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Background Report
(Rumanian Unit)

GHEORGHIU-DEJ OUTLINES RUMANIAN ECONOMIC PLAN FOR 1961

On October 31 the Rumanian Party leader Gheorghe Gheorghiu-Dej reported to an enlarged plenum of his Central Committee on the preliminary results of the state economic plan for 1960 and the draft plan for the development of the national economy in 1961.

This is the first time that an economic plan for the following year has been discussed so early in the previous year.* Last year the economic plan for 1960 was not discussed until the beginning of December. The earliness this year was attributed by Gheorghiu-Dej to an improvement in planning operations. He claimed that the early start in presenting the outline would give an opportunity for thorough preliminary studies, especially by subordinate agencies and enterprises, and this, in turn, would facilitate the better fulfillment of the 1961 plan.

This may be so, but it is also possible that "political" motives inspired this early announcement. A bloc "summit" meeting is due next week in Moscow to mark the 43rd anniversary of the October Revolution. It may be that Gheorghiu-Dej is anxious to go to Moscow with a favorable balance sheet in his pocket. He may also be anxious to obtain, as soon as possible, credits to support the future plans - both from the East and the West. Thus the sooner the optimistic balance sheet was published the better chance he might stand of getting them.

This Year's Achievements in Industry

Before outlining the regime's 1961 targets, Gheorghiu-Dej dealt at length with the "overfulfillment of the 1960 Plan". This overfulfillment, he said, created favorable conditions for the fulfillment of the long-term plans. (It may be noted that the annual economic plans are within the framework of the long-term plans. 1960 is considered the first year of the new Six-Year Plan until 1965. It was also considered to be the last year of the old Five-Year Plan -- 1956-1960 -- which was approved by the Second Party Congress in December 1955.)

To support his claims about exceeding the 1960 Plan,

*) Premier Stoica on October 26 at the recent trade union congress gave a few figures on the fulfillment of the 1960 plan.

Gheorghiu-Dej supplied these preliminary figures. They may be described as "estimates of achievements" and are compared with the original provisions contained in the plan for 1960. The various gaps in the table are due to a lack of detailed bases of comparison.

	<u>Planned for 1960*</u>	<u>Estimate of Achievement for 1960</u>
Total Industrial Production	14 %	15.5 %
Increase over 1959		
<u>Machine Building and Metal Processing</u>	17 %	20 %
<u>Out of which:</u>		
Production of tractors	15,000 units	17,000 units
<u>Ferrous Metallurgical Industry</u>	28 %	30 %
<u>Out of which:</u>		
Steel	1,700,000 tons	1,789,000 tons
Cast iron	946,000 "	1,021,000 "
Rolled products (inc. pipe segments)	1,450,000 "	1,409,000 "
Iron ore	1,400,000 "	1,464,000 "
Metallurgical Coke	817,000 "	819,000 "
<u>Electric and Thermic Power</u>	20 %	14 % **
<u>Out of which:</u>		
Electric power	14 %	-
Installed power	2,600,000 kw***	1,784,000 kw
<u>Consumer Goods Industry</u>	13 %	-
<u>Out of which:</u>		
Textile industry	-	16 %
Tailored cloth	-	40 % ****
Footwear	-	+ 1,700,000 pairs
<u>Food Industry</u>	-	11 %
<u>Out of which:</u>		
Meat	298,000 tons	271,000 tons
Sugar	325,000 "	377,000 "
Edible Oil	115,000 "	133,000 "

- Notes: *
- Taken from "Scinteia" 6.12.59 and "Probleme Economice" December 1959.
- ** This is an apparent decrease but, in view of the fact that Dej stated that the 1960 plan had been fulfilled in the main sectors of industrial production, it is possible that he may have confused electric and thermal power combined with electric power alone.
- *** Part of 10-year electrification plan.
- **** An increase by 39 million square meters.

