

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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RESTRICTED

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## WORKING PARTY ON STRUCTURAL ADJUSTMENT AND TRADE POLICY

### Exchange of Information on the Experience of all Contracting Parties with Regard to Structural Adjustment

#### Addendum

1. At the meeting of the Working Party on Structural Adjustment and Trade Policy on 2 July 1981, it was agreed that the secretariat should invite all contracting parties to provide by the end of 1981 the information required in Paragraph II(b) of the Annex to L/5120, taking into account the objectives outlined in Paragraph I of the Annex and the work already done (L/5177, paragraph 10). Paragraph II(b) of the Annex to L/5120 states that one of the tasks to be undertaken is "consistent with the GATT and the results of the MTN, an exchange of information and discussion on the experience of all contracting parties with regard to structural adjustment, along with an overall analysis of the experience".
2. Contracting parties were invited in GATT/AIR/1742 of 13 July 1981 to provide the requested information. The submission of Romania is reproduced in the Annex to this document.
3. Delegations which have not yet submitted information are requested to do so as soon as possible.

ROMANIA

Preliminary Considerations

with regard to Romania's experience in  
structural changes of the economy

1. In view of the growing interdependence between the structure of the economy and world trade, Romania deems it constructive to examine, in GATT as well as elsewhere, structural-adjustment problems and to conduct as broad an exchange of experience as possible about them among the contracting parties. In connection with such an exercise, it would seem desirable to direct the dialogue towards how to attain in practice the main objective of Part IV of the General Agreement, namely the growing participation of the developing countries in the world economy, for which purpose structural adjustment can play a very important rôle. It is common knowledge that developing countries are facing difficulties in the modernization of their economic structure, partly owing to the absence of structural adjustment in the developed countries. If that situation were to continue, the introduction of improvements could become increasingly difficult and developing countries might be compelled to make such improvements themselves, which would mean a deterioration of their economic situation and a widening of the already existing gaps. To avoid such a development, new efforts are needed on the part of the international community and especially of the developed countries to respond to the appeals made in international forums, including GATT, urgently to carry out structural adjustment in the economic fields in which developing countries have become competitive. Such structural adjustment can also halt the present trend towards protectionism and thereby respect the letter and spirit of the General Agreement.

2. In recent decades, Romania as a developing country has made considerable efforts to modernize its national economy. Over the last ten years, approximately 35 per cent of its national income has gone into the development fund, and through the investments of the fund the value of fixed assets has been raised from lei 1,203 billion in 1975 to lei 1,870 billion in 1980. The volume of investment amounted to lei 485,769 million for the period 1971-1975, and lei 856,048 million for 1976-1980.

As at 1980, the distribution of investments by sectors was as follows: 50.9 per cent for industry, 13.5 per cent for public services and housing, 12.9 per cent for agriculture, 12 per cent for transport and communications, and 10 per cent for other sectors. The industrialization effort has led to substantial changes in the degree of utilization of the labour force and its distribution among the various sectors, as well as to changes in the contribution of each sector to the formation of the domestic product.

The structure, by sectors, of the employed population changed during the 1970-1980 period, as follows:

- in % -		
	<u>1970</u>	<u>1980</u>
<u>Total</u>	<u>100.0</u>	<u>100.0</u>
Agriculture and forestry	49.3	29.8
Industry	23.0	35.5
Construction	7.8	8.3
Transport and communications	4.3	6.9
Commerce	4.3	6.0
Education and culture	3.7	4.2
Public services and housing	3.0	3.8
Health and sports	2.3	2.7
Science	0.5	0.9
Administration	0.7	0.6
Other sectors	1.1	1.3

As regards the share of the main sectors in the domestic product, the development has been as follows:

- in % -		
	<u>1970</u>	<u>1980</u>
<u>Total</u>	<u>100.0</u>	<u>100.0</u>
Industry	61.4	62.8
Agriculture	16.5	13.3
Construction	10.6	9.8
Transport and communications	4.7	5.2
Other sectors	6.8	8.9

There have also been important transformations in the structure of industry over the last decade. Thus, as at 1980, the engineering industry along with the chemical and light industries accounted for 57.9 per cent of total industrial output as compared with 48.7 per cent in 1970. In the structure of agricultural production, the share of animal husbandry increased while that of crop production declined, accounting, respectively for 44.9 per cent and 55.1 per cent of agricultural production in 1980.

Production trends of the main industrial, food and agricultural products are presented in the annex.

3. The structural changes in the country's economy are also reflected in its foreign trade; in exports the share of processed products has risen and in imports a dominant position is held by raw materials and investment goods.

In the 1970-1980 period, the structure of exports and imports by main product-groups was as follows:

- in % -				
	<u>Exports</u>		<u>Imports</u>	
	<u>1970</u>	<u>1980</u>	<u>1970</u>	<u>1980</u>
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Fuel, mineral raw materials, metals	22.7	29.5	30.4	50.3
Machinery, equipment and transport means	22.8	26.2	40.3	24.6
Industrial consumer products	18.1	15.5	5.5	3.0
Chemical products, fertilizers, rubber	7.0	10.1	6.7	6.4
Food products	12.1	8.1	3.0	3.2
Non-food raw materials and processed products	10.2	4.6	10.1	5.7
Raw materials for the production of food products, live animals	4.5	3.9	2.5	5.8
Construction materials and requisites	2.6	2.1	1.5	1.0

In spite of the efforts made, the structural changes are not fully reflected in the structure of foreign trade, especially as far as exports are concerned. Thus, the machinery, equipment and transport means sector accounts for only 5 to 6 per cent of total exports to the developed countries. This situation is due, inter alia, to the fact that Romanian manufacturers are encountering increasing difficulty in gaining access to the markets of the developed countries because of the protectionist measures taken by those countries.

