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ROMANIA: TRADE WITH, AND DEPENDENCE ON, THE USSR

Note by the Secretary General

As part of its periodic review of the economies of Eastern countries, the Economic Committee has prepared the attached report, which deals more especially with Romania's foreign trade.

2. This report is submitted to the Council for information.

(Signed) Joseph M.A.H. LUNS

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ROMANIA: TRADE WITH, AND DEPENDENCE ON, THE USSR

Report by the Economic Committee

Summary

1. The recent conduct of Romania - its attitude at the Warsaw Pact Summit, its position vis-à-vis Cambodia, its separate negotiations with the EEC - have confirmed President Ceauscescu's determination to reassert his country's independence and raises the question of possible Soviet direct and/or indirect (via CMEA) economic pressures to reverse this course. It is highly unlikely that any other CMEA country would curb its trade with Romania in order to support Soviet strategy, if the USSR ever decided to take such action. Moreover, Romania's economic dependence on the Soviet Union has been decreasing fairly steadily since the early sixties, and the turnover with the USSR represented a mere 15.4% in 1978. Nevertheless, in the short term, Romania could be significantly affected by a cut in Soviet supplies of certain raw materials (iron ores, coal, apatite: but no oil is imported on a regular basis). However, so far no sign of economic pressure has become apparent: among other things, the usual Romanian-Soviet trade protocol for 1979 was signed, on 26th December, 1978.

2. Whilst all CMEA nations are economically interdependent to varying degrees, but with the USSR as the major client of and supplier to Eastern Europe, Romania is the least dependent on the USSR: it entertains the lowest relative level of exports both with the Communist countries in general, and with the USSR in particular, as shown in Table I, and had until 1977 a constant although small trading surplus with the USSR.

3. The share of Romanian foreign trade turnover with all Communist partners declined from 73% in 1960 to 48% in 1977, and there was also a relative decline of turnover with CMEA alone as a result of a deliberate withdrawal from dependence on countries themselves dominated by the Soviet Union. Trade with CMEA countries dropped below the 50% mark in 1970 - from 66.8% in 1960 - and it is currently oscillating between 38% and 42%.

4. As far as the turnover with the Soviet Union itself is concerned, the decline was even more dramatic: from 40.1% in 1960 to 19.1% in 1977 and 15.4% in 1978. However, 15.4% can be considered significant although it corresponds only to 2.5% of Net Material Product, and the Soviet Union keeps persuasive arguments to convince Romania that a policy too

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unorthodox could lead to economic problems. The current 34-39% turnover with the industrial West and 17-19% with LDCs is no guarantee against economic pressure by Moscow and the other CMEA capitals if they decide to exert it.

5. As will be seen at Table II, Soviet supplies to Romania cover essential products to a significant percentage. In 1976, over one-third of iron ores and cotton yarn used by Romanian industry was imported from the USSR as well as probably all the apatite concentrate and potassium fertilizers, around 10% of metallurgical coke and 15% of coking coal. Romania has instituted measures in recent years to further diversify its foreign sources of raw materials. These measures include agreements concluded in 1978 with Canadian firms to purchase annually 2 million tonnes of coal over the next 20 years. The USSR - in any event - lacks the strongest potential lever on Romania: a possible cut in oil and gas deliveries. Since 1976 Romania has been a net importer of oil and is likely to remain so during the foreseeable future as shown by recent trends presented in the following table:

OIL (000 TONNES)

	Production	Imports	Exports	Net imports	Net exports
1975	14590	5085.0	6175.7		1090.7
1976	14700	8475.0	7842.2	632.8	
1977	14650	8844	6741.9	2102.1	
1978	13724	10800	5750	5050	

Unlike the other European CMEA countries, Romania imports its oil mainly from OPEC (and some from China). The only recorded sale of Soviet oil to Romania was in 1977, when one million tonnes was purchased. This oil was in payment for a one-time transaction with the USSR and although similar deals may occur from time to time there are no indications that the USSR will become a regular supplier of oil to Romania.

