ROMANIAN-ITALIAN TRADE BETWEEN 1965 AND 1980

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Abstract
Romanian-Italian relations developed continuously in the second half of the twentieth century. During this period many working visits were made and important cooperation agreements were concluded. The main agreement regulating Romanian-Italian trade was the Trade Agreement signed between the two countries in September 1965 for the period 1966-1969. It was renewed in 1969 (annual protocols) until 1974, when its validity expired, and in the following period trade continued on the basis of a protocol signed in 1975.

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Introduction. Short History. Romania

The economic development strategy, which began in 1965, was based on the principle of growth and progress in industry. Lack of domestic resources led to a search for alternative solutions by imposing high costs on imports, creating external credit contracts or overexploiting land resources. As a result, capacity and efficiency limits were exceeded. The acceleration of the problems and negative effects caused by this strategy were also caused by major infrastructure projects, such as the Danube-Black Sea Canal, the Transfăgărășanul and the unfinished Bucharest-Danube Canal. The aim of these projects was to ensure the domestic use of the industry's products, given that the market and demand for them was declining significantly.

Trying to develop the country at a fast pace, ensuring complete manufacturing from raw material to complete product, without the basic resources, has proved to be an unsafe and risky way for Romania. There were long debates and feasibility studies in order to support the industrial goals of petrochemicals, metallurgy, heavy machinery, all based exclusively on imports, both in terms of raw materials and energy resources. Successful models from countries such as Japan, Germany and the UK have been borrowed by Romanian leaders to achieve industrial goals. But they overlooked the fact that these countries were far more developed, had a large domestic market and the capacity to assimilate new technologies. At the same time, they were recognized internationally for their financial strength, economic strategies suited to modern industrial activities and the spirit of competition between free economic agents. By far, Romania had not reached an advanced level, nor could it meet the requirements of the free market.

Between 1963 and 1970, thanks to the foreign policy, which aimed at exiting the Cold War and introducing peaceful coexistence between military and economic blocs, Romania's foreign trade and international economic relations increased. Thus, the country benefited from imports of more advanced technologies and high quality consumer goods. New economic cooperation and technology transfers have also been initiated. One such example is the production of Dacia cars under license from the Renault group.

Nicolae Ceaușescu's speech at the 1967 Conference focused on concrete proposals regarding foreign trade, which was also reflected in economic relations with Italy. Among the most significant points mentioned were: the rapid industrialization of Romania through the import of machinery, complex installations, licenses, imported raw materials, newly established enterprises with the help of technological equipment and imported licenses. "Foreign trade is of particular importance for ensuring the steady development of Romania, for implementing the policy of completing socialist construction and creating the material conditions for the transition to the construction of communist society" .

The volume of exports of machine tools among capitalist countries represented about 30% of the total volume, while in the case of Romania it was only 19%. Thus, the Romanian state was well below some European countries, such as Italy (30%), France (26%) and the People's Republic of Bulgaria (24%), and last among the socialist states of Europe, due to the emphasis placed more on traditional products. The total volume of foreign trade envisaged in the 1966-1970 five-year plan was intended to be about 55% higher than in 1965.

At the same time, a balance was proposed between the quantities of imported materials and equipment and the supply of products that are needed for export, with the total value of imported products being covered by the value of exported products (in equivalent value). At the above-mentioned Conference Nicolae Ceausescu stated: "For example, Italy has a fairly developed industry, a wide range of machinery and plants, some of which are no less than those of the Federal Republic of Germany; there we also have a large availability and the authorities and firms are willing to create conditions to increase our exports" .

The products exported by Romania had a low level of processing, "the low efficiency of the export of such products is due to the high costs determined by the high consumption of metal and other materials, the low level of labor productivity, taken compared to similar products made abroad". A proposal has been put forward to regulate the prices of exported products to correspond to the market.

Another issue touched upon in the speech was international cooperation between states, which should be conducted according to the principles of equality, independence, non-interference in internal affairs and mutual benefit.

In addition to outlining the main issues leading to low efficiency in external trade, possible solutions for improving it to meet the requirements of the external market were discussed.

It was proposed to expand the share of some exported products in the following years to products of the machine-building industry, chemical industry and consumer goods processing industry, at the same time as importing crude oil. "This requires the producing ministries and enterprises to ensure the manufacturing of these products at a high quality level, and the Ministry of Foreign Trade to adapt quickly and efficiently to the requirements of the new structure of goods for export". The aim was to change the structure of foreign trade by creating and exporting high-tech products; the state should focus more on highly processed products instead of simply exporting wood, corn and oil.

