

# ROMANIA IN THE 1970S: THE DETACHMENT FROM MOSCOW AND OPENNESS TOWARDS THE EEC. ASIAN ALTERNATIVES?

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**Abstract.** *Amid the economic setbacks inherited from the interwar period, Romania's inclusion into the Soviet Bloc triggered major transformations within its economy, marred by war reparations and forced industrialisation, as it has been investigated through qualitative analyses of literature and primary documents. The economic break-up from the URSS marked the evolutions of Romania in the 1960s and enabled it to seek some degree of closeness to China and, on the other hand, to the West, whilst building a particular model of nationalist communism. The fluctuating relations with Far-East countries failed to prevent the collapse of a regime that became obsolete after the hardships of the 1970s and 1980s.*

**Keywords:** *Romania, communism, China, USSR, economic development.*

It is our aim in this research to emphasise the situation of the Romanian economy during its Comecon membership, while emphasising the change of perspective adopted by Bucharest towards Moscow and the seeking of possible alternatives in the Asian space. From the methodological standpoint, we have chiefly relied on qualitative analyses of existing literature and documents collected by reputable authors from Romanian and international historiography. Some quantitative data has been included and assessed, in order to show the profile of the Romanian economy, its setbacks and the amount of trade it conducted with important partners such as China during the period envisaged.

At first, it is to be noted that during the interwar period, Romania underwent a state of transition lasting two and a half decades, evolving from a peripheral state marred by the caprices of empires to a national unitary state, seeking and, to some extent, achieving synchronisation with Europe's pace of development. Especially when compared to its immediate neighbours, Romania's accomplishments in this respect were noteworthy (Păun, 2009).

How was this possible in the aftermath of the Great War? The set of favourable historical conditions at the time engendered a unique framework for the country (Madgearu, 1995: 9-22), in stark contrast to the inconclusive steps taken towards sustainable development later, under the auspices of socialist construction. Stemming exclusively from outside its borders, the new system was burdened by ideological mimicry, artificially imposed by the Soviet Union, along with a troublesome set of institutions and procedures. The country manifested itself by overstating its capacity of expression, and not just its economic one. Set against this background, political purposes led to a violation of numerous principles of development, which gave rise to severe socio-economic consequences.

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Trapped inside a damaging logic of macro-cyclicality, the Romanian economy faced major regression, amid an array of economic, social and political factors, both endogenous and exogenous, either objective or subjective. This was translated into extensive development forcefully induced by political decisions, totally deprived of the ability to shape areas of intensive development throughout the communist period and, eventually, leading to the demise of the regime, in 1989.

### **Romania's economic relations with the USSR and countries within Comecon amid its extensive economic development**

Romania's 2,5 billion dollars' effort on the anti-Nazi front alone, during the Second World War (calculated for the year of reference 1938) (Mureşan, 1995: 74), turned into a disproportionate burden on the country rich in resources. To this, one should add the significant territorial losses and reparations owed to the Soviet Union, the latter accounting for 300 million dollars, or more than half the country's income in 1945 (Mureşan, 1995: 76). This triggered a dramatic fall of GDP/capita, which halved compared to the interwar period (Mureşan, 1995: 10-16).

In spite of the growth of the Romanian economy in the period 1950-1973, in keeping with the evolution of those of the communist bloc, whose average GDP increase amounted to 4,86% at the time (Murgescu, 2010), the degradation of the former did not cease to manifest itself, along with the standard of living of its population. Sovietisation took several shapes and was initiated by the agrarian reform of 1945, then pursued through the monetary reforms of 1947 and 1952, along with the nationalisation of the most important forms of industrial capital, in 1948. According to the 1947 census, 87,42% of Romanian enterprises belonged to the private sector, compared to 12,58% from the public sector. Moreover, the state employed merely 33,5% of the total working population. The following year, as a consequence of the nationalisation policy, affecting 8849 companies, these figures would change, to the extent that the state was now employing 76% of the industrial labour force, 77% of that in transport, 80% of workers in the wood industry and 85% of those in food production. Also, the machinery now owned by the state amounted to 80% of the total in the energy industry, 58% in extraction and 80% in manufacturing (Făgărăşan, 2004: 52-53). Foreign trade was completely taken over by the state, while forced collectivisation was taking a big toll on agricultural outputs. This, combined with a rationalised import strategy, meant that while private consumption was neglected, all the focus lay on production.

Such were the beginnings of an economic system that created a break with the historical tradition of a country that had experienced a remarkable course of modernisation from 1866 to 1939. Extensive by nature, with a Stalinist basis in the first years after the Second World War and with bilateral ties solely dictated by the controlling foreign power, this was a system that, according to many, endured even beyond the existence of the socialist system, up to the mid-1990s.

