

N A T O R E S T R I C T E D

ORIGINAL: ENGLISH  
24th April, 1978

WORKING PAPER  
AC/127-WP/566

ECONOMIC COMMITTEE

+ Com. 31.5.78

ECONOMIC TRENDS IN ROMANIA

Note by the Chairman

Members will find attached a report, prepared by the Economic Directorate, on recent economic developments in Romania which also provides an assessment of prospects for 1978. The document is for use in preparation for the 8th-9th May experts' meeting on East European economic trends.

(Signed) J. BILLY

NATO,  
1110 Brussels.

This document includes: 1 Annex

N A T O R E S T R I C T E D

Reg PA

ECONOMIC TRENDS IN ROMANIA

Note by the Economic Directorate

A. INTRODUCTION

Despite the successive natural disasters - floods in 1975, droughts in 1976, earthquakes in 1977 - which the Romanians have had to face, their economy remains the fastest growing in terms of National Income of the East European nations (Table 1): in 1977 it increased by 8.6% against a Plan of 11.3% whilst industrial output grew by 12.5% (Plan: 10.5%). However, failures to reach individual targets reflect difficulties in economic developments which are causing considerable concern to the Romanian leadership. Particularly worrying is the failure in agriculture where the manpower surplus has practically disappeared, in investment which has not kept pace with plans for several years running, and in energy where the country is now a net oil importer. Labour unrest presented its most spectacular demonstration in the strike of 35,000 miners in the Jiu Valley in August 1977, which was settled only after the intervention of Ceausescu. The top level reshuffle of December 1977 and March 1978, carried out in the accepted style of Ceausescu's rule, may have been an immediate consequence of these difficulties, but whatever their immediate causes they show a desire to concentrate on improving the economy.

B. PLAN IMPLEMENTATION

(a) Annual Plan

2. Whereas in 1976 most Plan targets were met, the 1977 annual Plan was underfulfilled in all major sectors except industry (Table 2) which recorded a 101.8 index of Plan fulfilment. The most important failure was in agriculture. In construction precise figures are not available but the Plan was probably unfulfilled and in the housing sub-sector only 75% fulfilment obtained with just a few thousand more new dwellings being built than in 1976.

(b) Five-Year Plan

3. The two most recent Five-Year Plan revisions announced on 11th July and 27th October, 1977 and approved in December 1977 were upward revisions. Attainment of these increased growth targets seem all the more unlikely in the light of the 1977 results which are all well below the new aims (Table 3) with the exception of industrial output and labour productivity in industry. There seems little hope that the investment

AC/127-WP/566

-3-

policies can be reconciled with the demands of the population for improvements in the standard of living. The possibility of meeting the revised goals seems even more remote when the performance of 1976 and 1977 and the 1978 Plan are compared with the Five-Year Plan targets (Table 5): the analysis suggests that even higher targets for 1978 would be required to fulfil the Five-Year Plan.

C. AGGREGATE TRENDS

(a) National Income

4. 1977 National Income<sup>(1)</sup> reached an estimated 434.4 billion lei (\$1 = 12 lei) at constant 1963 prices (Table 6) corresponding to at least 545 billion lei in current prices. Rapid National Income growth, at 8.6% continued (Table 7), although this was less than in previous years and less than planned (11.3%). This high growth rate was attained through increasing labour productivity, the high investment levels of past years, and a continuing transfer of labour from agriculture to the more productive industrial sector. Indeed, while total manpower was static in 1977 - or even decreased slightly - industrial employment, calculated indirectly from output and productivity data, increased by 2.5%, more than double the Plan (1.2%). However, the exodus from the farms cannot be allowed to continue indefinitely as rural areas are already plagued by a shortage of young, skilled manpower.

(b) Consumption

5. As no aggregate monetary figures for consumption are available trends are derived from retail sales and social services. For the latter, the revised version of the Five-Year Plan provides for an increase in growth rate from an average annual 11% to 11.9%, thus confirming social services as the most dynamic component of aggregate consumption. They are planned to grow more rapidly than National Income (11%) in sharp contrast with retail sales (most of personal consumption) at 8.7%. However, given the overwhelming weight of the latter in total consumption, this will grow less than National Income in the current quinquennium. The gap between consumption and National Income increases is confirmed by last year's results (retail sales: 6.7%; National Income: 8.6%) and this year's Plan (retail sales: 10%; National Income: 11-11.5%). For the record, retail sales are as a rule about 2% below National Income targets and results, while investment is around 2% above them.

---

(1) Also known as Net Material Product (NMP)

(c) Investment

6. In 1977 investment reached 169 million lei (in 1963 prices). Although this represents a very high share (39%) of the national product and grew rapidly (11.5% over 1976), for the second year running, the proportion fell considerably short of the Plan (16.7%) which had been set high in order to make good previous delays. Although the Plan was not fulfilled the final 1977 results are a success in view of the sharp slowdown registered in the first months of the year: indeed, Ceausescu had announced in June 1977 that investment spending during January-May had been 9 billion lei less than planned, implying a slowdown to a 5% annual growth rate during April and May.

(d) Prices

7. Administratively fixed prices have been generally stable in the seventies. The retail price index increased by an annual 0.5% over the period 1971-1975. In 1977 the increase was of the same magnitude. Romanian price authorities have thus honoured their engagement not to let the price index rise above the 1% planned as an annual average for the period 1976-1980 even in the face of considerable pricing problems. It seems that, in view of the tensions created by price rises, as for example in Poland, Bucharest much prefers the practice of holding prices at almost constant levels and informally rationing items in short supply. However this method has its drawbacks too: for example, the Jiu Valley miners were exasperated - among other things - by lack of staples, no matter how constant their price had been kept. Prices of consumer durables continue to be very high in terms of the average real earnings.