The adoption of Law 1/1971 led to the solution of the problem of Romania to invest in the territories of other countries, but also of foreign investments in Romania, through the establishment of companies with mixed Romanian and foreign capital. According to these regulations, the foreign capital of mixed companies on the territory of Romania had to be less than 50% of the entire capital of that company. Joint stock companies or limited liability companies were the most frequently used and appreciated form of company organization in Romania. These types of companies were found in industries such as chemicals, electronics and machine building. At the same time, they are also found in banking, tourism and trade. In the 1980s, there were eight joint ventures operating in Romania, which helped to ease the tensions caused by the need for investment. However, due to an economy too small for Western markets, requirements were limited and foreign investors were unwilling to spend significant amounts.

The widening of deficits and negative balances from year to year led to an increase in imports of raw materials and energy resources, to which were added the import of machinery and installations needed to build and complete new industrial objectives. During the 30 years from 1950 to 1980, 27 of them were characterized by external trade losses. The peak of the deficits was reached in the last years of this period, and was around 11-15% of the export value. The external debt increased from 30.2 million US dollars in 1972 to 11.5 billion US dollars in 1981. As a result, the amount of interest on loans from commercial banks increased by more than 20 percent in 1981-82 compared to 1975-80.

In 1971, Romania became a member of GATT (General Agreement on Tariffs and Trade). The following year, it was the first member of the CAER (Council for Mutual Economic Assistance), which became a member of the World Bank and IMF (International Monetary Fund), bringing with it access to foreign currency lending. After 1973, Romania received favourable treatment in trade with more developed countries.

The trade policy was not determined by the market economy game because Romania was a socialist force with a centralized state economy, its implementation was the responsibility of the Ministry of Foreign Trade and International Economic Cooperation. Foreign trade was used by Romania as a vector of opportunity to develop the national economy and to achieve economic and political independence within the EAC. Until the late 1970s, the priority was not to gain a trade balance surplus. The major desire of the Romanian state was to acquire modern technologies capable of creating an industrial platform as diversified as possible. The strategy of forcing exports was aimed at obtaining the currency needed to buy materials and technologies for the industrialization process from abroad. In 1980, trade became "mercantilist" in nature, with the aim of reducing imports and keeping the currency in order to be able to urgently pay the foreign debts accumulated in previous years when the West stopped financing Romania. Also, in the allocation of national resources, they granted a preferential regime to the enterprises that carried out their export activity.

Romania's trade dynamics between 1960 and 1988 (%)

Years	**Trade with socialist countries**			**Trade with non-socialist countries**		
	Total	**With CAER countries**	**With other socialist countries**	**Total**	**With developed capitalist countries**	**With developing countries**
1960	73	66.8	6.2	27	22.3	4.7
1965	65	60.7	4.3	35.8	29	6
1970	56	49.3	6.7	44	35.8	8.2
1975	44.8	38	6.8	55.2	36.7	18.5
1980	41	34.6	6.4	59	33	26
1985	56,7	51	5.7	43.3	23.7	19.6
1986	64.2	58.03	5.9	35.8	20.5	15.2
1987	63.7	55	8.7	36.3	23.7	12.6
1988	61.9	54	7.9	38.1	24.7	13.4

Source: Aurel Iancu, Nicolae Păun, op. cit., pp. 154-216.

In the period 1950-1989, Romania's foreign trade led to a shift from a predominantly agrarian to an industrial economy. Total foreign trade with the former communist states fell from 64.9% in 1965 to 42% in 1979. The share with non-aligned and western states increased from 35.1% in 1965 to 58% in 1979. The year 1979 is used as a benchmark because from 1980 onwards Romania entered the "cessation of payments" mechanism. Romania forced the payment of public debt of about $10 billion and managed to pay it off by February 1989 by switching to an economic regime of export forcing and excessive internal autarky.

We note, beyond the dysfunctions of Romania at the level of the CAER, the excellent relations with China - it had an important and reliable economic partner during the communist period - China, with which it created strong relations, economically and diplomatically. Despite the fact that Bucharest was neutral in the China-USSR conflict, Romania nevertheless had an affinity for China, supporting each other in cooperative relations. Following Nicolae Ceaușescu's visit to China on 15-20 May 1978, an economic and technological cooperation treaty was concluded, valid for a decade, including cooperation in the military weapons industry .

Italy

The economic reports for the period 1964-1965 show the economic situation in Italy, which was caught up in an economic recession that affected, in particular, the construction and textile sectors. The recession was felt in the industrialized north, where unemployment rose to around 1 million.

The economic recession came after the economic boom of the early 1960s, when, for the first time since World War II, industrial development in Italy reached a high level thanks to new investors, low wages and the ability to keep up with the competition. The optimistic start was short-lived due to "pressure from the trade union movement which forced the employers to raise wages by 15-20% compared to the 1960-1961 period and finally, politically, the formation of a center-left government with the socialists at the center of the government" . Employers to avoid some crisis scenarios directed capital into banks in Germany and Switzerland. "The lack of capital was reflected in the lack of investment, the fall in production, the misalignment with the competition, the fall in exports, the trade balance deficit" .

