

ROMANIA, THE POOR RICH COUNTRY

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Abstract:

Starting with the 20th century, in Romania, an industry that was to perform, especially during the communist regime, became increasingly strong. The role of industrialization was to turn Romania from a rather agrarian country into a country with an industrial profile. We can say that the communist period was marked by a forced industrialization, which even created an industrial tradition that characterized the centralized economy of the country.

Twenty-six years ago, the entire industry was wiped out, and only now our country is considered a Western competitor. Otherwise, we could not export Romanian products to Western countries. Only now people try to recreate the phrase "Made In Romania", a shadow of what was once. Today, after the period of the communist regime characterized by strong industrialization, Romania has become a powerful trade center.

This research aims to highlight the evolution of trade activity in Romania, starting with the issue of de-industrialization of Romania and subsequently with the transformation of Romanian economy into a tertiary one, accompanied by the simultaneous development of the economy based on consumption.

This article aims to analyse the dynamic evolution of Romania from an industrial perspective, to go through all the stages of evolution for a better understanding of the country's special industrial environment, but at the same time it aims to analyse Romania's dynamic attempt to become a functional body.

Key words: socialist system, transition economies, industry studies, tertiary economics

JEL classification: P2, P23, O14, P31, E24

1. INTRODUCTION

In 1990, Romania had an autarchic economy sufficiently developed to be able to handle in without importing much. Instead, we had an export with the largest surplus in the world. Romania, by law, stopped exporting raw materials of any kind, it only exported processed products that incorporated in them a lot of work and creativity and thus everyone had a job. For years, socialist Romania no longer exported timber or logs, but only furniture or other products, resulting from the superior processing of wood. The symbol and the most telling image of the Romanian economic potential gives us the People's House, a building thought to be the largest in the world, just as it is. At the construction of this majestic and imposing palace were used only products of the Romanian economy starting from the machines used in the construction process, the cranes, the excavators, the trucks, the conveyors etc. and ending with the finishing materials: marble, furniture, carpets, chandeliers and so on. This prosperous economy allowed the Romanian state to pay for its foreign debt contracted in the 1970s. Note that the loan was used only for investment, for development, for the newest technology. In the spring of 1989, the President of Socialist Romania announced the payment of his external debt and issued one of the strangest laws, which banned the Romanian government to contract external loans in the future. And for the shock to be complete, Ceausescu and Libya and Iran set up a bank to give loans to developing countries with a 3% interest rate. Why 3%? Perhaps because this was the interest the CEC perceives from the Romanian citizens, a dream interest nowadays. The success of the economic policy led then by the president, Nicolae Ceausescu, also meant long years in which the poor Romanian had to feel hunger, to tremble by cold, to endure a long series of humiliations, to consume less and to ask less and less from the country, waiting for a promising future, but this was the unseen part of things. The other part, spectacular, obvious in statistics due to the large number of civil and industrial buildings across Romania, threatened to become a contagious example for countries aspiring to a national dignity. For Romania's economic potential, the president of 1989 was considered entitled to ask for

Romania a place at the table or at the club of the developed countries. Between 1950 and 1989, Romania's total industrial output increased 44 times, at an average annual rate of 10.2%. The rhythm was more accelerated until 1980, after which it fell to 3.3% per year between 1981 and 1989. In 1989, the number of industrial enterprises reached 2102 units, with 444 more than in 1965 (Nicolae Ceausescu's year of coming in power), or almost double compared to 1945, which shows extensive concerns for the industrial development of the country. The number of people employed increases over the same period from 4.69 million to 8 million, and the number of people employed in industry increases from 1.8 million (36%) to 3.74 million employees. It is very difficult to list all the general economic leaps, or those of industry, agriculture, civil constructions made at that time, making abstraction of communism itself and the political shortcomings of that regime that became odious.