(e) Wages and Work Hours

8. Per capita real income distributed mainly in the form of salaries and wages went up by 5.7% in 1977 (Plan: 5.9-6.3%), one of the lowest growth rates in the seventies. To a certain extent salaries and savings have been docked to contribute towards the cost of repairing industrial and housing damage wrought by the earthquake of 4th March, 1977. This disaster also gave the authorities a reason to delay the reduction in weekly working hours to 44, which should have been introduced gradually from 1977. In 1978-1980 work hours should be brought down from 48 to 46 but during 1978 only 15%

AC/127-WP/566

-5-

to 20% of all employees - mostly in industries where a high percentage of women are employed - will benefit from such a reduction; 40% will get it in 1979, while the remainder will have to wait until 1980. The full reduction to 44 hours will not be attained before 1983 and there is no information about the rate of reduction in the period 1981-1983. However, even these concessions are subject to a clause whereby any enterprises not meeting productivity, quality and output targets will have to revert "temporarily" to the old 48-hour work week.

9. If economic growth is to be sustained in presence of a stagnating labour force - as that of Romania - and reduced working hours, labour productivity must be vigorously fostered. This is reflected in upward Five-Year Plan revisions (industrial labour productivity from 8.5% to 9.2% annual average) and in turn requires better material incentives. This is recognized in the plan to increase per capita real income in 1978 faster than in 1977 (7.9% vs. 5.7%). Although the growth thus envisaged is less than the planned National Income growth (11-11.5%) it should go some way to improve the standard of living(1). Even greater incentives, though, can potentially result from yet another reform, that of profit sharing which the Romanian leadership is now widely advocating.

(f) Profit Sharing

10. In February 1978, the introduction of a profit sharing system was discussed and approved by the Council of Ministers. At present only a broad outline of the reform is known. The annual bonuses, the customary end-of-month bonuses for special achievements, and possibly even the current bonus fund may be changed or wholly replaced under the new law, which is similar to one existing in Hungary. It appears that the new law is a promising step since it makes it possible for workers to have a higher income than that provided under the current "Law on Remuneration of Labour". In fact, the current law places a limit of three months wages of extra remuneration for each worker during a year. By profit sharing apparently the workers will be able to exceed this limit, as their share will depend solely on the profits of the enterprise. An important feature of the system is that producers for exports will be permitted to obtain a part of their profits in hard currency and hard currency funded trips abroad for the personnel will be organized.

(1) It is also worth mentioning that as from 1st July, 1977 no income tax will be paid by the workers: individual enterprises will pay some form of compensatory tax to the State budget at rates fixed for each industrial branch. This does not mean an increase in the take-home pay. Present salaries and wages are still equal to the net incomes received before the direct income tax was abolished. The change is an administrative one.

11. The profit sharing scheme, besides encouraging productivity, is part of a series of measures designed to increase general earnings and raise the entire population's living standards. According to the recent "Programme to Raise the Living Standard in the 1976-1980 Period", real average remuneration in 1980 is to be 32.3% higher than in 1975, instead of the 18-22% provided in the original version of the current Five-Year Plan, or the 18-20% provided by the 11th Party Congress directives. However, until Socialist democracy and workers' self-management really exist, the profit sharing scheme may serve as a way of passing some of the blame for low living standards from the régime's shoulders on to the enterprises and the workers themselves.

(g) Manpower

12. From the point of view of growth, the leadership seems to be most preoccupied by manpower: its overall growth was only 0.6% a year in the period 1971-1975 and appears not to have exceeded 0.35% in 1976-1977. In the latter year the overall manpower level appears to have remained stable, as a result of lower birth rates in the late fifties and longer schooling now provided. Although last year's figures are given with reservation, because they were estimated indirectly, the deceleration in manpower increases is made explicit by a number of figures officially released. For example, the number of workers and employees, i.e. excluding co-operative members, increased at an average 4.3% in the period 1971-1975, but will be up by only 3-3.6% at the end of the current Five-Year Plan. To remedy the shortages, Ceausescu announced in June 1977 that thousands of service workers would be moved to industry and agriculture, i.e. to more productive sectors.

D. SECTORAL TRENDS

(a) Agriculture

13. Although the cash income of farmers rose 6.9% over 1976, in line with a planned growth of 6.6-7.1%, 1977 was a particularly bad year for Romanian agriculture, especially by comparison with 1976, certainly the worst in the seventies (Table 10) and well below the average of 6.7% growth. After the exceptional returns of 1976, 1977 overall output decreased by 1.3%. Underfulfilments were recorded in all main branches of agriculture (Table 11), particularly cereals and livestock. The cereal results are especially significant because they continue the long term trend: in the seventies plans have been underfulfilled in all years except 1972 (Table 12). The leadership is critical of local managers and leaders, who tend to ascribe all failures to bad weather.

AC/127-D/566

-7-

14. Ceausescu strongly criticized the practice of covering up the real causes of "faults and shortcomings" in agriculture in a speech in February 1978 when he said that "the tendency to look for ways of justifying the failure to fulfil production plans" must be brought to an end. The climate is usually blamed, but he made clear that mistakes and mismanagement were also among the main causes of shortcomings. He went on to criticize bureaucracy, lack of responsibility and the immobility of the labour force. The agricultural units and the Ministry of Agriculture, i.e. those responsible for carrying out the plans, are mainly to blame for their non-fulfilment he added. Almost every sector of agriculture was repeatedly the target for Ceausescu's criticism, once again reflecting the fact that the whole farming policy of Romania has been faulty for many years. It is unlikely that the situation will improve basically or that plans will be fulfilled so long as the farm workers' need for adequate incomes and better living conditions - especially for collective farmers - is not satisfied.