The Socialists nationalized the electricity industry, and then said that no further action would follow that would harm the interests of employers, and to some extent regained the confidence of the business community which was beginning to repatriate its capital.

As regards Italy's international economic situation, more attention was paid to the relationship with France and Germany within the European Common Market. Until then, the French representatives considered Italy dependent on the USA, that through Italy it was trying to mediate relations with the ECP, for this reason the initiatives coming from Italy were repeatedly refused by French diplomats. A similar situation was also the case with the GFR, which was to treat Italy at a lower level within the PCE, the latter always turning to German banks and employers for loans and capital aid. In the new conjuncture, "the G.F.R. and France lent Italy almost a billion dollars to remove the danger of inflation".

During this period, Italy supported Austria's application to join the PCE, the signing of bilateral agreements with socialist states, the expansion of trade volumes, liberalization of the socialist countries' lists of goods. The report states that Italy took the measures outlined above because from 1970 onwards, decisions were to be taken within the PCE bloc by the socialist states .

The Research Office of the Credit Bank of Italy (Rome) has prepared a confidential bulletin containing suggestions and proposals for Italian industrial groups to strengthen and expand exports to socialist countries. Between 1960 and 1964, trade was continuously increasing, but at a level 18% lower than the reference year 1960 due to the harvests in the Eastern European countries, which "did not cover consumption needs, which led some socialist countries to use their foreign exchange reserves to import cereals and to renounce some purchases of machinery and industrial plants" . However, the bulletin envisaged a return to importing machinery. At the same time, the bulletin put forward some proposals for improving sales in these countries. The competent administrative bodies in Italy were to take advantage of the agreements signed with the socialist states by increasing the share of trade and intensifying trade liberalization where the situation allowed. The bulletin also specified that the socialist countries were oriented towards importing high-performance machinery and plants, and that in order for Italy to receive more requests from these countries, it was necessary to collect information from the competent ministries in these countries about the purchasing plans of the western countries, to carry out working visits of technicians to inform themselves about the products that needed to be imported, and to intensify relations with the representations and enterprises competent in the field of foreign trade.

Appraisals were also made to the specialist staff in the companies and economic and trade ministries on the contractual provisions that had to be strictly adhered to.

Bilateral Relations

Romanian-Italian bilateral trade relations have experienced a positive evolution in terms of trade volume, according to official documents from 1965. In 1964, it had a value of "47.7 billion lire, which is about 0.75% of Italy's total trade volume" . Romania ranked among the first socialist countries in this respect, after Yugoslavia (a volume of 146.5 billion lire) and the USSR (a volume of 106.9 billion lire) .

The value of imports and exports to Italy has increased significantly year-on-year, but not to the same extent. For example, in 1964 the value of exports increased by 11.7% and imports by 6.5%. Very high percentages were recorded in 1963, when exports rose by 64.7% compared to the previous year, and imports by 50.3%. According to the documents, this falling percentage was due to several factors: the worsening economic situation in Italy, "which was reflected in prices and made some Italian goods uncompetitive, and above all the policy of austerity and balance of payments balancing which led to an inadequate credit policy compared to other Western European countries and a slowdown in Italian imports" .

Requests from the Romanian side for both extractive (tons of corn, butter, meat) and some export authorizations for honey, polystyrene etc. (not covered by the trade agreement) were approved, as well as requests from FIAT for tons of lubricating oils.

Naturally there were difficulties in obtaining licenses for chemical, finished wood or industrial products which were also not on the trade agreement list. At the same time, Italy was seeking a balance of payments equilibrium, and industry groups were demanding a balance of trade. For example, the ENI group (petro-chemicals) was unhappy about the promotion of imports from it into Romania, as was the Sniaviscosa group (industrial plants).

In 1964 the economic situation in Italy, as well as the commercial cooperation between the two countries, led the Romanian side to find "the most convenient conjuncture to carry out its economic policy towards" Italy.

In the report of the Economic Section for the year 1965 "an increase in the volume of trade of about 13% over 1964 was recorded". According to the Romanian Commercial Agency, the volume of trade with Italy exceeded 120 billion dollars, thus ranking it second (among capitalist countries, after the G.F.R.) in terms of foreign trade .

Long-term trade agreement between Romania and Italy, 1965

With the signing of the agreement on industrial and technical economic cooperation (6 September 1965), the long-term trade agreement was also signed for the period 1966-1968.

Annual evolution of Romanian-Italian trade estimated in millions of lei in foreign currency

	1966	**1967**	**1968**	**1969**	**1970**
Total	**740**	**1089**	**1068**	**1185**	**1296**
Export	**448**	**564**	**454**	**624**	**660**
Import	**292**	**525**	**614**	**561**	**636**
Balance commercial	**+156**	**+39**	**-160**	**+63**	**+18**

Source: A.N.R., CC of the RCP, Economic Section, file 5/1971, Programme on measures for the development of trade and economic cooperation with Italy, 1971-1975, f. 220.