6. Romania has been successful in redirecting trade since the early 1960s to diminish its economic vulnerability to Soviet pressure. Moreover, the raw materials it obtains from the Soviet Union are not difficult to find on world markets, although such purchases would increase Romania's permanent - if manageable - hard currency deficit and would take time to organize. In general terms the Romanian economy is the fastest growing in the socialist world and has been able to maintain control over its balance of trade. While the

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Romanian leaders would not like to see this situation jeopardized by obstacles to trade or external economic pressures, they know that blackmail is not really practical for the Soviet Union to use. Nevertheless, it may be concluded that Romania is still fairly vulnerable, at least in the short term, to Soviet economic pressure, should the USSR decide to exert it. So far, however, no signs of such pressure have become apparent, as - among other things - the Romanian-Soviet trade protocol for 1979 was signed on 26th December, 1978, i.e. after the Warsaw Pact Summit. By now, trade protocols have been signed with all NSWP countries, except Czechoslovakia, which is usually late in concluding such agreements with Romania.

(Signed) J.N. GIBault
Chairman

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TABLE

ROMANIA: FOREIGN TRADE BY AREA
STRUCTURE AND PERCENTAGE DISTRIBUTION
(Million US \$)

	Million US \$								Percentage							
	1964	1965	1970	1975	1976	1977	1978	1979(P)	1960	1965	1970	1975	1976	1977	1978	1979(P)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1 ALL COUNTRIES																
2 Turnover	1,564.2	2,174.5	3,811.0	10,685.2	12,233.1	14,046.8	17,181	20,030	100	100	100	100	100	100	100	100
3 Exports	717.0	1,101.5	1,490.8	5,341.4	5,137.7	7,020.8	8,233	n.a.	100	100	100	100	100	100	100	100
4 Imports	847.2	1,073.0	1,960.2	5,343.8	6,095.4	7,018.0	8,950	n.a.	100	100	100	100	100	100	100	100
5 Balance	69.0	98.5	-109.4	-0.4	-2.4	2.8	-716	n.a.								
6 COMMUNIST COUNTRIES																
7 Turnover	496.8	1,471.5	2,112.6	4,781.0	5,545.4	6,711.1			73.0	65.0	55.6	44.8	45.1	47.8	47.8	47.8
8 Exports	151.2	711.4	1,075.4	2,457.5	2,815.4	3,942.8			73.0	58.1	58.1	48.0	47.2	48.1	48.1	48.1
9 Imports	345.6	660.1	1,037.2	2,323.5	2,730.0	2,768.3			73.1	61.2	51.9	41.1	47.9	49.7	49.7	49.7
10 Balance	49.6	81.3	78.4	157.5	815.4	942.8										
11 CMEA (a)																
12 Turnover	911.8	1,316.1	1,870.6	4,036.9	4,768.8	5,876.4			66.8	60.4	49.1	37.8	41.1	41.9	41.9	41.9
13 Exports	472.0	652.9	927.2	2,061.9	2,353.4	2,938.7			65.8	63.4	50.1	34.6	38.3	37.2	37.2	37.2
14 Imports	439.8	617.3	943.4	1,977.1	2,415.4	2,937.7			67.9	57.3	48.1	37.0	40.0	41.0	41.0	41.0
15 Balance	32.2	81.6	-72.8	86.0	353.4	938.7										
16 USSR																
17 Turnover	547.4	844.6	1,029.6	1,983.4	2,185.9	2,604.4	2,639	2,958	40.1	38.8	27.0	18.6	17.9	19.1	19.1	19.1
18 Exports	281.4	438.4	528.8	1,062.2	1,118.4	1,345.4	1,302	1,459	39.2	39.9	28.6	19.9	18.1	18.4	18.4	18.4
19 Imports	265.9	406.2	500.8	921.2	1,067.4	1,259.0	1,337	1,499	41.0	37.7	25.5	17.2	17.8	19.7	19.7	19.7
20 Balance	15.5	32.4	28.8	162.2	118.5	145.4	-35	-90								
21 INDIVIDUAL WEST																
22 Turnover	301.4	613.6	1,392.7	4,134.8	4,338.2	4,699.6			22.2	25.1	36.5	28.7	28.1	28.1	28.1	28.1
23 Exports	152.1	273.1	609.8	1,853.1	2,129.2	2,111.8			21.2	24.8	32.9	24.7	24.1	24.1	24.1	24.1
24 Imports	152.3	340.5	782.9	2,279.9	2,209.1	2,587.8			23.5	33.4	39.9	42.7	44.0	44.0	44.0	44.0
25 Balance	-0.4	-67.4	-173.1	-424.7	-79.9	-476.0										
26 NON-COMMUNIST COUNTRIES																
27 Turnover	63.5	129.6	265.7	1,765.1	2,309.3	2,623.8			4.7	5.9	7.5	16.5	16.9	16.9	16.9	16.9
28 Exports	41.7	72.0	165.6	1,028.8	1,193.1	1,326.2			5.8	6.5	8.9	19.3	19.4	19.4	19.4	19.4
29 Imports	21.8	57.6	120.1	736.3	1,116.2	1,097.6			3.4	5.3	6.1	11.8	12.1	12.1	12.1	12.1
30 Balance	19.9	14.4	45.5	292.5	116.9	428.6										
31 Official exchange rate (lei per dollar)	6.00	6.00	6.00	4.97	4.97	4.97	4.47	4.47								
32 Net Material Product (Million lei)	34,700	146,500	212,100	361,900	400,000	431,700	474,728	525,803	100	100	100	100	100	100	100	100
33 Turnover with USSR	5,204.2	8,067.5	6,177.7	9,857.5	10,863.7	13,341.4	11,796	13,222	1.5	1.5	2.9	2.7	2.7	2.7	2.7	2.7
34 Turnover with CMEA	5,470.0	7,896.7	11,225.4	20,071.5	23,800.1	29,205.9	n.a.	n.a.	5.8	5.4	5.3	5.5	6.0	n.a.	n.a.	n.a.
35 Total turnover	8,189.1	13,071.9	22,868.7	48,095.4	60,798.4	69,772.9	76,800	89,550	8.6	8.9	10.8	14.7	15.2	15.2	15.2	15.2
36 Exports	4,302.2	6,609.2	11,104.9	26,548.9	30,504.5	34,893.5	36,800	n.a.								
37 Imports	3,887.1	6,462.7	11,760.8	26,548.5	30,293.9	34,879.4	40,000	n.a.								
38 Balance	415.1	146.5	-655.9	-1.6	210.6	14.1	-3,200	n.a.								