(b) Industry

15. The performance of industry is certainly much healthier than that of agriculture. It remains the favoured sector since it is the basic ingredient of future economic strength and consequently enjoys priority in supplies and investment. Moreover, in some respects its development is easier to plan than that of agriculture. Very high growth rates have characterized the sector in this decade (Table 10), and output was up 12.5% in 1977, the best performance in the last three years. The emphasis placed on industrialization has resulted in a doubling of industrial output, as a whole, in the period 1970-1976, and in an even larger increment in some branches which enjoyed particular priority and/or started from a very low basis, for example engineering and chemicals (Table 13). However, the good overall performance both in 1977 and throughout the seventies should not obscure the fact that plans in many specific industrial sub-sectors are not always fulfilled. In 1977, this was the case for several vital branches (Table 14), the most outstanding of which were electrical power, coal, crude oil, steel and chemical fertilizers.

(c) Energy

16. Domestic oil production rose only 10% from 13,377,000 to 14,700,000 tonnes between 1970 and 1976 and there was no increase in 1977 when 14,650,000 tonnes were extracted (Plan: 14,850,000 tonnes). In the same period - 1970-1976 - imports of crude oil more than trebled from 2,291,400 to 8,475,000 tonnes. As a result, Romania, which was self-sufficient in energy until 1976 became, that year, a net oil importer (by 633,000 tonnes) for the first time. With an increase in refining activity the

nation's exports of products, partly derived from the imports of crude oil, rose from 5,370,000 tonnes in 1970 to 7,842,200 tonnes in 1976. It should be noted that Romania is the only Socialist country of Eastern Europe which has never imported oil from the Soviet Union and thereby enjoys a measure of economic independence.

17. In 1977, electric power, coal and oil production fell significantly short of Plan provisions (Table 14). The under-fulfilment of the coal production plan may have been the main cause for the underfulfilment in electric power (almost 20% of Romanian electric power comes from coal: Table 15). According to plans, the rôle of coal is to increase by 1980 at the expense of oil and gas, which in 1975 accounted for over 73% of electric power production. Indeed, Romania cannot rely indefinitely on its oil and gas deposits. The country's natural gas reserves, estimated at around 190 billion cubic metres, are sufficient only for six to seven years at current extraction rates and proven oil reserves - estimated at 135 million tonnes - will last for some nine years at current rates. Exploration in the Black Sea in 1977 has yielded promising results but the size of deposits is still unknown: for the near term at least Romania is running short of domestic energy resources and will need increasingly large crude oil imports.

18. The detailed energy plan for 1976-1980(1) indicated that continued growth of the economy and energy at past rates would require 10 million tonnes net oil imports in 1980 (Table 16). At \$12.50 per barrel(2) (\$91.25 per tonne), this would add over \$1 billion to Romania's already strained hard currency financing requirements. Other power sources will not fill the growing gap in the oil sector. New hydro-electric stations are being built on the Danube, but the construction of nuclear power stations - not a short term solution - has been postponed until after 1980; the only contract concluded so far (with the Soviet Union for the delivery of a 440 MW station) has been cancelled. Negotiations with the United Kingdom, Canada and the Soviet Union are taking place at present. At the end of October 1977, Romania and Canada had signed a nuclear co-operation agreement clearing the way for the sale of a "Candu" reactor to Romania.

(d) Construction

19. Although no official implementation figures were released it is highly improbable that the over-ambitious 20.4% growth target for 1977 has been fulfilled. Indeed, plans for both housing (Plan: 192,000 new dwellings; actual: 144,300) and investment (Plan: 16.7%; actual: 11.5% over 1976)

(1) Revista Economica 6th and 23rd July, 1976

(2) For comparison: in February 1978, intra-COMECON oil price was \$11.57 per barrel.

AC/127-WP/566

-9-

were largely unfulfilled. This might have advised greater prudence to Romanian planners, who set an 8.3% target for 1978. Beside the difficulties encountered by the investment sector at large, construction suffers from increases in price of raw materials put into effect in recent years, which have slowed down private building.

(e) Transport

20. Although the plan for freight transport was over-fulfilled (Plan: 3.0%; actual: 3.6% over 1976), the growth of this sector in 1977 was the lowest in the seventies. There is no explanation as to why this sector, especially freight is growing so slowly - the 1978 plan provides for only a 5.3% increase - in comparison with National Income and industrial activities, to which it is an indispensable complement.

(f) Tourism

21. Tourism is an important source of foreign exchange for the Romanian economy and 1977 was a particularly good year in this respect. Reportedly, 4 million foreigners visited the country, as against 3.5 million in 1976.

E. FOREIGN TRADE

(a) Commodity Trade

22. Romania's trade with non-Communist countries has increased rapidly and accounted for 54.4% of the total in 1976. In that year for which information is available, the industrial West accounted for 35.1% of Romanian foreign trade turnover, less developed countries (LDCs) 19.3%, CMEA for 39.1 and other Communist countries for 6.5% (Table 17). The share of trade with the industrial West is expected to decline slightly in the current FYP period, following the trend of 1975-1976 in favour of the developing countries, especially the oil producers. The decrease has been brought about by a sharp fall in imports from 41.74% in 1975 to 36.11% in 1976 (Table 18), dictated by the need to check trade deficit. However, a reduction in 1976 imports from the FRG brought Romania in surplus by 603.4 million lei from a deficit of 654.5 million in 1975. In 1976, the FRG remained Romania's most important partner in the West and the second most important after the Soviet Union, when all trade is considered. It is worth noting that 1976 registered a steep rise in US-Romanian trade (US surplus: 431.3 million lei). Finally, trade with LDCs rose rapidly in the last two years: in 1974 its share in total Romanian trade was 13.97%, 17.92 in 1975 and 19.25 in 1976, thus reflecting Romania's growing need for crude oil, imported substantially from the LDCs.