Italy ranked fourth in Romania's total trade, accounting for 5.8% of total trade. It ranked even better in Romania's total trade with capitalist countries, where Italy ranked second with a 12.8% share.

In the total trade carried out by Italy, Romania ranked nineteenth, totaling a value of $182.2 million. Although Romania did not rank among the top countries in Italy's total trade, it did rank first in trade with the socialist countries, where Romania ranked third, with a higher volume of trade only with Yugoslavia and the USSR.

In terms of Romania's exports, the most important share of trade was food products, with a share of 45.5%, about half of total trade. The second most important category of products traded between the two countries was wood products, accounting for about 30% of trade. The next category of products traded was agricultural products, which accounted for 7%. A similar proportion, 6%, was accounted for by two product categories, namely steel products and petroleum/chemical products. On the import side, machinery, equipment and plant accounted for the largest share, 47% of total imports. The second largest category of imported products was steel products, accounting for 26%. The next largest category was chemicals, with a share of 12%. The last major category traded was textiles, which accounted for 9% of total trade.

Trade between Italy and Romania decreased by 2% in 1968 compared to 1967. The total volume of trade amounted to $175 million in 1968, while in 1967 it was $182 million. This decrease was due to a decrease in exports of agricultural products. Romania's production of agricultural products was affected by unfavorable weather conditions, with a decrease in the quantity of products harvested per hectare compared to the previous year.

The export/import balance resulting from Romania's trade with Italy during 1968 was as follows: exports - $75.6 million; imports - $102.4 million. Thus, we can see that, during the period analyzed, Romania imported more products from Italy than it exported to it.

Long-term trade agreement between Romania and Italy, 1969

On 4 November 1969, a long-term trade agreement was signed between Romania and Italy, which entered into force in January 1970 and is valid until the end of 1974. At the same time, the trade protocol between the two countries for 1970 was signed and annexed to the agreement, together with the annexed letters no. 1, no. 2. no. 3. no. 4. no. 6. and the lists of export-import goods .

Liberalization meant removing barriers such as taxes/tariffs to trade between countries. By reducing barriers, the cost of imported goods was reduced and products were more competitive. "In a separate letter, Italy's Foreign Trade Minister stated the Italian government's intention to autonomously pursue the policy of gradual liberalization of Romanian imports into Italy, with the aim of accelerating the liberalization process" .

This agreement is considered to be the result of good economic cooperation between the two countries, which has been manifested over the years through trade. In order to ensure that the objectives of the agreement are met and to ensure the smooth development of trade, a joint committee has been set up. According to Article 2, the two countries have decided to grant each other import-export authorizations for the lists of goods established for the following year. With regard to this authorization, Article 3 provides for the "reciprocal granting of most-favored treatment" . This agreement constitutes a legal basis for the development of trade relations with one of the member countries of the Common Market . Thus, a list of goods was negotiated for 1970, which could be updated during 1971-1974 and allowed other products to be renegotiated. The volume of trade was intended to be progressive, so that each year there was an increase in volume over the previous year, and this was left to the parties concerned to mediate the smooth running of this trade. "In all the agreements agreed with the Common Market countries, the possibility of revising the agreements was provided for, depending on the international commitments of the parties, but without reference to the commitments of the Common Market member countries to this economic grouping".

Negotiations between the two countries for the establishment of the lists of goods for 1970 led to the extension of liberalization to several new sectors (cattle, pigs, meat, etc.).

Also in the same year, exports of industrial products improved compared to 1969. The value of exports of chemical and steel products, as well as those of the machine-building industry, increased to 31% in 1970, compared with 1969, when the share of exports of industrial products was 18%. There was a significant increase in the volume of exports and imports compared with 1969. Thus, the export value was 624 in 1969, and in 1970 it was expected to increase to 748, 19.5% more than in the previous year. At the same time, the value of imports was 561 in 1969 and 730 in 1970 compared to 1969. For the sake of good cooperation, the export plan was modified at least twice, and a notable contribution was made by the joint companies, Vitama for machine tools and Romital for chemicals, etc.

As regards trade exchanges for 1971, the export plan was established at a value of about 832,666 thousand lei in foreign currency, of which in the first three months we can observe contracts worth 488,984 thousand lei in foreign currency and deliveries worth 127,137 thousand lei in foreign currency. The results have not been fully satisfied, and the joint ventures, although they were mainly responsible for "changing the structure of the assortment of goods and introducing new goods on the market", contributed only 20%.

Despite the uncertain political situation in Italy in 1971 (fight for reforms, presidential and regional elections), the export-import plan established had positive results. As stated in the telegram sent to Vasile Gliga, Deputy Minister of Foreign Affairs and Popa Pretop, Deputy Minister of Foreign Trade, it was necessary to "improve the permanent commercial presence in Italy of our agency representatives, joint ventures and delegations in the country by contacting clients, enlarging the number of companies and placing our products".