In fact, the creation of Comecon in 1949 came as a response to the Marshall Plan, or the European Recovery Program, an American initiative meant to provide support for reconstruction to Western Europe in the amount of 13 billion dollars, or ten times as much in current prices. The objectives pursued by the Americans between 1948 and 1952 included the rebuilding of war-torn regions, removal of trade barriers, modernisation of industry, reestablishment of prosperity and, not least, containment of communism. While the Marshall Plan was designed for capitalist economies, the Comecon had, as its founding members, Romania, Bulgaria, Hungary, Czechoslovakia, Poland and the USSR, with the latter assuming its leadership among its satellites. Later, Albania, East Germany,

Mongolia, Cuba and DPR Vietnam joined the union. According to Mureşan (2007), communist countries were essentially wrong to join Comecon, given their ambitions for sovereignty, and Romania was no exception. The achievements of the organisation were rather slow and chiefly pertained to commerce, despite its much broader goals, encompassing cooperation in such fields as industry, agriculture, science and technology, transport and finance. Moreover, trade within the block mostly relied on barter, making the need for foreign currency experienced by the member states unfulfilled.

In the 1950s and 1960s, Comecon countries accounted for about three quarters of all of Romania's foreign trade (Popa, 2003: 91-100). However, 1965 witnessed a revamping of the country's commercial priorities, which would eventually lead to a decrease in this amount, from 64,9% that very year to 42% in 1979. This evolution tilted the balance in favour of western and developing countries, and after 1979, there followed a decade in which communist countries showed growing reluctance to Comecon integration. While the framework of Comecon provided for relatively steady economic development in the 1960s-1970s, towards the end of that period, there would be various setbacks in the socialist model of labour division. Swift technological progress, notably in the area of computer science, was hardly compatible with the centralist planning of the Soviet model.

The first economic break with the Soviet Union occurred at the beginning of the 1960s, engendering a process of economic endogenesis with long-lasting consequences. It revolved around Romania's rejection of the Valev Plan, meant to divide Comecon countries into predominantly agricultural ones (south of Hungary) and predominantly industrial ones (to the north). According to the plan, East Germany and Czechoslovakia were supposed to pursue their industrialisation process, while less developed countries, like Romania and Bulgaria, were due to abandon industrialisation to the profit of agriculture. As Romania was ridding itself of the obedience towards Moscow and building a model of nationalist-communism (Murgescu, 1964), not only did it oppose the Plan, but it proceeded to a forceful industrialisation process, essentially extensive, chiefly relying on its own resources.<sup>1</sup> Meanwhile, the quest for independence prompted the Romanian government to support the Chinese drive to contest Soviet supremacy in the communist bloc, as of 1964. This would bring Romania and China closer from numerous standpoints and have important consequences on the former's economy.

It was the beginning of Nicolae Ceauşescu's regime in 1965 that prompted a series of political changes that would have an echo in economic policy, set against the background of the so-called national communism, i.e. an unusual degree of economic independence for that time, with some touches of autarky, driven by overstated security reasons. Gh. Gheorghiu-Dej's successor intensified his efforts to reduce the country's reliance on the Soviet Union and improve economic ties with the West. Ceauşescu also took advantage of USSR's dispute with China in order to remove Russian tutelage over its economy. After 1968, Romania acquired considerable political support on the part of the West, as a reward for its opposition to the invasion of Czechoslovakia. Meanwhile, Romania's actions meant to fight against supranational planning led to the adoption, in

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<sup>1</sup> In 1963, 48,1% of Romania's national income came from industry, while the input of agriculture had already fallen to below 30%. This evolution was doubled by a favourable international context, which, after the Helsinki Final Act of 1975, led to even more openness towards the markets of more developed countries. On the other hand, a shift in paradigm was lurking, whose first trigger was the 1973 oil crisis that revealed the weakness of the national petrochemical industry, enslaved by the preferential agreements granted to Iraq and Iran and with two thirds of its refining capacity paralysed by a virtual Soviet embargo.

July 1971, of the “Complex Programme for the Further Deepening and Perfecting of Cooperation and Development of Socialist Economic Integration of Member States”, during the 25<sup>th</sup> Session of Comecon.

Furthermore, amid the international balance of power of the beginning of the 1970’s, Romania became the first communist bloc country to join GATT, in 1971, followed by the International Bank for Reconstruction and Development, and the International Monetary Fund, in 1972. In 1973, it was granted the Community Commercial Preferences by the EC in 1973 and the Most favoured nation clause of the US in 1975. This enabled Romania to engage in a comprehensive technological revamping, which was inevitably accompanied by increased foreign debt, whose burden became evident in the late-1970s and would trigger the next major stage in the country’s economic orientation.