2. THEIR RETENTION AND REFUSAL WERE OBVIOUS

After the president's disappearance, the results obtained through his policy were destroyed, that is, the demolition or alienation of the economic objectives built by the Romanians after 1965. In the case of Romania, the great profiteers, the new owners, most of them being foreign investors, bought with little money our factories, buildings, and once they became the owners, they have quickly demolished them, so that, at the moment, if the Romanian state tried to take back factories that have been fraudulently privatized, we would see that those imposing factories have been dismantled and sold for scrap, including the high technology machinery, which in 1990 represented the newest and the most advanced in the field. The real tragedy of Romania is the set of economic objectives that have been decommissioned, producing millions of unemployed people, and then they have been demolished, destroyed, so even if today we wanted to do something, we couldn't do anything. The closure or gradual closure of the activity of most of Romania's factories led to the loss of hundreds of thousands of jobs and, as a consequence, to the accentuation of the depopulation phenomenon of the country. Data provided by the National Institute of Statistics shows that the cities with the largest population decline are actually those who have experienced the sharp decline of industry in the area.

The process by which Romania has lost, since 1990, especially the heavy industry, is called deindustrialisation. According to the Explanatory Dictionary of Romanian Language, deindustrialisation means the decrease of the weight of the industry in the economy of a country. Tregenna (2009) defines deindustrialization as a decline of the industry in terms of the decreasing share of the labour employed in this sector. Moreover, Rowthorn and Ramaswamy (1997) argue that the decrease in the number of employees in the industry only mirrors the decrease in the percentage of GDP in the industry (Rowthorn, R.E., & Ramaswamy, R. 1997).

If at the time of the "Golden Age" imports were strictly limited and all the necessary products were produced in Romania, we have now come to produce almost nothing and to import almost everything from hooks and toothpicks to latest generation technology. (Saghin, I., et al., 2012). Within this context, the industry conversion and reconversion represents a natural evolution in many countries with unstable or highly dynamic economy (Henderson and Thisse 2004), the raised issues being connected with:

- Decrease in terms of productivity of the industrial activities determined by various causes (poor management, competition etc.) (Ianoş, 2004)
- Territorial dynamics as a result of which the industrial spaces get to have an inappropriate location regarding different urban functions that are more sensitive (Powe and Willis, 1998),
- Pressure of the civil society or of the national, regional and local administration dissatisfied with multiple disorders (Verhoef and Nijkamp, 2002), The need for space in order to achieve other urban function categories (Antrop, 2004).

After the fall of the communism, the transition to a capitalist economy meant developing services and the regression of the industrial activities (Andrusz, Harloe and Szelenyi, 1996). Thus, the cities went through a long process of deindustrialization and industrial restructuring which usually occurred through two other processes: decentralization and industrial relocation (Cepoiu,

2009).

3. THEIR RETENTION AND REFUSAL WERE OBVIOUS

Bulgaria:

- Pragmatic approach
- Privatization of small businesses (local patronage)
- The rapid closure of units considered unproductive after 1990
- Prioritize the revitalization of large industrial platforms and align them with the new economic reality
- Positive dynamics of the automotive industry
- Intention (governmental) to build new industrial platforms

Serbia: The disappearance of the industrial network between the countries of the former Yugoslavia (interconnected economy):

- The destruction caused by the war in Yugoslavia
- Attempting to maintain a viable and productive industry
- Concentration on several key sectors: electricity, mining, machinery and automobile industry, pharmaceutical industry and petro chemistry
- Dependence on imports of raw materials
- The need to restructure and refurbish the industrial platforms (environmental requirements) in operation, except those affected by the war

Hungary: Traditional industrial orientation (steel industry, diesel and diesel machinery, electrical and electronic equipment, pharmaceutical, medical, chemical and petrochemical industries)

- Concentration, after 1990, on the production of machinery, plastics, electronics and home appliances

Poland: Reconversion of some industrial buildings from the communist-era, in shopping centers

- Reconversion (eg. transformation of the former Katowice-Kleofas coal mine site into a commercial center)

Republic of Moldova: Industry focused on processing raw materials from agriculture, forestry, as well as chemical industry and light industry

- Most heavy industry concentrated in Transnistria (raw material dependence)
- Contrary to other former communist countries - maintaining industrial activities, despite a very low competitiveness
- Factories were owned by the state and then they were closed (sugar, wine, bakery) - have become true "industrial cemeteries"

Russia: Problem treated at regional or national level and not only locally

- Concentration on raising the economic level of an entire region, not just the tangential area of the respective industrial activity
- Areas with difficult reconversion (large size of space occupied by a former industrial activity, negative perception in the eyes of the inhabitants, high costs)
- The diminishing economic activity and the relatively high difference between Moscow and other regions regarding the strategy and costs of reallocation of industrial production.