As concerning imports , it was intended that the plan should be carried out taking into account the fact that, for 1970, Romania had a balance above the established level of about 38 billion pounds. The import plan amounted to 895 million lei in foreign currency, of which the contracts for the first quarter amounted to 407,340 thousand lei in foreign currency. "Within the framework of the concluded protocols, concrete possibilities for cooperation have been established in the field of manufacturing tractors and motor vehicles, machine tools, components and electro-technical apparatus, shipbuilding and for the systematization of our customs yards" .

Exports to Italy for the whole of 1971 were 11.46% more than in 1970. Of the total volume of contracts made (818,986), the results are worth about 757,953 thousand lei foreign currency. Imports into Italy had a significant increase of 6.8% over the previous year, the total value being 679,320.

The trade protocol between the two countries for the next year, 1972, was signed on 15 January. Changes in the Italian M.C.E. framework affected exports to the Italian market. A less convenient situation for the Romanian side was the decree of November 1971, which provided that "chemical fertilizers that were liberalized for import into Italy were transferred to the restrictive regime of ministerial licenses for goods coming from socialist countries". In order not to affect the joint venture Romital, Italian politicians were asked to solve this difficulty either by granting a license or by removing the restrictions for Romania.

In the first part of 1972, imports were below the expected level of 288,770 thousand lei foreign exchange. The estimated value for the current year was 975,000 thousand lei in foreign currency, and the contracts in the first half of the year amounted to 596,990 thousand lei in foreign currency. These data show that the export-import ratio between Romania and Italy has not always been balanced. These discrepancies, besides being under the constant attention of the Italian authorities, were also closely followed by the Romanian side, which, considering that the negotiations for the 1973 Trade Protocol were approaching, could create some problems for the liberalisation of products, as well as for other important exports .

Thus, in a telegram sent to Vasile Gliga, deputy to the Minister of Foreign Affairs, a few days before the start of the negotiations for the finalization of the trade protocol for the following year, I. Ionascu sent the details of the discussion he had with the Director of the Ministry of Foreign Trade, Armando Fracassi, who was responsible for these negotiations. As the situation was already known to the Romanian side, Fracassi showed his dissatisfaction with the imports from Italy, stating that the negotiations for the future protocol will be difficult. Another point raised in the discussion was that of the EEC Commission. From the analysis of the telegram it can be concluded that, as long as the principle of reciprocity is not applied, the socialist countries will have problems with the liberalization proposals: "the liberalization proposals in favor of the socialist countries which the EEC Commission has prepared for approval by the Council of Ministers cannot succeed as long as there are no guarantees of reciprocity which the situation demands" .

On the import side, the economic situation in Italy has created a favourable framework for price negotiations with suppliers through the possibility of offering credit "given the slowdown in investment and industrial growth in Italy". However, in order to take advantage of the favorable situation described above, it was hoped that the share of Romanian exports would be close to the share of imports from Italy. Thus, the Italian side could make some concessions .

In the third quarter of 1972, the Italian Andreotti government's inclination towards productive activity is observed, due to the inflationary tendencies generated by the Western monetary crisis. It was hoped that the level of growth in industrial production would reach 4% of the 7% set in the national economic plan.

There has been a development of food products on the Italian market. The demand for meat and the lack of it in Italy and other countries forced the Italian representatives to prioritize the export of Romanian products that had been banned due to the foot-and-mouth pandemic "and to take other measures, which would not lead to an increase in retail prices, which aroused the dissatisfaction of **the population".** Italy's import plan remained, at least until October, unsatisfactory, and the Italian authorities have continually expressed their dissatisfaction, warning that they will take action on liberalizations and quotas.

The trade protocol between the two countries for 1973 was signed on 20 December 1972, together with lists of goods. "The protocol provides for an increase in the volume of trade in goods as well as the liberalization of certain products for Romanian exports". Similar to the other agreements, there is an increase in trade/forecasts. According to the protocol and the list of goods, Romania was to export chemical products, agri-foodstuffs, tractors, etc., and import steel products, plant, machinery .

Trade was about 16% higher than in the previous year, 1972, implying a continuous evolution of trade. There is a slight increase in light industry products and machine tool .

"Imports grew faster than exports (21.3% for imports compared to 11.7% for exports), as a result of indications to direct imports to Italy to unburden our country's balances with other Western countries".

Although there were contracts in place and the results of the export plan were satisfactory, they represent only an average of three different situations: some ministries achieved more than expected, the Ministry of Agriculture and Food Industry (M.A.I.A.A.) 104%, Ministry of Light Industry (M.I.U) 112%, others 10-15% less, Ministry of Metallurgical Industry (M.I.M), Ministry of Machine Building Industry (M.I.CH), and some ministries did not .