23. Since 1960 the share of trade with CMEA in general, and the Soviet Union in particular, has been steadily declining, although the USSR remains the main trading partner of Romania (17.9% of turnover in 1976) and there was a slight recovery in 1975-1976. The latter relies more and more on imports of raw materials from sources other than the USSR and its dependence on these has increased apace with industrialization. The diversification of Romania's imports away from the USSR has enabled the leadership to carry out autonomous economic policies.

24. In the current Five-Year Plan period the East European share in the value of Romanian trade may increase slightly as the CMEA upward price revision begins to take effect. In 1976-1980 trade with the USSR is expected to grow at a slow pace with little increase of Soviet exports of raw materials, even though the Romanians insist that the Soviets start offsetting their traditional trade deficits with some oil exports (until now Romania has not imported any Soviet oil but exported a small quantity of petroleum products to the USSR). Although she has a surplus with the USSR since 1970 (according to Romanian figures) it is unlikely that Romania could persuade the USSR to export crude oil to her during the current plan period.

25. Data so far available for 1977 indicates that foreign trade turnover increased by 14.8%, faster than in 1976 (14.5%) but less than planned (15.5%). Imports rose a little faster than exports, so that the 210 million trade surplus of 1976 has disappeared. Indeed, in 1977 Romanian foreign trade broke even, as exports and imports were both 34.9 billion lei (7 billion dollars at the "foreign trade" rate of exchange of \$1 = 4.97 lei). Although a distribution by area is not available, the data suggest that the structure of the Romanian trade balance has not changed: surplus with the USSR, CMEA and other Communist countries, as a whole, and with the developing countries, but deficit with the industrial West. Romania is making serious attempts to balance its bilateral trade with hard currency partners and to achieve greater penetration of West German, US, Swedish and Dutch markets.

(b) Hard Currency indebtedness

26. The trade deficit with the West, caused largely by imports of machinery, equipment and technology, has brought about a persistent shortage of hard currency and a growing level of indebtedness. The latter is not only bilateral but also exists towards the IMF and the World Bank which has helped Romania finance large-scale infrastructure projects and industrialization. On the whole, the level of hard currency

AC/127-WP/566

-11-

indebtedness would seem to be less worrying than for other Communist countries: as shown in Table 19, Romania occupies the medium point in the ranking of indebtedness after the USSR, Poland and East Germany but before Hungary, Bulgaria and Czechoslovakia(1). The country's indebtedness ratio (Table 20), i.e. hard currency debt as a percentage of exports to hard currency countries, is relatively better than that of other socialist countries.

F. CMEA INTEGRATION

27. Although Romania has selected its degree and fields of participation in CMEA activities, the leadership seems to have become more co-operative since the country achieved a measure of economic independence from the Soviet Union. As a result, in recent times Romania has intensified contacts with its CMEA partners, the latest being the meeting of Prime Minister Manea Manescu with CMEA Secretary Fadeev, on 31st January, 1978. These discussions covered the extensive programme of intra-CMEA economic co-operation for the period 1976-1980, the CMEA long-term (1976-1990) programme of specialization and co-operation in production, the co-ordination of the 1981-1985 plans, and the balances of trade for the next five years.

G. THE OUTLOOK

(a) Short term prospects

28. Once again, the Romanian planners have set ambitious 1978 targets for their economy. The plan provides for an overall growth 11-11.5%, a record 16.8% for investment and 19.1% for foreign trade. Industrial growth is to continue at 10.6%, the highest target so far of the current quinquennium and which will probably be overfulfilled as in previous years. Labour productivity is reckoned to be the main factor in economic growth, as the manpower numbers are remaining practically unchanged. As to the standard of living, an unprecedented building programme has been laid down for 1978, when 210,000 new dwellings are to be completed.

29. Many of the aims have been established to catch up with the lagging Five-Year Plan but some of them, particularly those in low priority sectors such as housing and retail sales are unlikely to be met. Nevertheless, in the short run the rapid growth of the Romanian economy, after a relative setback in 1977, is likely to resume. Therefore, national income growth rates exceeding 10% may be expected from now to the end of the current FYP, as was seen in the seventies until 1977.

---

(1) A more precise indication of the Romanian comparative position as far as indebtedness is concerned can be derived from the debt service ratios, i.e. the ratio between repayments plus interest and exports (Table 21)

(b) Long term prospects

30. Romania is unlikely to prove an exception to the general rule that as an economy matures, its growth rate diminishes. This concept is reflected in the seventh Five-Year Plan (1981-1985) whose outline was published on 15th December, 1977.

31. Once again the emphasis is put on growth of industry which is to increase by an annual 9-9.3%, increased labour productivity and swift growth of National Income. But the real target seems to be to create not only something "bigger", but something "better" by raising the technical level and quality of production. As a result, 70% of National Income in 1980 will be originated in the industrial sector, and the share of machine building in industrial production is forecast at 36%. Although in need of more detailed explanation and further specification, at first glance, these targets do not seem to be out of reach. All the annual percentage increases are realistically set lower than the comparable figures for the current 1976-1980 FYP. The term of "advanced socialist society", which is becoming current in Soviet official terminology, is not employed by the Romanians to identify the society they want to create by 1985. But they make it clear that they want something like it, a country "at a medium level of development", whose per capita income (Soviet concept) will be 2,400-2,500 dollars, i.e. comparable with today's Soviet level(1).

32. A look at the figures, however, shows that these results will be reached with a somewhat reduced though still high growth rate of National Income (Table 22). The real income of the population will increase by an annual 4.6-5.1% if an inflation rate of 1% a year is admitted. As this increase is much less than National Income growth (8.6-9.6% per annum), accumulation is again to keep its priority over consumption. Indeed, retail sales (the bulk of personal consumption) are to increase by an average annual 5.4-6.7% while investment is planned to be up by 6.5-7.3%. Foreign turnover up by an annual 9.6-10.3%, is not projected to increase as fast as in the 1976-1980 Plan (15.9%), but this again reflects a more mature economic system, already well integrated in world trade.