The deindustrialisation has left behind decommissioned spaces, not only in the post-communist spaces, but also in the former communist countries where they have been economically restored or socially and culturally exploited.

4. "IF WE DESTROY THE HUMAN WORKFORCE, WE DESTROY THE WHOLE INDUSTRY"

This is one of the slogans in the Golden Age. More than that who had family workers had a healthy background.

Romania is no longer an industrial or agrarian country, it is just one of consumption, and nothing I've learned from the "economic" Geography in the old school is no longer valid. Each city had factories, industrial plants, all the people were qualified, and finished products were keep coming out. After 1990, however, it began the so-called "privatization" and the factories and the industrial plants were cut and sold for scrap iron, the politicians saying they were not "performing" or that they were "a pile of old iron". So the country has been transformed into a simple market for other European powers, outside the continent, such as the US, China, Turkey, etc.

After the fall of the communist regime, in the context of the transition from a centralized economy to a market economy, the number of large factories began to gradually decline to leave room for other economic activities. Today, we can count just a few more industrial plants that still have activity. Regarding the evolution of the Romanian economy in the last 25-26 years, it can be noticed that its structure changed, influenced by a series of factors, starting from the transition from the planned economy to the market economy, the entry into the European Union - which required institutional changes and the gradual adoption of European legislation and generated new opportunities from a commercial point of view, important market outlets, but also the increasing of competitiveness, social changes, technological changes, but also changes in the global financial system. The structure of GDP by industry changed radically from the pre-Revolution period when industry contributed 46% to GDP and 14% to agriculture. Last year, however, industry contributed 23% to GDP, and agriculture only 4.4%, with the services sector bringing over 54% of GDP in 2015.

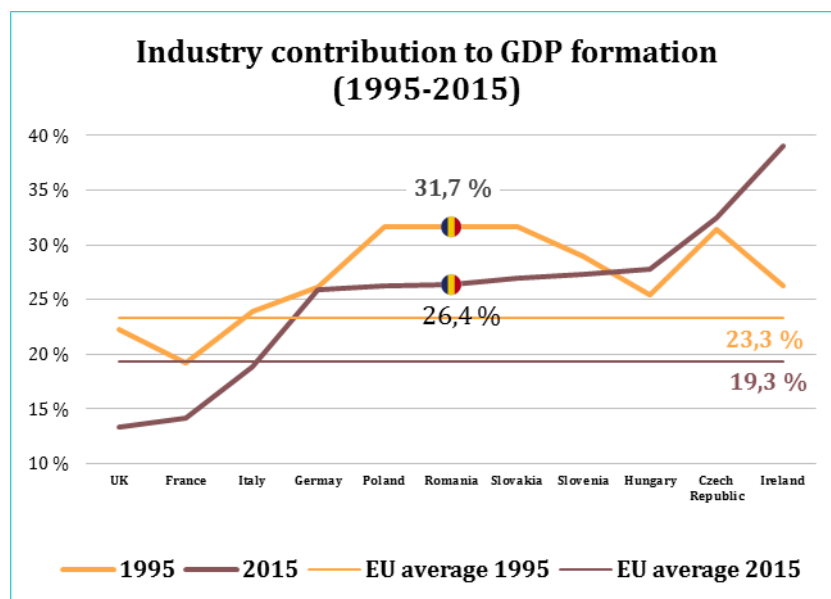


Figure no. 1. Industry contribution to GDP formation (1995-2015)

Source: own processing according to the data <http://www.zf.ro/eveniment/zf-10-ani-de-la-aderarea-la-ue-contributia-industriei-la-formarea-pib-a-ajuns-la-May-23-at-low-level-of-last-seven-year-and-the-half-front-of-year-1989-15994224>

According to Figure No. 1 decreasing the industry's share in GDP formation has clearly harmed the economy. If we had succeeded in having a stronger industrial structure, we would have managed to develop the economy much more. Romania ranks 6th in the EU after the industry's contribution to GDP formation in 2015 and over the European average over the two reference years.

