

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Working Party on Structural Adjustment
and Trade Policy

RECORD OF DISCUSSION ON COUNTRY CONTRIBUTIONS
RELATING TO EXPERIENCE WITH STRUCTURAL ADJUSTMENT

Romania
(Spec(82)6/Add.15)

1. Introducing his country's submission the representative of Romania stated that like other developing countries Romania had undertaken great efforts over the last decade to improve its economic situation. These efforts were reflected in the structural changes undergone by the Romanian economy. About a third of GNP had been invested in development projects and more than half of these investments had been effected in the industrial sector. Referring to a chart provided by his delegation (see Annex to this report) he pointed out that the structural changes had affected many branches of the economy. The most dynamic branches could be found in the mechanical, chemical and metallurgical industries. For instance the mechanical industry had advanced from third rank in 1970 to first rank in 1980, the chemical industry had moved during the same period from eighth to fifth rank, and also the metallurgical industry had considerably increased its share in the national economy. A large part of these industries was, however, still highly raw material and energy intensive and it was important to develop new structures in particular in the light of the high energy costs.

2. These problems were also reflected in Romania's external trade because of the close link that existed between economic developments and foreign trade and between structures of economic branches and import and export structures. Romania had made great efforts to improve its industrial structures by importing advanced technology. Nonetheless, such imports while representing 40 per cent of total imports in 1970, decreased to 24 per cent in 1980 mainly because of largely increased energy imports and to a certain extent also because some of the technology needed became domestically available. On the export side in 1980 the mechanical industry represented 26.2 per cent of total exports showing only a rather small increase over the last 10 years. More significant was, however, the fact that this important branch represented only 5 per cent of total Romanian exports to developed countries and the exported products were of an intermediary level with a high raw material content.

3. In general, trends in the Romanian economy were characterized by a very extensive development. One of the main targets of economic policy was to achieve a modernization of economic structures. It was intended to achieve this by a reduction of energy intensive sectors, e.g. steel, construction materials, and chemicals particularly fertilizers. Such a policy required an adjustment of investment patterns and great efforts to

improve the competitiveness of Romanian products. Economic forecasts foresaw significant changes in sectors like the electronics, chemical and pharmaceutical industries. Considerable efforts were also made to develop agricultural production and increase its importance in the Romanian economy. It was also considered very important to develop energy production in view of the rather limited endowment of the country with raw materials.

4. One member of the Working Party wanted to know what the Romanian authorities had done to bring about structural changes. More particularly referring to the last paragraph on page 4 of the Romanian submission, he was interested to hear on what basis the trade policy measures for rationalizing imports were carried out. He wondered also how the self-management system mentioned in the same paragraph worked in relation to the economic plan and how it helped to achieve structural adjustment. The representative of Romania, referring to the consultations which had taken place earlier this year in the Working Party on Trade with Romania stated that 1981 had been a very bad year for Romania's foreign trade because of balance-of-payments difficulties. The situation worsened in 1982 when exports fell 10 per cent below the level of 1981. In this situation it was considered necessary to limit imports to goods which were essential for the functioning of the economy and at the same time to try to expand exports in order to raise the necessary revenue for the payment of the import bill. The measures taken to increase exports included stimulations for all firms producing for export, and support for self-management to improve the efficiency of the firms concerned and to make Romanian products more competitive on world markets. As a result of these measures an increase of 10 per cent of exports was expected for the current year. In his view the system of self-management of individual firms was not in contradiction with the economic plan since the latter, although it had its function on a macro-economic level, was drawn up in accordance with the economic necessities of the various levels of production activities. As to the question of rationalization of imports the representative of Romania pointed out that Romanian imports had been increasing at a steady and rapid rate. In order to remedy this situation his authorities had chosen not to reduce imports generally but to arrive at a better choice of products which could be imported by enterprises by laying down priorities for import needs.

5. The same member enquired which criteria were used in establishing import priorities. The representative of Romania said that the main principle was to ensure that national industries had the raw materials they needed for their normal functioning. A further criterion was to import to the extent possible new technology to enhance the modernization of industry, to develop new industrial sectors and to increase the competitiveness of export products. Another important factor was to secure the necessary spare parts for machinery used in export industries.

6. Another member of the Working Party asked what measures were employed to stimulate export industries. The representative of Romania said that such measures included for instance financial incentives to workers and firms in export industries or a reduction or suspension of import duties on goods necessary for these industries.

7. Another member of the Working Party, referring to the decrease of Romanian imports in the machinery and transport field and at the same time

the only small increase of exports of these products, wondered whether Romania had pursued a policy of conquering the home market. He wanted to know furthermore what restrictions Romanian exports of the products mentioned had encountered in developed countries' markets. The representative of Romania stated that the goods produced in these sectors could not all be sold in the rather limited home market and therefore had to be exported. The lower share of imports of these products in absolute terms was a result of the greatly increased share of raw material imports. There was no intention to lower in absolute terms the imports of production goods and of technology because they were indispensable for the further development of the industrial structures. As to import barriers met by Romanian products he pointed out that quota restrictions had diminished to a certain extent in some countries but other measures, particularly in the area of anti-dumping and technical barriers, still existed and grey area measures had increased considerably.

TRENDS IN THE STRUCTURE OF THE NATIONAL ECONOMY, 1970-1980