Sources: - export and import figures in currency-lei for 1960-1977 are derived from: Annual Statistic of Republicii Socialiste Romania 1978, pp. 446-453, regrouping countries following the classification at Table III. Leu are derived as a residual.
 - Exchange rates: UN, Yearbook of International Trade Statistics 1978, p. 739.
 - Net Material Product is derived from Annual, op. cit., pp. 87 and 90-91, applying the consumer price index of p. 427 for 1970-1976, a 2.2% price increase for 1978, and assume a 2% inflation in 1979. Data for 1960, 1965, and 1970 assume no inflation. The figure for 1977 is reported as in the cited yearbook, for it refers to NPP in prices as of 1st January, 1977 and inflation in 1977 ran at 1.5%
 - Romanian-USSR trade in 1978 and 1979 (plan): communication of the German Delegation.
 - 1978 total turnover, total exports and imports: Scinteia, 2nd February, 1979.
 Notes: (a) CMEA includes Albania until 1961; Mongolia since 1962; Cuba since 1972; and Vietnam since 1978. All these countries are included in (b).
 (b) - Planned. n.e. - Not available.

TABLE II

SUMMARY: SELECTED MAJOR COMMODITIES

Production, imports, consumption and dependence on the USSR, 1974 to 1976.

Commodity	Units	Date
101	(t)	