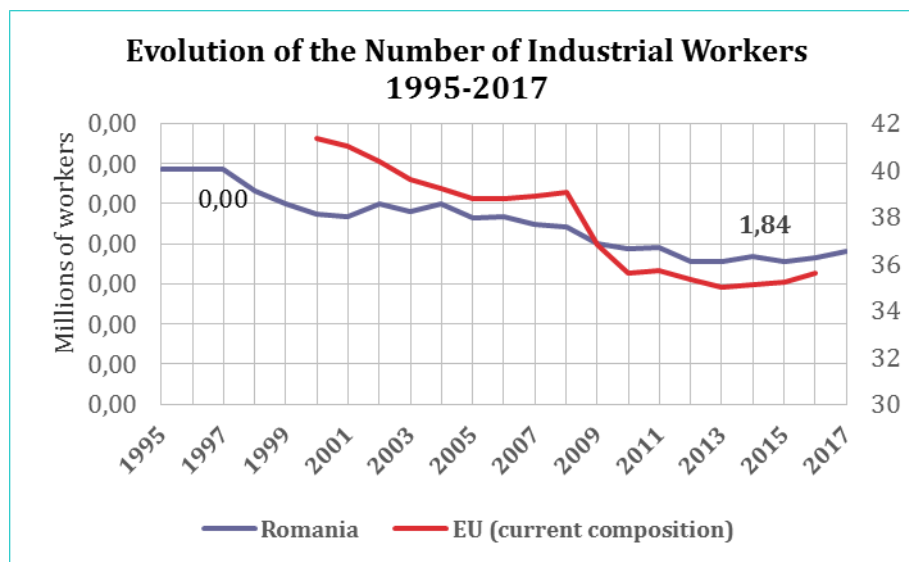


Figure no. 2. Evolution of the Number of Industrial Workers 1995-2017

Source: Processing by Eurostat data (RST), 2017

According to Figure No. 2, the situation of Romania is as follows: a constant decrease in the number of employees in industry for the reference period; if in 1990 there were over 4 million workers in industry, in 1995 they were approximately 2.9 million workers (including all forms of employment, including freelancers), in 2013 there were 1.77 million workers, representing the minimum reference period, that in 2017 there will be a slight increase of 1, 84 million workers.

Post-industrial development directions:

- Rental of unused industrial premises (eg. Electromagnetics), followed in some cases by conversion into commercial premises
- Liquidation of assets (selling both pieces of equipment and land)
- Relocation of production activities outside urban areas
- Industrial reconversion on existing location (adapting to market requirements)
- Reconversion in commercial spaces (malls, hypermarkets)
- Upgrading some of the existing plants (after privatization)

5. CURRENT ECONOMY OF SUCEAVA COUNTY - SHORT ANALYSIS

Most of the existing industries are in fact a continuation of the branches of the industries existing before the 1989 revolution. The legacy of the communist industry, especially due to the existing specialized people, as well as the *know-how* acquired with the privatization of the various enterprises qualified as "communist", continued the development, or rather the maintenance of the industrial branches developed before '89, reaching the situation we find today:

- ✓ wood industry, developed in direct correlation with the surface of the forest fund;
- ✓ food industry, which develops in direct correlation with the county agriculture, because it is based mainly on the processing of animal products (milk, meat);
- ✓ light industry, represented by clothing and knitwear, leather and footwear;
- ✓ machine construction industry, represented by the commercial companies producing tools and bearings;
- ✓ mining industry, represented by the exploitation of non-ferrous ores (copper, polymetallic, manganese, uranium ores), declining industry over the last decade.

As can be observed in Table No.1, the economy of Suceava County is predominantly based on agriculture, forestry and commerce. Agriculture with all its sub-branches also developed a skilled manufacturing industry, occupying the fourth place in the active population involved in the sectors of the economy. Constructions are one of the areas that know a "flowering", but, like commerce, it is not an area that "produces" in the economy, it is just based on consumption.

The following places are occupied by the public sector (education, public administration, health and social assistance). Tourism, services and other activities that generate value represent a very small category in relation to the entire active population of the county.