Romania’s relative detachment from the USSR and Comecon and its refusal to permit manoeuvres by Warsaw Pact troops on its territory (still, overall, too benign to prompt a military intervention on the part of Moscow) occurred by taking advantage of the economic opportunities provided by the West and the ideological support sought in Asia, chiefly China, at the same time as the internal development of an extremely serious phenomenon for Romanian society, namely a return to what some refer to as “neo-Stalinism”. China, amid its “Cultural Revolution”, and North Korea, with its personality cult, damaging to any shred of democratic values or competitive spirit, became the archetypes for Romania’s political stance over the following years. It was also a time of wasteful investments such as the Danube-Black Sea Canal, the People’s House, as well as urban and peri-urban systematisation (Maniu, 2011: 479-494).

While Ceaușescu appeared to have an independent attitude to the Warsaw Pact, this is debatable, as shown by Dennis Deletant, who, having studied Romanian military archives, casts some doubt on this belief (Deletant, 2007: 495-507). While Ceaușescu is largely thought to have refused to join the Warsaw Pact’s invasion of Czechoslovakia in 1968, Deletant finds that he had never actually been formally invited to do so, despite the fact that afterwards, the Soviet Union did push Romania to comply with the Pact.

Ceaușescu’s anachronic adhesion to Stalinism manifested itself in the Theses of July 1971, having a detrimental effect on the national economy and prompting the withdrawal of western financial support, as well as of the trade advantages the West had granted Romania in the past. The Theses followed Ceaușescu’s visits to China, North Korea, North Vietnam and Mongolia and are clearly inspired by local models. They included 17 propositions regarding, *inter alia*, the constant increase of the role of the Party in state leadership, major construction projects conducted with patriotic labour, more ideological education at all levels, as well as additional media propaganda – all of which were used to frustrate dissidence and further enslave society.

It is in this context that Ceaușescu had little choice but to turn to Moscow in the 1980s in order to keep the economy running, which was a reluctant act, given the former separation from the USSR, but also in the light of Gorbachev’s reforms, promoting reconstruction and transparency (*glasnost* and *perestroika*) – two concepts that were abhorred by the Romanian leader.

Even in this last decade of communism, China remained Romania’s prominent economic partner, given the tight political, trade and diplomatic relations conducted with it. For the Chinese, this partnership was a window of opportunity in an area where their influence was being thwarted, and would grant them a certain bridgehead to the West. Whilst Albania, China’s other European ally, was too feeble to act, Romania showed the potential to uphold Chinese interests in international socialist conferences and within the United Nations.

Albeit *per se* neutral in the conflict between the Soviet Union and China, Romania thus favoured the latter and the two countries supported each other in international trade and cooperation. Also, China was the utmost contributor to the aid provided to Romania as a response to the great floods of 1970, after which, in 1971, it granted Romania a loan worth 250 million dollars. In 1978, trade between Romania and China amounted to 3,6 billion dollars, divided into roughly equal shares between imports and exports (Bărbieru, 2015: 39-47).

Furthermore, Ceaușescu's visit to China in May 1978 led to the signing of a treaty on economic and technological cooperation over a ten-year time span, with provisions on weapons manufacturing. This enabled the government in Bucharest to send several delegations to Beijing in the period to come, which engendered various commercial agreements.

After 1978, China's economic growth transformed it into a prominent actor among industrialised nations, which is less than we can say for Romania, a contrast that led to a decrease in the intensity of bilateral relations (Russu, Buleagă, 2009: 49-50). As China's dialogue with the West intensified, the need for an intermediary in the guise of Romania also gradually faded, as it becomes apparent by analysing the speeches of Premier Chou En Lai. In 1966, as Brezhnev advocated for more unity and cohesion in the socialist bloc, Chou En Lai stated, during a visit to Romania, that "the Chinese people strongly support your fair fight". However, in 1971, the same Chou En Lai would allegorically say that "distant water will not quench a fire nearby"<sup>2</sup>, a proverb signalling a weakening of Chinese-Romanian ties.

To conclude, Romania's foreign policy within the Soviet bloc is very well summarised by Abraham (2017), who follows its shift during Gh. Gheorghiu-Dej's time, from that of a satellite-state to "heresy", while during Ceaușescu's rule, it turned from autonomy to ostracization. Eventually, the form of economic self-sufficiency embraced by Ceaușescu caused massive delays to Romania's technological development and worsened the standard of living of its people. The turn towards Asia proved to be short-lived, sinuous and less productive than it had originally been foreseen by communist decision-makers in Bucharest, with China seeking to attain its major political goals in the international arena, to the detriment of the modest economic ties it could cultivate with a country such as Romania. The results of the policy implemented by the Romanian communist regime, culminating with the deprivation and shortages of its last decade, became apparent in 1989.

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<sup>2</sup> According to "All Empires – online history community".

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