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Research

## EAST EUROPE

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### RUMANIAN-CHILEAN JOINT STOCK ENTERPRISE

Summary: This report discusses some of the implications of an agreement between Rumania and Chile on the construction of two copper plants -- one in Chile, the other in Rumania. Each state is to have a 51 per cent interest in the plant located on its territory.

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According to Agence France Presse (September 3), on September 2 Rumania and Chile signed an agreement in Santiago de Chile on the construction of two copper refining plants, one in Rumania and one in Chile. Each country is to have a 51 per cent interest in the plant located within its boundaries. The agreement, which was signed by Ion Mineu, Rumanian Minister of Mines, and his Chilean counterpart, Aljandro Hales, provides that the copper will be supplied by Chile, and the finished products sold on the Rumanian market.

Similar multilateral projects involving Rumanian participation have been mentioned in Yugoslav media as being in the planning stage. On 1 September 1969 the Yugoslav economic review Ekonomska Politika reported that a consortium made up of firms in Australia, Italy, the United States, Rumania, and Yugoslavia was planning to establish an enterprise jointly with Guinea for the purpose of developing Guinean ore deposits. This enterprise will be capitalized at 19 million dollars, and is expected to produce 15 million tons of ore per year. It is evident that these projects are intended to increase deliveries of ore from the developing countries. The participation of East European countries is interesting in that certain metals, particularly such nonferrous metals as copper, have been chronically in short supply within Comecon. Rumania's desire to secure a raw material basis as independent of non-Comecon

suppliers as possible is well known. In recent years the Soviet Union has asked its Comecon partners to supply, on credit, machinery and funds (investments) for the expansion of the raw material production capacities in the Soviet Union. So far as iron ore is concerned, the Rumanians appear to have agreed in principle with the Soviet Union for the first time, (1) but in the field of copper mining, it appears that the Soviet Union and Poland have had to turn to Japan, among other countries, for assistance in developing newly discovered ore deposits in Siberia and Poland. Czechoslovakia is also investing heavily in the expansion of copper mines in Poland.

In recent years a tendency to turn to Latin American countries as new sources of raw materials has been evident. Plans to establish joint enterprises, particularly in mining, have been worked out in recent months. According to the Hungarian paper Magyar Hirlap (2) a mixed Hungarian-Peruvian mining enterprise was to be set up for the exploitation of newly discovered Peruvian copper deposits. In February of this year it was announced that Rumania and Chile had signed an agreement on the establishment of a joint prospecting enterprise. (3) The agreement, which was signed in Santiago de Chile by Alejandro Hales and the Rumanian ambassador to Chile, Vasile Dumitrescu, in fact implemented an accord signed between the two countries in October 1969 on co-operation in the mining industry.

The present agreement on the establishment of a joint Rumanian-Chilean enterprise for refining copper is the first of its kind for Rumania, and involves co-ownership of production units located on Rumanian territory.

It may be recalled that not only in the Central Committee Declaration of 22 April 1964, but also in February 1967 (at the National Conference on Foreign Trade) joint ownership of the means of production was firmly rejected, while other forms of industrial co-operation were listed in detail. However, it may be that the more conservative and national-minded of the proposed forms of co-operation (repaying foreign investments out of production, co-operation on third

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(1) See Rumanian Situation Report/34, Radio Free Europe Research, 1 July 1970, Item 5.

(2) 19 January 1970.

(3) Radio Bucharest, 26 February 1970.

markets, etc.) did not prove sufficiently attractive to partners in advanced Western countries, or that pressure for new forms of industrial co-operation have increased within Comecon, or perhaps Rumanian officials have recognized that risk capital is less of an immediate financial burden than loan capital. Any of these may have been the reason underlying Rumania's willingness to change her policy on the question of joint enterprises. Thus the 1971-1975 Economic Plan Directives (Scanteia of 1 June 1969) not only noted the "classical" forms of industrial co-operation but also included new forms. According to these Directives: "One has to take into consideration the realization of joint investments aimed at covering raw material needs as well as the establishment of mixed enterprises with a production of commercial character." (Emphasis added.) Enterprises with British and Italian participation have been set up in the past by Rumania as well as joint commercial companies with France (on a 50/50 basis).

The fact that Rumania has started to establish such joint production enterprises with developing countries (with a 51/49 division of stock -- as in the Yugoslav precedent) is significant. A joint agreement of this kind has yet to be announced by any other Comecon country. It is also noteworthy that countries such as Rumania and Hungary are turning for their copper needs to South America instead of following the example of Czechoslovakia and relying on (for example) the Polish copper industry. The visit of FRG Minister of Economics Karl Schiller to Rumania in August 1969 showed that initial hopes for FRG joint investments in Rumania were premature.

When Maurer was in Bonn, Der Spiegel (RFE Special from Bonn of 21 June 1970) was granted an interview in which the Rumanian Prime Minister praised "co-operative agreements with Western firms" but said that "joint companies have not so far been set up because on Rumanian territory there can be no ownership unless it is in Rumanian hands -- at least not at present."

Turning to Rumania's production of mining equipment in general, the 1975 target is 35,000-38,000 tons, a 125-136 per cent increase over 1970. Statistics on exports are not available here, but the magazine Rumanian Foreign Trade (No. 4 of 1968) said that the Rumanian Industrialexport company was offering ore flotation installations, mine opening, etc. Rumania is also producing rotating ore crushers and high-capacity filters.