In support of the situation presented in the aforementioned table comes another economic analysis of Suceava County made on the basis of the 2012 indicators compared to 2011, based on the economic and financial results achieved, we can find the following economic sectors with a significant weight:

- ✓ retail trade;
- ✓ constructions;
- ✓ wood exploitation and processing;
- ✓ road freight transport;
- ✓ manufacture of clothing;
- ✓ manufacture of dairy products and cheeses.

Nr.	City	Population	TLA (square feet)	TLA (square feet / 1000 inhabitants)
1	Suceava	92,121	88,105	956
2	Oradea	196,367	174,995	891
3	Deva	61,123	44,340	725
4	Constanța	283,872	200,790	7707
5	Pitești	155,383	106,245	684
6	Bacău	144,307	89,515	620
7	Arad	159,074	88,780	558
8	Piatra Neamț	85,055	46,785	550
9	Severin	92,617	50,030	540
10	Bucharest	1,883,425	1,001,205	532

* TLA - total leasable area

Table no 1. Top of mall density per capita

Sursa: <http://www.jobs-centre.eu/ro/content/analiza-economic%C4%83-jude%C5%A3ului-suceava>

From the aforementioned analysis we can see that the first place is occupied by the *retail trade*. This highlights that the economy of Suceava County is largely based on consumption. In support of this statement comes the report drawn up in 2017 by Activ Property Services regarding the *real estate market*. A section of this report is also given to rentable areas in shopping centers.

6. GOOD PRACTICE IN THE INDUSTRIAL SECTOR THROUGH THE ACQUISITION OF THE FORMER INDUSTRIAL PLATFORMS IN ROMANIA (AN OVERALL VIEW) - INDUSTRIAL PARKS

According to the definition accepted by MDRAP (Ministry of Regional Development and Public Administration), the industrial park is a delimited territory that has technical and production infrastructure, where economic activities are taken place, predominantly industrial production, provision of services, capitalization of scientific researches and / or technological development under specific facilities, to harness the human and material potential of a region. According to Figure no. 3 in August for Romania there were 77 industrial parks, 1000 companies and 60,000 employees.

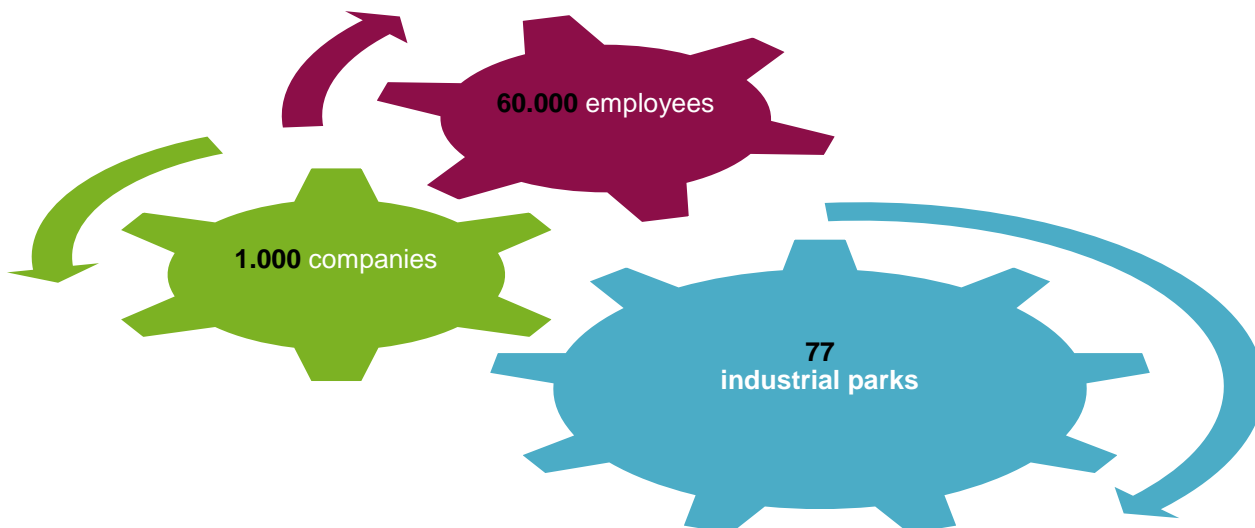


Figure no. 3. Statistics of industrial parks in Romania

Source: own elaboration on the basis of existing data at the level of August 2017

Industrial parks were set up in Romania in the hope of maintaining industrialization to an acceptable degree, after a period when large industrial collisions collapsed due to production costs and the pressure of market competition.