At the same time, joint ventures have not made a significant contribution to improving the export share, especially Vitama .

An institution such as the Romanian-Italian Chamber of Commerce, following the model of the positive experience of the other socialist states, proved to be necessary to maintain contacts between the enterprises of the two states and it was considered that it could facilitate the smooth running of trade by concrete measures. At the same time, it could constitute an important economic propaganda for the country. Thus, in February 1973, the Romanian-Italian Chamber of Commerce was founded on the initiative of Prof. Constantin Dragan .

On March 1, 1973, a protocol of cooperation between the Institute for Chamber of Commerce (I.C.E) and the Chamber of Commerce was signed. This event was attended by the representative of the Chamber of Commerce and the I.C.E, the Romanian Ambassador, the representative of Confindustria, as well as other diplomats from the Ministry of Foreign Affairs and the Ministry of Industry .

The Romanian side has encountered difficulties in developing economic relations due to Italy's membership of the E.E.C., and the provisions within it. However, Romania has asked for Italy's help in order to be included among the countries granted preferences. In the course of Romania's efforts to obtain these preferences, it has received constant support from Italy. It is worth mentioning here the intervention of Foreign Minister Medici during his visit to Brussels, in favour of Romania, regarding the granting of these preferences, but negotiations were not initiated because of the reluctance of the French Foreign Minister to this decision. Other political personalities who have pledged their support in this respect are Grandi, an adviser in the Italian Ministry of Foreign Affairs, Secretary-General Gaja, etc..

On the issue of liberalization, the Italian side "pointed out that, given Italy's particular interest its other partners in the Common Market, as well as for the protection of Italian industry, and especially in the current state of the Italian economy, it appears increasingly likely that the list of restrictions on imports into Italy will be longer than that of the FRG or the Benelux countries" .

The protocol for 1974 was signed on April 23. An increase in trade was also observed in 1974 compared to 1973. The predominant sector was agri-food products, while chemicals, machinery and light industry products were on the increase.

The trade agreements for the period 1970-1974 expired in December 1974, and the Common Market countries have not expressed interest in renewing them .

Estimated annual evolution of Romanian-Italian trade between 1970 and 1974

	1970	**1971**	**1972**	**1973**	**1974**
Total	**1.230**	**1.362**	**1.620**	**1.733**	**2.151**
Export	**654**	**720**	**926**	**1.011**	**1.288**
Import	**576**	**642**	**694**	**727**	**863**
Commercial Balance	**+78**	**+78**	**+232**	**+284**	**+425**

Source: AMAE, problem 212, 1975, Italy, file 2.896, Note on the point of view of the Romanian delegation to the 5th session of the Romanian-Italian Joint Governmental Commission for Economic, Industrial and Technical Cooperation, f. 12.

The main share of imports from Italy was made up of steel products (19%), machinery and equipment 71%, while the main share of exports from Romania was made up of chemical and petroleum products (22.5%), agri-food (48.1%) and construction materials (9.2%) .

Further, "trade was regulated by the Minutes signed on 16 January 1975 at the level of Director and Director-General, respectively, of the Ministries of Foreign Trade of the two countries". Thus, the total value of Romanian exports was 1134 million in foreign currency and imports reached 1105 million lei in foreign currency. The predominant sector for Romanian exports continued to be agri-foodstuffs and wood products, and 10% construction materials. As for Italy, Romania imported steel products and machinery.

Evolution of foreign trade (million lei foreign currency)

	1960	**1970**	**1980**
Total	251.8	1233.6	4168.8
Export	153.7	656.3	2936.6
Import	98.1	577.3	1232.2

Source: Anatol, Petrencu, Romanian-Italian Relations: from Confrontation to Collaboration 1945-1985, Universitas, Chisinau, 1993, p. 98.

Italy and Romania developed common positions on the expansion and deepening of economic cooperation during the 1960s. Thus, during this period, important trade in goods took place between the two countries, which exceeded in terms of volume and value the general pace of Romania's foreign trade. Thus, in the first part of the 1960s, Romanian-Italian trade reached an annual growth rate of 29%, which far exceeded the annual growth rate of Romania's overall foreign trade, which was 9.8%. The second half of the 1960s saw a pace similar to that of the first half.

In the 1970s the situation of growth rates was different, in the sense that Romania's overall trade growth rate was higher than the Romanian-Italian trade.

The first part of the 1980s also saw an 11% increase in trade between the two countries. All this against the backdrop of a considerable drop in imports from Italy, down by 47%, representing a halving. Italy is therefore the only Western country with which Romania has maintained an increasing level of trade during the 1980s, while trade with most other partners has decreased. This performance has been recorded even though Romania has halved its imports from Italy. Romanian-Italian trade has not increased since the second half of the 1980s .