---

(1) According to Narodnoe Khozyaystvo SSSR za 60 Let (1977 edition), page 98, the per capita income of the Soviet Union in 1976 (Soviet concept) was 2,423 dollars.

AC/127-WP/566

-13-

(c) Conclusions

33. Although the Romanian economy experienced a relative setback in 1977, it keeps growing at a very high rate (National Income: 8.6%), largely exceeding that of the other European Communist countries. The priorities have not changed over time: accumulation is the first goal, as a way to achieve a socialist industrial society. However, a number of concessions have been made to the consumers, whose standard of living is slowly but steadily increasing, in both the quantity of goods available and the working and living conditions. The balance of trade remains reasonably good, although past hard currency indebtedness represents a heavy burden on current exports.

34. Future growth is likely to continue at a sustained rate, but at a planned slower pace as the economic base expands and certain bottlenecks - energy and manpower - become tighter. A degree of economic rapprochement with the USSR is likely to take place, dictated by mutual interest and the Romanian desire to step up raw material imports to balance its current trade surplus with that country. Nevertheless, this rapprochement will not imply a substantial economic dependence on the USSR. The main obstacles to this are: (a) the primacy of Bucharest's independent foreign policy; (b) constraints on Soviet exports of the critical energy and materials Romania needs, and (c) the competing attraction of Western technology.

N A T O   U N C L A S S I F I E D

-1-

ANNEX to  
AC/127-WP/566

ANNEX  
STATISTICAL TABLES

N A T O   U N C L A S S I F I E D

-1-

TABLE 1

Ranking of East European countries by NMP growth rates in 1977

	1976	1977	
	(actual)	(actual)	(plan)
Romania	10.5	8.6	11.3
Hungary	3.0	7.5/8.0	6.0
Bulgaria	7.0	6.3	8.2
Poland	7.5	5.6	5.7
East Germany	3.7	5.2	5.5
Czechoslovakia	4.0	4.5	5.2
USSR	5.0	3.5	4.1

Source - Press Reports

ANNEX to  
AC/127-WP/566

-3-

TABLE 2

Plan implementation in 1977 - growth rates and fulfilment indexes

	Plan	Actual	Index = Actual ÷ Plan
<u>AGGREGATE VARIABLES</u>			
Net Material Product	11.3	8.6	97.6
Retail Sales	8.4	6.7	98.4
Per Capita Real Income	5.9-6.3	5.7	99.4-99.8
Investment	16.7	11.5	95.5
Price Level	1.0	0.5	-
Foreign Trade Turnover	15.5	14.8	99.4
<u>SECTORAL VARIABLES</u>			
Agricultural Output	1.9-13.6	-1.3	86.5-96.5
Industrial Output	10.5	12.5	101.8
Labour Productivity in Industry	9.2	9.8	100.5
Construction	20.4	-- underfulfilled --	
New Dwellings (thousands)	192.0	144.3	75.2
Freight Transport	3.0	3.6	100.6

Source - RFER, Romania, 28th February, 1978, Passim;  
SWB, 16th February, 1978

DECLASSIFIED - PUBLICLY DISCLOSED - PDN(2012)0003 - DÉCLASSIFIÉ - MISE EN LECTURE PUBLIQUE

TABLE 3

Five-Year Plan Implementation - Annual growth rates

	1976 (actual)	1977 (actual)	1978 (plan)	1976-80* (plan)
<u>AGGREGATE VARIABLES</u>				
Net Material Product	10.5	8.6	11.0-11.5	11.0
Retail Sales	8.7	6.7	10.0	8.7
Per Capita Real Income	8.6	5.7	7.9	6.2-7.0
Investment	8.2	11.5	16.8	12.8
Price Level	0.9	0.5	1.0	1.0-1.2
Foreign Trade Turnover	14.5	14.8	19.1	15.9
<u>SECTORAL VARIABLES</u>				
Agricultural Output	17.2	-1.3	6.9-16.1	6.9-9.0
Industrial Output	11.5	12.5	10.6	11.5
Labour Productivity in Industry	8.8	9.8	9.0	9.2
Construction	5.7	---	8.3	---
New Dwellings (thousands)	139.4	144.3	210.0	251.0
Freight Transport	5.2	3.6	5.3	5.4-6.0

Sources - NATO AC/127-WP/527(Revised), Recent Economic Trends in Romania, Tables 2 and 3 for 1978 (plan); RFER, Romania, 23rd December, 1977

(\* ) Revised as of December 1977 - see Table 3(a)

ANNEX to  
AC/12/-WP/566

-5-

TABLE 4

Five-Year Plan (1976-1980) Revisions summary (published on 8th December, 1977). Average annual growth rates

	Original Plan	Revised Plan
<u>AGGREGATE VARIABLES</u>		
Net Material Product	10.3	11.0
Retail Sales	8.1	8.7
Investment	10.3*	12.8
Foreign Trade Turnover	15.6	15.9
Real Average Remuneration	18-22.0	52.3
<u>SECTORAL VARIABLES</u>		
Agricultural Output	6.5-8.6	6.9-9.0
Industrial Output	10.7	11.5
Labour Productivity in Industry	8.5	9.2
Services	11.0	11.9
New Dwellings (thousands)	1,065	1,255
of which: privately funded	250	250