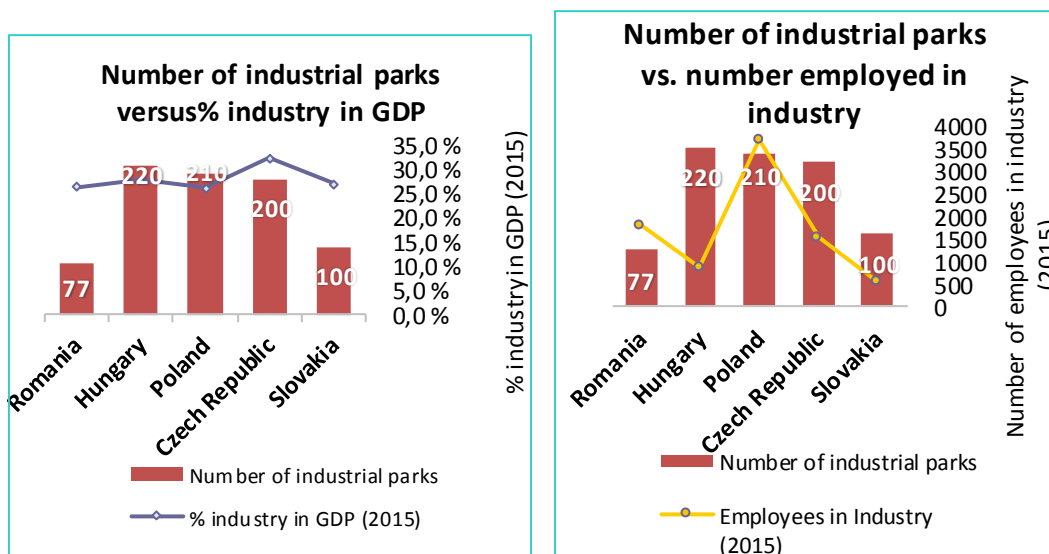


Figure no. 4. (a, b) Industrial parks versus GDP in industry/ Industrial parks versus no. of employees in industry

Source: own development on the basis of available data

<http://www.zf.ro/companii/carta-parcurilor-industriale-romania-60-000-oameni-laborare-pestecompanii-77-partituri-industriale-usor-dezvolti-do-part-of-park-industrial-out-strategy-coordinated-local-authorities-local-16723836>

Romania is at Europe's queue in terms of number of industrial parks, Figure No. 4 (a, b). Around us, at the level of 2013, Hungary had 220 industrial parks, Poland - 210, Czech - 200, Slovakia (which has a territory as Transylvania) has 85 units. Romania has 77 industrial parks, but just a few have reached the objectives for which they were set up. The facilities offered to companies working on these platforms have failed to compensate for the lack of access roads and skilled labour in some cities and even areas of the country.

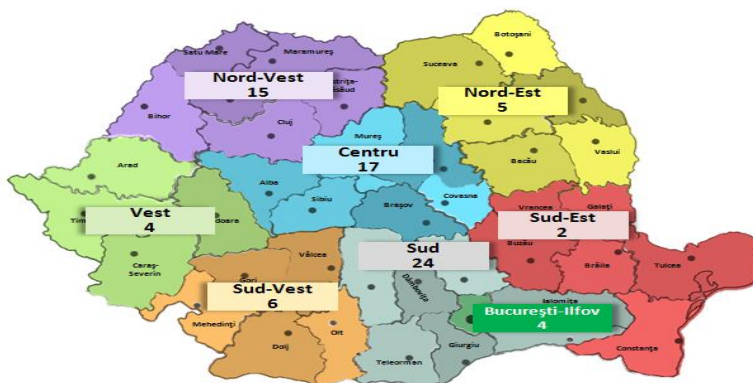


Figure no. 5. Industrial Parks in Romania

Source: www.minind.ro (2014 map)