Other points which Gheorghiu-Dej made were:

The value of industrial production was 1.7 billion lei over what was planned for the first 10 months of 1960. There is no basis for comparison here because one does not know how much was planned for the first 10 months. Industrial production in 1959 amounted to 69.5 billion lei. The planned percentage increase for 1960 was 14 per cent while the Dej "estimate of achievement" is 15.5 per cent. The planned value of industrial production by 1965 is 145 billion lei.

In savings in industry (materials etc.) Dej stated that as at September 1 more than one billion lei had been saved above the plan. The planned savings in industry for the whole of the year amounted to three billion lei.

In the branch of industrial productivity the picture is not so bright. The plan was for an 11 per cent increase; Dej's estimate for the whole year is 10.5 per cent. Despite this, however, he claimed that the increase in productivity and "socialist emulation" had largely contributed to the fulfillment of the production plan as well as to the commissioning of new units.

In industrial manpower Dej claimed that the target set for 1960 -- 160,000 new wage earners -- had been fulfilled.

The purchasing power of the population had, said Dej, increased during 1960 by two billion lei. Factors contributing toward this were the price reduction of July 24 and the increases in the salaries of technical cadres two days earlier.

The planned increase in the distribution of goods has been nearly fulfilled. It is 15 per cent at present as against a plan of 16.6 per cent.

Thirty thousand new apartments have been built up to now as against 31,000 planned for the whole year.

The total investments for the whole of the economy will increase by 33 per cent over 1959 i.e. to 23.1 billion lei. The total investments planned for 1960 were 23.5 billion lei. Dej stated that because of the reduction in the consumption of materials, the improvement in the quality of industrial construction and the reduction in the period required for construction, the economic efficiency of investments had increased. This had made possible the commissioning of additional production capacities in 1960, a fact reflected by the increase of the fixed funds in industry from 15.5 billion lei in 1959 to an estimated 22 billion in 1960. Thus, 17 new enterprises, 17 new production sections were commissioned in 1960 and 82 other plants were reequipped.

Conclusion on 1960 Estimates

The balance sheet presented by Gheorghiu-Dej is certainly an optimistic one on the basis of the annual plan for 1960. If one, however, takes his estimate of achievements for 1960 and compares it the targets set for 1960 by the old Five-Year Plan the picture is not so impressive. For, although, according to the estimates presented by Dej, industrial production in 1960 will have increased by some 68 per cent over 1955, as against the 60-65 per cent planned, the targets for such important commodities as coal, oil, methane gas, grain, meat and other foods will by no means have been fulfilled. The same applies to installed electric power and probably to cement production, which seems to be one of Rumania's Comecon specialities.

Gheorghiu-Dej himself had some criticisms to make. Despite his praise for the quicker way in which construction work was in general being carried out he complained that in some cases there were still unjustified delays in some projects. He reiterated a previous complaint that certain plans for the putting into operation of new industrial products, particularly of machines, had not been approved by the higher authorities, for example, by the Ministry of Heavy Industry or the State Planning Commission. This has evidently led in some cases to out-of-date machines being put into use. Dej also criticized the Ministry of Heavy Industry, which has often been under fire previously, for failing to ensure the proper specialization in electronic plants. In general he urged ministries and enterprises to be even more concerned about the discovery and utilization of "inner reserves" and enjoined the Party, the unions and the Communist youth organizations to be more "solidly" interested in "the great problem" of the preparing and implementation of the economic plans, to work for "elimination of the shortcomings which still exist" and to assure "a more qualified leadership to our economy".

One of the great "shortcomings which still exist" is the distribution of consumer goods to the population. Even if the target for the annual plan for 1960 is fulfilled, the figure set for 1960 by the second Party congress will still remain unfulfilled by about eight per cent - or three to four billion lei. This is a failing which the regime is anxious to ignore.

The Industrial Plan for 1961

Most of Dej's speech was taken up by the outline of the plan for next year. The following table shows the percentage increase planned for 1961 - figures underlined. For comparison are also given the achieved percentage increases in 1958 and 1959, the planned increase for 1960 and Gheorghiu-Dej's estimate of achievement for 1960, and the planned average rate of increase for 1960-65 calculated from the third congress directives.