Source - REFER, Romania, 23rd December, 1977, p. 13

(\*) Adjusted rate, taking into account the reduction in the cost of investments

TABLE 5

Plan target comparison: 1978 Plan versus FYP (1976-1980) -  
Annual growth rates

	1978-1980 annual tar- gets after 1976 and 1977 results (1)	1978 plan (2)	1979-1980 annual residual targets (3)	1976-1980 plan (4)
<u>AGGREGATE VARIABLES</u>				
Net Material Product	12.1	11-11.5	12.4-12.6	11.0
Retail Sales	9.5	10.0	9.2	8.7
Per Capita Real Income	5.6-6.8	7.9	4.4-6.4	6.2-7.0
Investment	14.8	16.8	13.8	12.8
Price Level	1.2-1.5	1.0	1.3-1.7	1.0-1.2
Foreign Trade Turnover	16.7	19.1	15.5	15.9
<u>SECTORAL VARIABLES</u>				
Agricultural Output	6.7-10.0	6.9-16.1	2.0-11.6	6.9-9.0
Industrial Output	11.2	10.6	11.4	11.5
Labour Productivity in Industry	9.1	9.0	9.2	9.2
New Dwellings (thousands)	323.7	210.0	380.7	251.0
Freight Transport	6.1-7.1	5.3	6.4-8.0	5.4-6.0

Source - Table 3

ANNEX to  
AC/127-WP/566

-7-

TABLE 6

ROMANIA - SELECTED MACROECONOMIC VARIABLES - 1948-1977

	GNP (billion 1976 \$)	Mid-year population (million)	National Income (billion lei)(a)	Investment (billion lei)(a)	Foreign Trade Turnover (million currency lei)	Foreign Trade Balance (million currency lei)
1948	...	16,000 <sup>(c)</sup>	23	...	1,648	144
1949	...	...	...	5.0	2,321	(-)
1950	...	...	35	6.3	2,735	(-)
1951	...	...	45	8.6	3,216	(-)
1952	...	...	48	11.3	4,009	(-)
1953	...	...	56	14.4	4,973	(-)
1954	...	...	53	13.0	4,544	(-)
1955	...	...	68	14.6	5,301	(-)
1956	...	17,500	63	16.7	5,075	247
1957	...	17,829	73	16.4	5,416	(-)
1958	...	18,056	76	18.2	5,700	(-)
1959	...	18,226	86	21.2	6,146	122
1960	20.0	18,403	95	27.7	8,189	415
1961	...	18,567	105	32.6	9,643	(-)
1962	...	18,681	109	36.8	10,554	(-)
1963	...	18,813	120	39.6	11,622	(-)
1964	...	18,927	133	43.5	13,009	(-)
1965	28.0	10,027	146	47.2	13,072	1,009
1966	...	19,120 <sup>(c)</sup>	161	51.6	14,396	(-)
1967	...	19,285	172	60.2	17,649	(-)
1968	...	19,721	184	67.3	18,465	(-)
1969	...	20,018	199	71.7	20,242	(-)
1970	35.6	20,253	212.1 <sup>(b)</sup>	80.0	22,866	(-)
1971	40.5	20,470	240	88.4	25,222	(-)
1972	43.2	20,663	265	97.5	28,838	(-)
1973	44.3	20,828	293	105.7	35,994	1,158
1974	46.2	21,029	329	119.7	49,789	(-)
1975	49.0	21,245	361.9	137.7	53,095	(-)
1976	52.5	21,446 <sup>(c)</sup>	400.0	149.0	60,798	210
1977	...	21,673	434.4	169.0	69,800	0

Sources - Till 1976: Annual Statistic (Romanian Yearbook) - 1977:  
Press reports - GNP: CIA, Handbook of Economic  
Statistics 1977.

(a) Till 1965: 1959 prices  
After 1965: 1963 prices  
1963/1959: 99.6544

(b) Base year for calculations performed on indexes

(c) Estimate

TABLE 7

Growth rates in aggregate domestic variables in the seventies

	1971	1972	1973	1974	1975	1976	1977
Net Material Product	13.1	10.4	10.6	12.3	10.0	10.5	8.6
Retail Sales	8.9	6.1	7.1	9.4	8.4	8.7	6.7
Per capita Real Income	11.8	6.1	4.2	6.8	5.4	8.6	5.7
Investment	10.5	10.3	8.4	13.2	15.0	8.2	11.5
Price level	0.6	0 <sup>a</sup>	0.7 <sup>a</sup>	1.1 <sup>a</sup>	0.2 <sup>a</sup>	0.9	0.5
Manpower	0.6	0.3	0.5	0.5	0.8	0.8	-0.1

Source -- NATO, AC/127-WP/527(Revised), Recent Trends in Romania, Table 3 for 1977

Note: <sup>a</sup> Retail prices

ANNEX to  
AC/127-WP/566

-9-

TABLE 8

Employment by branch of activity - Percentage distribution -  
1950-1976

	1950	1960	1970	1975	1976
Industry	12.0	15.1	23.0	30.6	31.9
Construction	2.2	4.9	7.8	8.1	8.3
Agriculture	74.1	65.4	49.1	37.8	35.6
Transport and Communication	2.2	2.8	4.3	5.0	5.0

Source - Annual Statistic 1977 (Romanian Yearbook 1977), Table 51,  
page 101

Note: This table is not directly comparable with the following  
Table 9, because the latter refers to the material sphere  
only whereas the former includes also employment in the  
non-material sphere.

