lorries and trailer-trucks	Thousand units	-	-	8.4	20.6
- Diesel and electric locomotives (<u>loco-motives magistrales</u>)	Single units	-	-	10.0	133.0
- Chemical fertilizers (100% active substance)	Thousand tons	-	0.6	71.0	537.0
- Synthetic rubber	Thousand tons	-	-	-	51.3
- Cement	Million tons	0.5	1.0	3.1	6.3
- Sawnwood	Million cubic metres	2.2	3.6	3.9	5.3
- Furniture	Million lei	..	64.0	1,166.0	3,858.0
- Television sets	Thousand units	-	-	-	142.0
- Radio sets	Thousand units	-	40.0	167.0	367.0
- Fabrics	Million square metres	127.0	193.0	329.0	488.0
- Footwear	Million pairs	..	11.2	30.2	56.6
- Meat	Thousand tons	170.0	140.0	270.0	399.0
- Edible oils	Thousand tons	18.0	36.0	118.0	256.0
- Sugar	Thousand tons	95.0	87.0	391.0	445.0

Agricultural production has been stepped up sufficiently to meet current consumption requirements and secure supplies of agricultural and foodstuff raw materials for industry, as well as export availabilities. In 1967, Romania produced 13.5 million tons of grains (including 5.9 million tons of wheat and rye and 6.9 million tons of maize), 0.7 million tons of sunflowerseeds, 3.8 million tons of sugar beet, 3.1 million tons of potatoes and 2 million tons of vegetables.

At the beginning of 1968 Romania had a total of 5.3 million head of cattle, 5.7 million pigs, 14.4 million sheep and 47.1 million poultry.

Although the economic handicap inherited from the pre-war period has been diminished substantially, Romania must still make great efforts to reach the level of the economically advanced countries.

Romania's economic development requires also the continual improvement and perfecting of management and planning methods. In this connexion, on 26 December 1967 the Romanian Grand National Assembly adopted an outline law, providing in particular for:

- securing of the necessary conditions to enable the enterprises to act in a more operative and more efficient manner in organizing production and work and to carry out with greater mobility, under decisions adopted by a majority vote in their collective governing bodies, the tasks allocated to them;
- creation of large economic units with legal personality, functioning according to the principle of economic self-management;
- delegation to the production ministries, to large economic units and to producing enterprises, of authority to carry out certain activities relating to exports and imports;
- elimination of any excessive centralization of planning, and harmonization of the central management of the economy with increasing autonomy of the economic enterprises and organizations;
- increasing the significance of the economic and financial levers of the economic mechanism, and improvement of the banking and credit system for this purpose.

The principal objective of all these measures is to ensure the necessary conditions for steadily increasing efficiency of producing activities in all sectors and enterprises, based on the concept that any economic activity must correspond to the concrete needs of society and to the real requirements of the material and spiritual life of the population.

II. Evolution and organization of the foreign trade of the Socialist Republic of Romania

The economic development of Romania has made it necessary to extend its foreign trade which is playing an ever greater part in the national economy as a whole.

During the years 1950-67, the total volume of Romanian foreign trade increased 6.5 times and in 1967 the value of exchanges of goods amounted to about lei 18,000 million (lei 6 = US\$1).

Changes have taken place in the pattern of Romanian foreign trade. For instance, the export of manufactures in terms of weight has considerably increased (in 1967, machines and tools, chemical products and industrial goods for current consumption represented about one third of exports), but fuel, raw materials and foodstuffs are still the largest exports in terms of weight. The largest imports in terms of weight are machines and tools, raw materials and industrial materials. The volume of imports of consumer goods is continually increasing.

There has also taken place a geographical diversification in the foreign trade of Romania. At present, Romania has trade relations with more than a hundred countries. Of these, the ninety countries taking part in the activities of GATT in various forms, including the socialist countries, parties to the Agreement, accounted for 55 per cent of Romania's foreign trade in 1967.

The foreign trade activities of Romania are exercised on the basis of plans drawn up according to the import requests and export proposals of the producing enterprises and other economic organizations, which require foreign goods or which can deliver Romanian products on foreign markets. At the national economy level, the import requests are correlated with the possibilities of export, as the plan in essence represents the expression, at national level, of the real capacity of the Romanian economy to absorb imported products and to export native products.

In the preparation of the plan, account is taken of the necessity to secure the equilibrium of the balance of payments. In certain years, the trade balance shows a deficit due to the import of a number of industrial units, but equilibrium of the balance of payments is secured, on the one hand, by the fact that the payment of industrial units is staggered over several years after delivery and, on the other hand, by the surpluses registered on tourism and services.

As the implementation of the foreign trade plan is carried through, its targets become clearer and more concrete in accordance with the evolution of the national economy and the international economic situation, which gives the plan a degree of flexibility and capability of adaptation.

Export targets represent minimum forecasts. For imports, side by side with specified products, especially raw materials, overall values are provided for non-specified goods.

The foreign trade plan is implemented by foreign trade enterprises, specialized by products. At present there are twenty-one enterprises of this type, six of which belong to the ministries and other producing economic organizations.

The foreign trade enterprises are independent units, with legal personality and with independence to act. Their activities are based on the principle of remunerativeness and they follow commercial lines only. They have free choice of their business partners. For imports, the enterprises make their choice after an analysis of the trade suitability of several foreign offers, for exports, the choice is based on the most advantageous market.

The sale prices of the products imported on the home market are fixed at a level which ensures their sale. Romania's exports are based on the prices of the foreign market. The foreign trade enterprises, which are quite naturally concerned in obtaining higher export earnings, make a thorough study of international prices before each transaction.

Imported or exported goods are subject to import-export licences delivered by the Ministry of Foreign Trade, so that a check can be kept on the way in which the overall targets of foreign trade are being reached.

Under the existing Romanian customs system, goods imported or exported by foreign trade enterprises are not subject to customs duties. Customs operations consist of merely checking up the goods against the accompanying documents. Customs exemption is also granted to goods in transit in the territory of Romania, temporary imports and exports, samples and models, personal effects accompanying Romanian or foreign travellers and objects required by the diplomatic and consular offices and their members.

Customs duties are collected only on objects brought into the country or taken out of the country by individuals when these objects are of great value or when they exceed personal necessities; the same régime is applied to objects brought into the country or sent out of the country in postal packages.

The national currency of Romania is the leu, the gold content of which was established at 0.148112 grammes of fine gold.

The foreign payments of Romania are made, in accordance with the agreements concluded with Romania's partners, either through clearing, or in freely convertible currency. For the foreign operations of the foreign trade enterprises, these payments are made without discrimination of any kind through the Romanian Foreign Trade Bank.

The open financial problems which have existed in relations with a number of countries, as an aftermath of the Second World War and the social and economic changes that have been made in Romania, have been settled with most countries (Switzerland, France, United States, Italy, Netherlands, Greece, Turkey, etc.). With some countries which such problems have not yet been entirely solved with, negotiations are under way.

The increase of exports from Romania to the countries members of GATT, as a result of its accession to the Agreement, will encourage a corresponding development of imports from these countries. In this way, Romania considers that, as a member of GATT, it will be able to contribute under better conditions to the development of international relations and economic co-operation.