	<u>1958</u>	<u>1959</u>	<u>1960</u> (Initial plan)	<u>1960</u> (Dej's present estimate)	<u>1961</u>	<u>1960/65</u> (average)
Total industry	9.4%	10.0%	14.0%	15.5%	<u>13.5%</u>	13.0%
A Sector	8.6%	11.5%	14.6%	-	<u>13.8%</u>	14.0%
B Sector *	11.0%	8.4%	13.0%	-	<u>13.0%</u>	12.0%
Ferrous metal- lurgy	18.0%	23.0%	28.0%	30.0%	<u>16.6%</u>	-
Machine building industry and processing of metals	12.5%	14.0%	17.0%	20.0%	<u>16.0%</u>	14.0%
Electric and thermic power	14.6%	18.3%	20.0%	14.0% (?)	<u>22.0%</u>	-
Chemical industry	15.8%	27.5%	22.0%	-	18.0%	22.0%

*) The "B" Sector is divided as follows: Light industry to increase by 16 per cent, food industry by 11 per cent. This corresponds roughly to Dej's estimate of the rate of growth for 1960.

Gheorghiu-Dej also gave the targets by volume in a few important industries. They are reproduced below together with the same comparisons as for the previous table.

	<u>1958</u>	<u>1959</u>	<u>1960</u> (Initial plan)	<u>1960</u> (Dej's present estimate)	<u>1961</u>	<u>1966</u>
Steel * (tons)	934,000	1,419,000	1,700,000	1,790,000	<u>2,100,000</u>	3,300,000
Cast iron "	737,000	846,000	946,000	1,021,000	<u>1,080,000</u>	2,000,000
Tractors(units)	7,000	11,000	15,000	17,100	<u>20,000</u>	25,000
Lathes "	1,085	1,207			<u>2,400</u>	
Trucks and buses ** (units)	6,865	9,513			<u>10,000</u>	16,000
Iron ore(tons)	743,000	1,064,000	1,400,000	1,464,000	1,700,000 (+20%)	4,000,000
Coke "	563,000	609,000	817,000	819,000	1,000,000 (+22%)	1,600,000
Electric power (kw)	6.4 bil.	6.24 bil.	7.7 bil.	7.7 bil.	8.8 bil.	18.5 bil.

*) The production of rolled steel is planned to increase by 20 per cent (excluding tubes).

**) In 1961 Rumania will produce for the first time 12 diesel electric locomotives - 2,100 hp.

Other noteworthy figures which the Rumanian leader supplied were:

Chemical Industry: Production of chemical fertilizers will increase in 1961 by 30 per cent; of caustic and calcinated soda by 37 per cent; of cellulose and semi-cellulose by 30 per cent. The production of synthetic yarn and fibers will reach 1,700 tons in 1961.

Industrial Equipment: Production of industrial equipment for the oil and chemical industries will increase by 60 per cent; for the ferrous metallurgical industry and the foundries by 30 per cent; for the light and food industry by 40 per cent.

Installed Electrical Power: This will increase in 1961 by 250,000 kw. According to Dej it has increased by 180,000 kw this year. The Six-Year Plan envisages that by 1965 installed power will amount to 3,900,000 kw. In 1959 it was 1,600,000 kw.

Remarks on Industrial Planning

The planned 1961 rate of increase for industry as a whole roughly corresponds to the average yearly rate of increase planned for the next six years. The ratio between the "A" and "B" sectors of industry is planned to be more even in 1961 (difference of 0.8 per cent) than in this year when the difference was 1.6 per cent.

It will be noticed that there is a planned decrease in the rate of growth of the ferrous metallurgical, the machine building and the chemical industries. This may be explained by the fact that not as many big production capacities are due for commissioning in the immediate future as was the case in 1959 and 1960. For instance, work on the new giant combine in Galati will begin next year but maximum capacity will be reached only by 1970. For a balanced view of the development of any industry it is necessary to take a period of three to four years. A view of one year is apt to be misleading. Note, however, the big planned increase in power production. This corresponds to the great emphasis on this branch laid by the Six-Year Plan.