TABLE 9

Net material product by sector of origin - Percentage distribution - 1950-1976

	1950	1960	1970	1975	1976
Industry	44.0	44.1	58.0	56.2	55.9
Construction	6.0	9.0	10.4	7.6	7.2
Agriculture	27.8	33.0	18.5	16.0	18.3
Transport and Communication	4.3	3.8	6.0	5.8	5.2
Other Material Production	17.9	10.1	7.1	14.4	13.4
TOTAL NMP	100.0	100.0	100.0	100.0	100.0

Source - Annual Statistic 1977 (Romanian Yearbook 1977),  
Table 36, page 85

Note: See note to Table 8 above

TABLE 10

Sectoral growth rates in the seventies

	1971	1972	1973	1974	1975	1976	1977	AVERAGE
Agricultural Output	19.1	9.2	0.8	1.5	2.5	17.2	-13	6.7%
Industrial Output	12.0	11.6	14.4	14.7	12.4	11.5	12.5	12.7%
Labour Productivity in Industry	4.9	4.8	8.2	6.7	7.1	8.8	9.8	7.1%
Construction	9.0	7.3	5.1	4.9	8.5	5.7	-	6.7%
New Dwellings (thousands)	147.0	136.0	149.1	154.3	165.4	139.4	144.3	147.9%
Freight Transport	9.0	-1.8	6.5	11.4	22.0	5.2	3.6	7.9%
Passenger Transport	9.0	9.2	8.4	10.1	14.1	0.4	-	8.4%
Tourism (thousands)	-	-	-	-	-	3,500	4,000	-

Source - Same as Table 4

TABLE 11

Agriculture: Plans and results in 1977

(a) Crop production (thousand tons)

Crop	Actual	Planned
Wheat and rye	6,540	7,290
Maize	10,103	12,120
Others	1,948	1,755
Total Cereal grains	18,591	21,165
Sugar beets	6,249	8,480
Sunflower seeds	307	1,109
Flax and hemp	245	494
Potatoes	3,738	4,790
Vegetables	3,065	4,110
Fruit	1,393	2,050
Grapes	1,464	1,706

(b) Livestock numbers (million heads)

Category	Actual	Planned
Cattle	6,301	6,790
Pigs	9,732	10,930
Sheep and goats	14,849	16,750
Poultry	48,930	50,900

Source - RPER, Romania, 28th February, 1978, page 7

DECLASSIFIED - PUBLICLY DISCLOSED - PDN(2012)0003 - DÉCLASSIFIÉ - MISE EN LECTURE PUBLIQUE

ANNEX to  
AC/127-WP/566

TABLE 12

Actual and planned grain production through the period 1971-1980

Year	Actual (in 1,000 tons)	Planned
1971	14,530	15,759
1972	16,657	16,292
1973	13,639	17,317
1974	13,235	18,473
1975	15,265	20,000
1976	19,791	20,570
1977	18,591	21,165
1978	-	23,200
1976-1980	-	20,000-22,360

Source - RFER, Romania, 9th March, 1978, page 26

TABLE 13

Industrial output by branches - index numbers (1970 = 100)

	1974	1975	1976
Electricity	143	159	174
Fuels	120	129	139
Ferrous metallurgy	151	171	191
Non-ferrous metallurgy	146	161	173
Engineering and metalworks	194	230	258
Chemicals	182	208	241
Building materials	146	161	184
Textiles	170	177	206
Food	136	143	157
ALL INDUSTRY	164	184	205

Source - Annual Statistic 1977 (Romanian Yearbook 1977), Table 70, page 129.

DECLASSIFIED - PUBLICLY DISCLOSED - PDN(2012)0003 - DÉCLASSIFIÉ - MISE EN LECTURE PUBLIQUE

ANNEX to  
AC/127-WP/566

-15-

TABLE 14

Shortfalls in industrial production in 1977

Commodity	Unit	Actual	Planned
Electric power	million kWh	59,850	63,110
Coal	1,000 tons	26,778	33,530
Crude oil	1,000 tons	14,650	14,850
Steel	1,000 tons	11,457	11,695
Rolled steel	1,000 tons	8,392	8,708
Lead	tons	41,702	47,600
Zinc	tons	51,860	55,400
Motor vehicles	units	34,716	36,000
River vessels	units	17	41
Chemical fertilizers	1,000 tons	1,981	2,882
Tyres	1,000 pieces	4,263	4,740
Radio sets	1,000 pieces	730	910
TV sets	1,000 pieces	476	500
Footwear	1,000 pairs	98,806	109,670

Source - RFER, Romania, 28th February, 1978, page 6.

TABLE 15

Planned sources of electrical power - percentage values

	1975 (Actual)	1980 (Plan)
Oil and gas	73.4(1)	70.6
Coal	19.7	23.5
Water	3.6	4.0
Secondary sources	3.3	1.9

Source - RFER, Romania, 18th February, 1977, page 8.

---

(1) Approximately two thirds gas and one third oil

DECLASSIFIED - PUBLICLY DISCLOSED - PDN(2012)0003 - DÉCLASSIFIÉ - MISE EN LECTURE PUBLIQUE

ANNEX to  
AC/127-WP/566

-17-

TABLE 16

Growth in energy requirements - million metric tons of crude oil equivalent

	1975 (Actual)			1980 (Plan)		
	Domestic demand	Domestic output	Balance	Domestic demand	Domestic output	Balance
Crude oil	13	14	1	26	16	-10
Coal	11	7	-4	28	29	1
Hydroelectric	1	2	1	18	13	-5
TOTAL	54	52	-2	75	60	-15

Source - NATO, AC/127-WP/527, cit., Table 11.