With a view to equilibrium in its balance of payments, Romania has, in recent years, taken a series trade-policy measures aimed at increasing exports and rationalizing imports. Thus, the system of self-management and self-administration has been introduced in foreign-trade activities; special programmes have been adopted to increase production for export, including the establishment of special units and sections; measures have been taken to improve the competitiveness of products, marketing methods, etc.

ANNEX

PRODUCTION TRENDS OF MAIN INDUSTRIAL, FOOD AND AGRICULTURAL PRODUCTS  
OVER 1970-1980

Description of product	Measured in	1970	1980
Electric power	million kWh	35,088	67,486
Coal	'000 t	22,835	37,814
Coke	'000 t	1,188	3,503
Crude petroleum	'000 t	13,377	11,511
Petrol	'000 t	2,786	4,765
Diesel oil	'000 t	5,049	7,475
Fuel oil	'000 t	4,249	10,231
Mineral oils	'000 t	606	664
Methane gas	million m <sup>3</sup>	19,971	28,156
Iron ore	'000 t	3,206	2,333
Pig-iron	'000 t	4,210	9,012
Steel	'000 t	6,517	13,175
Steel sheets	'000 t	4,504	9,319
Steel pipes and tubes	'000 t	767	1,464
Steel wire	'000 t	363	719
Aluminium	'000 t	104	259
Industrial boilers	t of steam/hour	2,992	4,112
Steam turbines (of more than 500 kW)	units	7	13
Hydraulic turbines	units	4	10
Internal combustion engines	units	95,035	233,478
Apparatus for measuring or checking	million lei	126	986
Calculating instruments	million lei	104	3,723
Electric motors	'000 kW	2,834	10,067

Description of product	Measured in	1970	1980
Electric generators	'000 kVA	747	1,111
Electric transformers	'000 kVA	8,775	15,939
Electric conductors and cables	'000 t	50	99
Electric machines and appliances used for domestic purposes	million lei	537	2,475
Radio receivers	'000 units	455	863
Television receivers	'000 units	280	541
Fine mechanical and optical products	million lei	607	7,866
Machine-tools	units	14,138	29,439
Machinery, equipment and technological installations for industry	tonnes	217,035	684,117
Excavators	units	732	1,325
Tractors	units	29,287	70,873
Reaper-harvesters for cereals, including maize	units	1,179	4,890
Locomotives	units	265	276
Goods wagons	units	8,218	12,287
Passenger coaches	units	197	601
Motor vehicles	units	66,898	128,464
Sea-going vessels	units	16	17
River boats	units	18	27
Roller bearings	'000 units	24,487	101,927
Bicycles	'000 units	201	214
Lamp black	tonnes	72,474	101,849
Hydrochloric acid (32 per cent)	'000 t	101	289
Sulphuric acid (100 per cent)	'000 t	994	1,756
Washing soda (100 per cent Na <sub>2</sub> CO <sub>3</sub> )	'000 t	582	937

Description of product	Measured in	1970	1980
Caustic soda (100 per cent NaOH)	'000 t	330	723
Calcium carbide	'000 t	189	279
Chemical fertilizers	'000 t	895	2,451
Pesticides	'000 t	25	40
Ethylene	'000 t	111	267
Chemical fibres and yarns	'000 t	77	206
Plastics and synthetic resins	'000 t	206	579
Synthetic rubber	'000 t	61	150
Tyres	'000 units	3,444	5,254
Pharmaceutical products	million lei	1,681	4,322
Detergents	'000 t	6	20
Colouring matter	'000 t	9	16
Paints and varnishes	'000 t	85	182
Cement	'000 t	7,966	15,611
Window glass	'000 m <sup>2</sup>	45,215	77,504
Sawn timber	'000 m <sup>3</sup>	5,305	4,593
Plywood	'000 m <sup>3</sup>	246	273
Veneers	'000 m <sup>2</sup>	49,989	87,070
Wood furniture	million lei	5,610	14,160
Cellulose and pulp	'000 t	445	619
Paper and paperboard	'000 t	514	822
Glassware	'000 t	244	391
Fabrics	million m <sup>2</sup>	608	1,154
Unwoven textiles	million m <sup>2</sup>	12	52
Knitted and crocheted goods	million units	134	296
Socks and stockings	million pairs	139	235
Made-up textile articles	million lei	12,743	31,476
Footwear	'000 pairs	65,804	113,401

Description of product	Measured in	1970	1980
Meat	'000 t	425	993
Pork-butcher's products	'000 t	104	279
Fresh milk	'000 hl	4,336	7,325
Cheeses	tonnes	68,178	112,870
Butter	tonnes	30,713	34,636
Edible oils	'000 t	274	369
Sugar	'000 t	377	509
Unbottled wine	'000 hl	4,493	7,599
Beer	'000 hl	4,375	9,897
Tobacco products	'000 t	27	33
Soap	'000 t	42	66
Cereal grains - total	'000 t	10,631	20,200
of which:			
- Wheat and rye	'000 t	3,399	6,467
- Maize	'000 t	6,535	11,153
Shelled leguminous vegetables	'000 t	229	104
Oleaginous plants - total	'000 t	920	1,336
of which:			
- Sunflower	'000 t	770	817
Potatoes	'000 t	2,064	4,135
Sugarbeet	'000 t	2,921	5,562
Tobacco	'000 t	23	37
Wool	'000 t	30	37
Eggs	million units	3,537	6,727
Honey	'000 t	8	14