Gheorghiu-Dej stated in passing that the profitability of industrial enterprises had increased but warned that further efforts were necessary, particularly regarding the liquidation of above-norm stocks which, by the middle of this year, amounted to three billion lei.

Other plans outlined by Gheorghiu-Dej were as follows:

National Income: This is planned to increase in 1961 by 15 per cent. The planned increase for 1960 was 12.5 per cent. (By 1965 it is planned to increase by 70-80 per cent.) The share of accumulations from state enterprises in the state revenue will increase from 48 per cent in 1960 to 51 per cent in 1961.

Labor Productivity: This is planned to increase in industry by nine per cent against a planned increase of 11 per cent for 1960 and a present "estimated achievement" for 1960 of 10.5 per cent. The emphasis to be placed in 1961, according to Dej, is on the quality of products.

Food Industry: The production of meat is planned to increase by 26 per cent, of meat products by 16 per cent, of meat preserves by 18 per cent, of milk by 40 per cent and of vegetable preserves by 35 per cent.

Transport: The volume of transported goods is planned to increase by eight per cent in 1961.

Personal Incomes: Gheorghiu-Dej stated that the "monetary incomes" of the "working people" will increase by 11 per cent in 1961.

Housing: It is planned to make available 37,000 apartments in 1961, or 20 per cent more than in 1960.

Manpower: Gheorghiu-Dej stated that the number of wage earners (workers and employees) would increase by over 200,000 in 1961, as against 160,000 this year.

Foreign Trade: The volume of Rumania's foreign trade will increase in 1961 by 11 per cent against a planned increase of 24 per cent for 1960. The structure will improve. Thus the export of machinery and equipment will increase by 31 per cent, chemical products by 35 per cent, timber industry by 13 per cent, food industry by seven per cent. The import of installations, equipment and machinery of high technical value will increase by 11 per cent. Dej asked in this connection for increased profitability in the production of goods for export, the reduction of cost price and increased control. Rumanian commercial agencies abroad will be strengthened by the appointment of qualified personnel (economists, technicians).

Planned Investments in 1961

In referring to the total investments for the whole of the economy in 1961, Gheorghiu-Dej appeared to contradict himself. He stated that total investments in 1961 will amount to 27.9 billion lei or 24 per cent more than the achieved investments for 1960. This would make the estimated achieved figure for this year to be some 22.5 billion lei, as against the planned 23.5 billion. But, as has been stated, Dej, earlier in his report, claimed that 1960 investments had increased by 33 per cent of 1959. This would put the achieved figure at 23.1 billion. One must wait and see what the final plan, when published, gives.

Another contradiction is apparent in the figures given for the share of industry in the total investments. According to Dej, the share will drop in 1961 to 55.9 per cent, as against a

planned 59 per cent in 1960 and a planned average of 58.8 per cent in the 1960-1965 period - and 51 per cent in 1959. But he also stated that the 15.6 billion lei to be invested in industry next year was 26 per cent over the preliminary figures for this year. Thus if, as he says, total investments in 1961 will only be 24 per cent more than those achieved in 1960 it is hard to see how industry's share in the total will drop to 55.9 per cent. Again, one must wait and see the final draft.

The following is a breakdown of investments planned for 1961 in three of the most important industrial branches. Again a comparison is given with previous years and with the average planned for 1960-1965. The total share for industry is considered as 100 per cent.

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1960-1965</u>
Power and fuel	40.4%	38.7%	39.0%	<u>33.0%</u>	32.0%
Metallurgical and machine-building industries	23.0%	21.0%	19.0%	<u>24.0%</u>	23.0%
Chemical industry	16.0%	20.0%	21.0%	<u>20.0%</u>	20.0%

In addition Gheorghiu-Dej reported that investments in transport and telecommunications will increase by 26 per cent and for social-cultural purposes by 18.6 per cent. Next year 26 plants and 34 sections will be commissioned and 96 other enterprises will be extended and re-equipped. The value of the fixed funds in 1961 will amount to 25.5 billion lei.