According to Figure No. 5 we can centralize the following information:

- **3,104 ha** - the total area of industrial parks in Romania
 - The ten largest industrial parks in Romania have an area of about 41% of the total area of the industrial parks
 - South-East Region: only 3.3% (96 ha) of the total area occupied by industrial parks in Romania
- **Prahova County** - most industrial parks (15, growth from 9 in 2013)
- **12 counties** without any industrial park
- **16 counties** with one industrial park
- **The industrial park** sector has fallen lower than real estate during the crisis period
- **South Region:** Most industrial parks
- **South-East Region:** the fewest industrial parks
- The number of industrial parks increased between 2013 and 2017 from 52 to 77 (almost 50% growth)
- The highest increases in Cluj County (4 to 9), Prahova County (9 to 15) and North-East Region (3 to 6)

Overall view

- Former industrial platforms have huge potential for industrial parks:
 - some industrial parks exist only "on paper" (Galati, Hunedoara)
 - the occupancy rate is less than 50% in industrial parks in the 16 counties with one industrial park
- Benefits
 - the existence of all necessary utilities
 - tax exemption for companies that build production halls or any other unit
 - logistics (transport infrastructure)
- Calan Industrial Park, Hunedoara County
 - built on the location of the former steel mill
 - 46 hectares
 - investments of 14.6 million euros (of which 9.3 million from non-reimbursable funds)
 - occupancy rate 0% at the end of 2016
- Miroslava Industrial Park, Iași County
 - an area of 46.4 ha
 - the largest industrial park in Moldova
 - operational since 2018
- Existence of not materialized projects of industrial parks (Suceava, Rădăuți, Fălticeni)
- In Siret it is possible to arrange the first industrial park in Jud. Suceava

- Application submitted in 2016 by Siret City Hall to the Ministry of Regional Development
- Estimated area of 16 ha
- Localization at the border with Ukraine
- Will include: a logistic base, a customs warehouse, economic and industrial spaces.

7. CONCLUSIONS

When we talk about Romania with someone who does not know the country, generally speaking, people think this is a poor country. Even in official statistics, Romania appears to be one of the countries with the lowest GDP per capita in the EU. But who is right? Are official statistics showing how much per capita GDP is or what we see every day around us? Romania is said to be a country rich in fertile lands, in natural richness, and full of well-trained people.

Romania is not poor, it is almost in the top third of wealthy countries, but it could be much richer if it developed an attractive, integrated, and competitive society. Industrial parks were thought to take the place of the former workers' platforms on the outskirts of the city. In the places of the abandoned land, modern parks appeared and they want to attract Romanian and foreign investors by granting some facilities. In addition, companies here can deduct from their taxable profits a share of 20% of the value of the investments made in the industrial park for the economic agents that make such investments in constructions for the transport and distribution of electricity, thermal energy, natural gas and of water. The facilities offered to companies working on these platforms, however, have failed to compensate for the lack of access roads and skilled labor in some cities and even areas of the country. Romania's economic growth in the last few years has been mainly based on consumption, while its stimulation remained one of the solutions always promoted to support the national economy, especially as exports are shrinking due to the problems of the euro market - the main market for Romanian products. Consumption-based economic growth cannot be sustainable without structural adjustments and revitalizing public sector investment.

I consider it appropriate to frame a general picture of the basis/foundation of a new research direction that has settled along, with the title of a relevant idea for the researcher among other possible perspectives of analysis that have appeared inherently in the development of this paper. In the direction of the above-mentioned aspects, beyond the pragmatic idea of obtaining new, empirical results, to extend the applicative research on an international level, to former communist countries that have seen an amazing development in the last 25 years, and to take on development strategies that could meet the needs of the Romanian society/market.

Another direction of research could be a forecasting analysis of production incentives to rely on sustainable economic growth, otherwise consumption-driven economic growth could turn out to be a fake model. It is true that the latest salary increases also bring about economic growth, but as we have already mentioned, there are associated risks such as falling into the trap of the average income or the deterioration of the trade balance.

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