The period 1970-1980 proved to be economically beneficial for our country, as Romania's assets grew continuously, whether we are talking about the trade balance or the economic balance. This was mainly due to the growth of exports, which were higher than imports. The volume of Romanian-Italian trade reached a level of approximately 901 million dollars in 1980, thus coming close to the plan envisaged by President Nicolae Ceaușescu in 1973, when he held talks with Italian representatives, to reach a trade volume of approximately 1 billion dollars .

Romanian export dynamics in 1980

Machinery, plant, equipment and other products of the mechanical, electronic and electrical engineering industries	15.8%
Chemicals (excluding petroleum products)	12.9%
Products of the wood and building materials industry	7.8%
Light industry products	26.7%
Metallurgical and metalworking products	12%
Agri-food products	20.2%
Other products	4.6%

Source: AMAE, Italy fund, 1981, file 1023, Activity Report for 1981, f. 5

Although there has been an upward growth in textile products, machinery and equipment, the main position of Romanian exports to Italy was held by petroleum products, while the main share of imports from Italy was held by metallurgical products and industry, machinery and equipment and chemical products .

Dynamics of the export programme in millions of dollars

	Programme	**Contracted**	**Made**
Ministry of Machine Building Industry	70.0	70.2	16.6
Ministry of Metallurgical Industry	62.3	14.3	10.4
Ministry of Chemical Industry	49.0	34.3	14.4
of which aromatic products	-	6.1	6.1
Ministry of Forest Economy and Construction Materials	33.0	23.9	6.9
Ministry of Light Industry	100.0	51.8	26.8
Ministry of Agriculture and Food Industry	27.6	30.2	14.4
Other ministries	4.0	12.2	4.6
Total	345.9	236.9	94.1
Petroleum	150.0	215.0	163.9
Grand Total	495.9	451.9	258.0

Source: ADMAE, Development of economic exchanges between the Russian Federation and Italy, file 1031, problem 212/1981, f. 3

In September 1981 it can be seen that the situation was not satisfactory. "The level of program contracting - without petroleum products - is 68.5% (91.1% taking these products into account) and realized only 27.2% (52.0%). On the import side, the $189.5 million program was 130% contracted ($246.4 million) and 78.4% realized ($148.7 million)" .

Conclusion

The socio-economic context in which Romania found itself in the mid-1960s led the political decision-makers of the time to build a development strategy for the country. The new strategy aimed to stimulate industrial growth and to make further progress. Large infrastructure projects in full swing and an exploitation and resource management policy that proved inefficient led to economic imbalances and unsatisfactory growth. Romania's situation has led the country's leaders to turn their attention to successful economic models in the developed countries of the world, from where they have borrowed good practices to stimulate the economy. Romania's departure from the Cold War allowed the country to develop its foreign relations, increase foreign trade and strengthen international economic cooperation.

During the period under review, the economic relations developed with Italy proved to be among the most favorable for Romania. The two countries, during the years studied, have made numerous exchanges of economic goods and technologies, necessary to support and develop the industry. The good economic cooperation between Romania and Italy, which was in the process of consolidation at that time, was highlighted by the Romanian President at the time, Nicolae Ceaușescu.

The products produced and exported by Romania during the period under analysis had a low level of processing and exports were at a modest level. Also, the price at which goods were sold was not competitive on the international market. Under these conditions, solutions were sought to make the production and marketing of Romanian products on the international market more efficient. Moreover, political leaders came to the conclusion that the way foreign trade was conducted was not up to expectations, which is why a new approach was decided. According to the reflections on the new foreign trade model, products made on the basis of high technology, products with an advanced degree of processing and fewer materials were to be traded.

The realisation of the proposed ambitions was achieved as a result of the adoption and implementation of legislation, which regulated a new approach to the way trade was conducted. One of the pieces of legislation adopted during that period, which led to the implementation of the proposed ambitions, was Law 1/1971. The latter allowed the executive to invest abroad and other interested countries to invest in Romania. Thus, mixed companies with foreign capital could be set up to invest and carry out economic activities in the country.

Between 1950 and 1980 Romania's economy underwent important transformations; if initially it was an agrarian economy, it gradually became an industrial one. The positive developments experienced by Romania's economy in the second half of the 20th century are largely due to foreign trade. In the first half of the 1960s, about two thirds of foreign trade was with countries belonging to the communist bloc, by the end of the 1970s this share had halved to just over one third. By contrast, trade with non-Communist countries increased to around two-thirds in the 1980s.

Nicolae Ceausescu, the head of state, campaigned for the weakening of Romania's dependence on the USSR and supported the development of solid relations with the West. The Romanian leader's transition of foreign trade from exclusive relations with the communist bloc to the identification of new opportunities in the West did not elicit a strong response from the USSR, which viewed the new economic orientation as a non-provocative action.