Noteworthy is the increase in the investment share in 1961 for the metallurgical and machine-building industries. The share of fuel and power and the chemical industries have slightly dropped but it is interesting that the share of all three for 1961 is very much in line with the average for 1960-1965 fixed by the Six-Year Plan.

Most noteworthy of all is the considerable decrease planned for the share of industry as a whole. This is in contrast to a 20 per cent increase in the investment share for agriculture. Gheorghiu-Dej's references to agriculture follow.

The 1960 Estimate for Agriculture

On the all important question of grain (cereal) production for 1960 Gheorghiu-Dej said nothing directly in his report. He contented himself by claiming that agricultural production this year ensured all the consumption requirements of the national economy as well as an increase in state reserves, "although the

climatic conditions in some regions were not favorable.

But in his outline of the plans for 1961 Dej did give a hint. After stating that an increase of total agricultural output of 19 per cent was envisaged, "given normal climatic conditions", he went on to say that a production of some 4.6 million tons of wheat and rye and some 6.7 million tons of maize was envisaged. If one takes these figures at their face value and assumes that the total percentage production increase planned for 1961 also applies to these main cereals, one can very roughly (and very diffidently) estimate what the expected production for 1960 is. It is:

for wheat and rye	-	3.9 million tons
for maize	-	5.6 to 5.7 million tons

This is just about the same as the figures for 1959, which were: wheat and rye - 4,128,000 tons, and maize - 5,680,000 tons.

Dej gave special attention to sugar beet and sunflower production. The results appear to have been very good, so good as to "ensure increased consumption requirements of sugar and edible oil, leaving also quantities for export". With regard to sugar beet it is worth recalling that at the November 1958 plenum Dej stated that by 1964 "sugar consumption should reach 20 kg per capita". One may presume that this figure is considered, not a surfeit, but a necessary amount. It is, therefore, odd that the regime exports some in 1960.

Contribution to Central Cereal Fund

The total contribution of the whole socialist sector in 1960 to the Central Cereal Fund was, said Dej, 85 per cent. The state farms contributed to this with 39 per cent wheat and 26 per cent maize.

Again one must infer, but it seems that the contribution of the private sector of agriculture was 15 per cent. Here it should be pointed out that at August 1 of this year the socialist sector of agriculture comprised almost 83 per cent of the country's arable area. By now it may well have crept up to 85 per cent. Thus the private sector, in its contributions to the Central Fund, is still at least holding its own. No mean feat in view of the far greater advantages which the socialist sector gets.

Agricultural Machinery

Gheorghiu-Dej's figures on the increases in the various types of agricultural machinery this year confirms the impression that considerable successes have been achieved in this sector. His figures were:

Tractors * - 11,600 (probably physical units). The target was 10,750.
Combines - 5,500 (target 5,000)
Sowing machines - 14,000 (target 12,000)

Dej, however, was not at all happy about the working of the Machine Tractor Stations. He criticized them severely for shoddy, unfinished work "in almost all regions".

Increases in Animal Sector

Referring to the first nine months of this year Dej stated that the number of milking cows had increased by 21,000 head in the state farms and by over 100,000 on the collectives. This is a very substantial increase if one considers that the "RPR Breviar Statistic for 1960" gives a total increase for 1959 of 19,000 milking cows.

Dej also stated that during the same period of 1960 both the state farms and collective farms had contributed to the state central fund with increased quantities of meat, wool and milk. He gave details, however, only for milk. The state farms had delivered to the fund 1,600,000 hls. (i.e. 600,000 hls. more than in 1959), while the collective farms delivered 1,100,000 hls. (i.e. more than twice the quantity delivered in the whole of 1959). This again is a substantial gain. But since the 1960 cow milk target as set by the 1955 Party Directives was 25 million hls. and since the "RPR Breviar Statistic for 1960" gives for 1959 a production of cow milk of 21,379,000 hls., this means that to reach the original 1960 target some 3.7 million hls. should be produced in 1960. Consequently some two million hls. have to be added this year to Dej's reported increase in order to fulfill the target. This, of course, is hardly possible.