Commodity	Units	Production			Imports			Apparent Consumption			Exports from the USSR as % of total			Imports from the USSR as % of apparent consumption						
		1974	1975	1976	1974	1975	1976	1974	1975	1976	1974	1975	1976	1974	1975	1976				
RAW MATERIALS																				
1 Iron ore	1000 MT	1688	14390	16700	4514.0	5085.0	8475.0	8501.9	8115.7	2642.2	12322.1	15500.0	15312.9	-	-	-	17.2	27.6	100(7)	
2 Coking coal	1000 MT	3245	1045	2855	10001.0	10780.7	11740.0	-	-	1926.6	19283.1	19283.1	14975.0	3039	6200	9133	31.0	37.0	43.0	
3 Metallurgical coke	1000 MT	1535	1845	1924	1071.5	2419.5	2622.9	-	-	5396.5	6264.2	6540.0	6540.0	625	664	664	21.0	26.2	15.5	
4 Synthetic fibers	1000 MT	1891	2277	2672	2575.5	2527.2	2816.0	-	-	4474.2	4814.2	5280.0	4172	772	1020	1020	45.7	39.4	26.6	
5 Other textiles	1000 MT	-	-	-	561.5	516.0	684.9	-	-	261.5	516.0	684.9	401.6	539.7	0.0	0.0	11.2	100(7)	0.0	
MANUFACTURES																				
6 Pig iron	1000 MT	6081	6002	7415	n.a.	583.3	580.6	-	-	0.0	7105.2	7379.4	497.4	309.6	343.0	343.0	0.0	66.1	61.2	0.0
7 Ferroalloys	1000 MT	7570	9116	9116	152.5	175.2	253.5	-	-	704.5	1041.2	1124.2	72.3	21.8	100.7	100.7	60.8	25.4	45.3	
8 Sulfuric acid	1000 MT	4255	5810	7105	2237.7	1370.4	1940.1	950.6	1003.1	8276.1	7377.2	8278.0	378.0	463.0	514.7	514.7	44.5	30.8	0.7	
9 Phosphate fertilizers	1000 MT	157	145	165	64.7	91.7	109.5	-	-	61.7	21.8	109.5	28.7	50.8	114.7	114.7	61.5	24.5	100(7)	
10 Cotton thread	1000 MT	-	-	-	8.0	1.2	7.1	-	-	157.0	146.2	172.1	-	-	-	-	25.7	20.4	34.5	
11 Yarn	1000 MT	-	-	-	104.1	110.7	106.4	-	-	104.1	110.7	106.4	26.8	31.5	32.3	32.3	25.7	20.4	25.7	
MACHINES & EQUIPMENT																				
12 Metallizing	Million	n.a.	n.a.	n.a.	131.2	92.2	83.3	-	-	n.a.	0.0	0.0	29.4	31.8	29.0	29.0	25.9	22.2	0.0	
13 Lifting cranes	Million	n.a.	n.a.	n.a.	171.4	188.4	179.7	88.2	130.5	163.8	n.a.	n.a.	15.5	24.8	19.0	19.0	9.0	12.2	10.8	
14 Rolling (steel, oil)	Million	n.a.	n.a.	n.a.	31.2	61.7	56.6	-	-	n.a.	n.a.	n.a.	5.0	4.1	13.6	13.6	16.1	21.2	22.2	
15 For chemical industry	Million	n.a.	n.a.	n.a.	112.0	153.7	20.4	16.7	22.4	24.3	24.3	24.3	30.6	19.4	20.9	20.9	14.6	14.3	23.5	
16 For textile industry	Million	n.a.	n.a.	n.a.	56.1	48.7	50.9	-	-	n.a.	n.a.	n.a.	11.0	0.6	0.0	0.0	19.6	27.7	15.7	
17 Machine tools	Million	n.a.	n.a.	n.a.	2027	2027	2027	2126	2126	2126	2126	2126	1722	1777	2126	2126	20.9	26.2	22.2	
GROUP OF PRODUCTS																				
18 Metals	1000 MT	4074	3742	3728	556	440	459	-	-	4510	3802	4287	-	-	-	-	-	-	-	
19 Iron and steel	1000 MT	17507	18255	21102	2358	3498	4003	4628	4628	16021	16021	16021	38148	419	26	13	31.2	9.7	0.3	
20 Textiles	1000 MT	1162	1210	1325	216	409	516	481	422	427	1440	1619	2301	320	179	107	79.1	63.8	11.0	
EXCHANGE RATE																				
21 US\$ per dollar	1 per \$	-	-	-	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	
22 Russian per dollar	1 per \$	-	-	-	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	

Source: Production and Soviet official statistics. Exchange rates from US Yearbook of International Trade Statistics, 1975

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COUNTRY AND AREA CLASSIFICATION(1)

COMMUNIST COUNTRIES

INDUSTRIAL WEST

CMEA

North America

USSR
Bulgaria
Czechoslovakia
East Germany
Hungary
Poland
Romania
Cuba (1972)
Mongolia (1962)
Vietnam (1978)

Canada
United States

Europe

EEC

Benelux
Denmark
France
Germany
Ireland
Italy
United Kingdom

OTHER

China
North Korea
Albania (1961)
Yugoslavia

EFTA

Austria
Faeroe
Finland
Iceland
Norway
Portugal
Sweden
Switzerland

LESS DEVELOPED COUNTRIES

OTHER

All other countries of the World. Unlike the UN classification, Cuba is included in "Communist Countries" (and not in LDCs) as well as Yugoslavia (not in "Other Europe").

Gibraltar
Greece
Malta
Spain

Africa

South Africa

Asia

Israel
Japan

Oceania

Australia
New Zealand

Note: (1) To the best of our knowledge, this classification corresponds to that adopted in CMEA official statistics