Although the 1980s were plagued by the Cold War, which created a tense and politically uncertain situation, it proved to be an economically beneficial period for Romania. During the eighth decade great economic and social progress was made. Major infrastructure projects were completed and production gradually became specific, which were the basis of the single market.

As for Italy, industrial development was at a high level in 1960-961, mainly due to businessmen operating in the domestic market and the low wages paid by companies compared to the competition. The economic situation began to change the following year, as pressure from trade unions led to an increase in wages in several sectors, which in turn led to a decline in competitiveness. At the same time, the installation of a new centre-left government and the measures it adopted contributed to economic destabilization. The new government came up with a series of protectionist measures for the working class and nationalized several industries. Between 1964 and 1965, the country's economic situation gradually deteriorated to the brink of recession, with a large part of the industries affected.

Italy's economic situation has prompted measures to restart the economy. Italian industrial groups began to expand their exports to socialist countries. The following period saw significant increases in trade with Eastern European countries. The authorities placed great emphasis on exploiting the agreements concluded with the socialist states in order to expand trade. The eastern states were particularly interested in importing the machinery and plant needed for the development of industry.

A series of documents containing economic information highlighted the positive trend in bilateral trade relations between Romania and Italy in 1965. The two countries had a lot of trade, and this can be seen from the volume of trade, which in 1964 amounted to 47.7 billion lire, placing Romania among the first socialist countries in the hierarchy of trade with Italy. Romania's position in trade with Italy confirmed the country's competitiveness on the international market.

During the period under review, Romanian-Italian trade has developed positively, as evidenced by the agreements concluded between the two countries, which have created a formal and lasting framework for economic relations. For example, in 1965, the long-term agreement between Italy and Romania and the agreement on industrial and technical economic cooperation were concluded. The results of the agreements are reflected in the volume of trade between the two countries.

Romania continued to improve its position in total trade with Italy, reaching the nineteenth position in the ranking of main trading partners, with a trade value of $182.2 million. Although Romania did not rank among Italy's top trading partners, including the capitalist states, it did rank high in the socialist countries' rankings, where it came third behind Yugoslavia and the USSR.

In the total of Romania's trade, Italy ranked among the main trading partners. Thus, Italy ranked fourth in the total trade of Romania and obtained a share of 5.8% of total trade. In terms of trade with capitalist countries, Italy was on the podium, in second place, with a 12.8% share of Romania's total trade.

A more detailed analysis of trade with Italy reveals that the main products exported by Romania were food products, which accounted for 45.5% of the total, about half of the total trade. The second category of products traded between the two countries was wood products, which accounted for about 30% of total trade. Another category of products traded was agricultural products, accounting for 7% of trade. Other categories of products such as steel and petroleum products accounted for a similar level, around 6%.

In terms of imports from Italy, Romania's most desired products were machinery, plant and equipment, the latter accounting for about 47% of total trade. The second largest category of imported products was steel products, which accounted for about a third of total trade. Chemicals also had an important share of imports, accounting for 12% of the total. Romania's trade balance in 1968, in terms of exports and imports, was as follows: \$102.4 million in imports and \$75.6 million in exports. Therefore, we observe that in the period under reference, the value of imports exceeded the value of exports, one cause may be the higher price of imported products in view of the materials involved and their advanced degree of processing.

In 1979, a new long-term cooperation agreement was signed between Romania and Italy, valid for five years and covering trade. The agreement strengthened economic relations between the two countries, which were about to enter a new phase. A letter from the Italian Foreign Minister stressed the importance of market liberalization and the positive effects this measure would have on economic exchanges, and he believed that the Italian government would gradually liberalize imports from Romania. In the immediate aftermath, trade relations between the two countries enjoyed a new status with the inclusion of the most-favored clause, which brings benefits to the partners involved. One measure designed to help achieve the objectives set out in the agreement was the setting up of a joint committee to work closely on harmonizing trade relations between the two countries.

The evolution of Romanian-Italian trade in the period 1970-1974 had a similar structure to that of the 1960s in terms of products traded, but the percentages and volume of transactions were different. On the import side, machinery and equipment remained at the top of the preferences, accounting for more than two thirds of the total trade volume, i.e. 71%. The next largest product category was steel products, which accounted for around 19% of total trade. In terms of exports, Romania exported mainly agri-food products, which accounted for about half of trade, i.e. 48.1%. The second category of exported products were petro-chemical products, which accounted for about a quarter of the trade volume, namely 22.5%.

The period from 1970 to 1980 proved to be favourable for Romania from an economic and commercial point of view. During this period, Romania's economy grew significantly, with an overall upward trend. The positive developments were reflected in both the economic and trade balances and were largely due to an increase in exports, which after a long period were higher than imports. The volume of trade between Romania and Italy reached a record level of 901 million dollars, an amount close to Nicolae Ceaușescu's projections presented in conversations with his Italian counterparts in 1973.

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