Dej was obviously aware of the need to do better. He insisted that the collective farms should pay more attention to increasing the number of cows in communal property. At the same time he stressed the necessity of selecting good animal breeds, of increase the quantity of fodder, and consequently the quantity of meat. He also stressed the need for the speedy building of animal sheds and shelters. This has long been a deficiency of the socialist sector.

Fodder Still a Problem

About the essential prerequisite for successful animal breeding -- a good fodder base -- the Rumanian leader was not so encouraging. Although in 1960 the quantity of maize for fodder to be ensilaged was 1.5 million tons more than it was in 1959, the planned quantity for 1960 had not been achieved. Last year the position was also bad. Out of a planned quantity of 4.2 million

*) Total production was given as 17,000. See page 2.

tons of green plants for siloing, only just over three million tons were actually ensilaged. Dej repeated the exhortations which he made at the December 1959 plenum about the necessity of increasing maize for fodder. He also urged a better supply of ensilaging equipment.

Melioration and Irrigation

As in the case of other Communist countries, the effectiveness of the Rumanian melioration and irrigation plans have not been commensurate with the money or the effort the regime has spent on them. This was the burden of Dej's complaint. After saying that in the last three years his regime had spent 860 million lei on improving 215,000 hectares and irrigation schemes for 135,000 hectares, the Rumanian leader launched into a series of complaints, especially about irrigation. They were the familiar complaints that large areas, though prepared for irrigation, still remained unwatered. Here he criticized the state farms, regional trusts and People's Councils. He also complained about the lack of proper control by the Ministry of Agriculture.

The Outlines for 1961 in Agriculture

The tentative target set by Dej for agricultural production as a whole has already been briefly discussed. The following sub-headings deal with other important points on which he touched.

Machinery:

Next year agriculture will receive:

- 12,000 tractors (probably physical units),
- 6,000 combines for cereals,
- 15,000 sowing machines, as well as other agricultural machines and equipment.

Fertilizers

Some 450,000 tons of chemical fertilizers will be delivered to agriculture in 1961.

It may be said that great emphasis is being placed on substantially increasing the quantity of chemical fertilizers for agriculture.

At the November 1958 Plenum Gheorghiu-Dej promised that 282,000 tons of such fertilizers would be produced in 1959 (about twice the quantity produced in 1958). It is envisaged that by 1965 the quantity of chemical fertilizers produced at home would be "over 8.5 times that of 1959".

At present an additional number of factories for chemical fertilizers are being built, some of them due to be commissioned in 1960.

Land Melioration and Irrigation

Dej did not give any figures as to 1961 projects. He limited himself to giving some general recommendations on the subject, stressing also the necessity of training a sufficient number of cadres with both higher and medium qualification for the respective work.

The Increase in Investments

It was in the all-important sphere of investments that Gheorghiu-Dej was at his most interesting and a brief discussion of his figures and their significance, is the best way to conclude this commentary on his whole outline for 1961.

Investments from state funds, he said, will increase by 20 per cent. In 1960 the total sum of money earmarked for the development of agriculture was 6,422,000,000 lei, out of which 4.4 billion was for investments. Therefore, it can be assumed that investments from state funds in agriculture in 1961 will be about 5.28 billion lei.

Under the terms of the Six-Year Plan the investments in agriculture are planned at between 22.1 and 23.4 billion lei for the six-year period. This makes an annual average of some 3.8 billion lei. It is obvious, therefore, that 1961 is going to be well above average as far as the effort in agriculture is concerned. In addition, it should be noted that the collective farms (together with "artisan cooperation" and cooperatives) are scheduled in the course of the Six-Year Plan to contribute a volume of investments from their own funds of over 11 billion lei or an annual average of 1.8 billion lei.

When one compares this sizeable increase in agriculture with the planned drop in the investment share for industry to 55.9 per cent one can see one of the most interesting feature of the economic plan for 1961.

End