TABLE 17

Foreign trade turnover - percentage distribution areas - 1960-1976

	Total (million currency lei)	USSR %	COMECON %	Industrial West %	Less Developed Countries %
1960	8,189	40.1	66.6	22.2	4.7
1965	13,072	38.8	60.4	28.9	6.0
1970	22,866	27.0	48.9	35.7	8.1
1975	53,095	18.6	37.8	37.3	17.9
1976	60,798	17.9	39.1	35.1	19.3
1977	69,800	-	-	-	-

Source - NATO, AC/127-WP/527, cit., Table 12, Table 12(a) (for 1976)

ANNEX to  
AC/127-WP/566

-19-

TABLE 18

Breakdown of foreign trade by major areas. Percentage values -  
1974-1976

	1974	1975	1976
<u>Socialist countries</u>			
Total	41.17	44.77	45.65
Romanian exports	43.34	46.00	45.87
Romanian imports	39.16	43.54	45.44
of which:			
<u>COMECON</u>			
Total	34.43	37.81	39.14
Romanian exports	36.30	38.60	38.34
Romanian imports	32.65	37.01	39.95
<u>Other Socialist countries</u>			
Total	6.74	6.96	6.51
Romanian exports	7.04	7.40	7.53
Romanian imports	6.51	6.53	5.49
<u>Western developed countries</u>			
Total	44.85	37.30	35.10
Romanian exports	41.03	32.87	34.10
Romanian imports	48.47	41.74	36.11
of which:			
<u>Common Market</u>			
Total	29.82	23.02	20.59
Romanian exports	27.67	21.17	21.06
Romanian imports	31.85	24.87	20.12
<u>Other Western developed countries</u>			
Total	15.03	14.28	14.51
Romanian exports	13.36	11.70	13.04
Romanian imports	16.62	16.87	15.99
<u>Developing countries</u>			
Total	13.97	17.92	19.25
Romanian exports	15.63	21.13	19.94
Romanian imports	12.43	14.72	18.45

Source - RFER, Romania, 16th February, 1978, pages 16-17

TABLE 19

Net hard currency debt of East Europe - Billion US dollars -  
1970-1976

	<u>1970</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total net debt of which:	<u>6.5</u>	<u>18.2</u>	<u>29.0</u>	<u>39.1</u>
USSR	1.9	5.0	10.0	14.0
Poland	0.8	3.9	6.9	10.0
East Germany	1.0	2.8	3.8	4.8
Romania	1.2	2.6	3.0	3.3
Hungary	0.6	1.5	2.1	2.6
Czechoslovakia	0.3	1.1	1.5	2.1
Bulgaria	0.7	1.2	1.8	2.3
Portion held by Commerical Banks in the West(1)/(2) of which:	0.5	6.4	15.3	20.6(3)
USSR	n.a.	-0.1	4.7	7.0
Poland	n.a.	1.7	3.4	4.4

Source - NATO, AC/127-WP/527, cit., Table 17.

- (1) Data include net East European liabilities in Western domestic currencies as well as Eurocurrencies. The data series is inconsistent because of reporting changes over time. The 1970 data represent net liability positions vis-à-vis reporting banks in Belgium, France, Germany, Italy, The Netherlands, Sweden, Switzerland, and the United Kingdom. The 1974 data also include reporting vis-à-vis banks in Luxembourg, Canada, Japan, and the US. Year-end data for 1975 and for the third quarter of 1976 include positions vis-à-vis offshore branches of US banks.
- (2) Estimated. Incomplete reporting from Swiss, Canadian, US and Japanese banks precludes a precise breakout of net liabilities by individual East European country.
- (3) As of 30th September, 1976.

ANNEX to  
AC/127-WP/566

-21-

TABLE 20

Hard currency indebtedness and exports to the West (1970-1976)  
billion US dollars

	Indebtedness (1)	Exports (2)	% ratio (1)/(2)	Debt service ratio(*)
1970	1.2	0.566	212	36
1974	2.6	2.223	117	29
1975	3.0	1.738	173	42
1976	3.3	2.093	158	42

Source - NATO, AC/127-WP/527, cit., Table 13; Table 9(a) above;  
Table 14 below;

(\*) Repayments on medium and long-term debt plus interest on total debts as a percentage of export to the developed West

TABLE 21

Estimated debt service ratios of East Europe - 1975-1976

	1975	1976
Bulgaria	60	75
Czechoslovakia	22	30
East Germany	27	35
Hungary	35	40
Poland	43	50
Romania	42	42

Source - NATO, AC/127-WP/527, cit., Table 14.

DECLASSIFIED - PUBLICLY DISCLOSED - PDN(2012)0003 - DÉCLASSIFIÉ - MISE EN LECTURE PUBLIQUE

ANNEX to  
AC/127-WP/566

-23-

TABLE 22

1981-1985 Draft-Plan - rates of growth

	1980 over 1975	Annual average	1985 over 1980	Annual average
<b>AGGREGATE VARIABLES</b>				
Gross social product	58.0	9.5	45.0-50.0	7.7-8.5
Net material product	69.0	11.0	51.0-58.0	8.6-9.6
Retail sales	52.1	8.7	30.0-38.0	5.4-6.7
Investment	82.6	12.8	37.0-42.0	6.5-7.3
Remuneration fund	-	-	40.0-45.0	7.0-7.7
Real remuneration	32.3	5.8	18.0-20.0	3.4-3.7
Real income of the population	-	-	25.0-28.0	4.6-5.1
Reduction of material in- put expenditure	9.5	-	6.5-7.0	-
Labour productivity	55.1	9.2	43.0-47.0	7.4-8.4
Price level	5.0-6.0	1.0-1.2	-	1.0
Foreign trade turnover	109.1	15.9	58.0-63.0	9.6-10.5
<b>SECTORAL VARIABLES</b>				
Agricultural output	39.6-54.2	6.9-9.0	23.0-25.0	4.2-4.3
Real income of peasantry	30.0	5.4	20.0-22.0	-
Industrial output	72.3	11.5	55.0-60.0	9.0-9.8
Services	75.3	11.9	50.0-55.0	8.5-9.0
New dwellings (thousands)	1,255.0	251.0	1,300.0	260.0

Source - RFER, Romania, 30th January, 1978, page 4 (dwellings  
page 3)