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SPECIAL REPORT

RUMANIA'S POSITION IN THE SOVIET BLOC

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RUMANIA'S POSITION IN THE SOVIET BLOC*

Rumania, once one of the most sycophantic of the European Communist states, is today speaking out independently in Soviet bloc and other international councils to defend and advance its national interests. Although its leadership continues to follow an essentially hard line in domestic political and economic matters, the country's expanding economic, political, and cultural ties with the non-Communist world in time will probably influence the regime to allow more freedom for the Rumanian people. With a sound economy and a tightly knit and determined leadership, Rumania gives every indication of continuing to be independent in Soviet bloc affairs as well as in its relations with the West.

Rumania's Nativist Leadership

Rumania's policy of moving into a position of independence from the USSR is a logical outgrowth of the backgrounds and postwar experiences of the regime's leaders. The key figures in the Rumanian Workers' (Communist) Party are predominantly nativists. Party First Secretary Gheorghe Gheorghiu-Dej may well have escaped the Stalin purges of the 1930s because he was held in Rumanian royalist jails during that period. In contrast to most parties in Eastern Europe, which purged their "Titoist" elements in the late 1940s and early 1950s, the Rumanian party purged the Moscow-trained element. Ana Pauker's expulsion from the politburo in May 1952 is a good example.

In the decade after World War II, Dej built up a personality cult of his own not unlike that of Stalin. He has given only lip service to Khrushchev's de-Stalinization program, and in Rumania the harsher methods of authoritarian rule are still in vogue. By the late 1950s, Bucharest had adopted a policy of reserve, characterized by belated and unenthusiastic support, on almost all key Soviet policies.

Economic Grievances With the Bloc

The first indication that Rumania intended to take a more independent economic position appeared in June 1960. Reporting on the Six-Year Plan (1960-65), Gheorghiu-Dej stated that trade with "socialist" countries (which had accounted for 80 percent of total Rumanian trade in 1959) would make up only 65 to 70 percent of the total in 1965. Bilateral negotiations with bloc partners in connection with the

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economic plans for 1965 apparently had not satisfied important Rumanian requirements for investment goods, forcing the regime either to modify its own plan or turn to the free world for the desired imports.

At the same time, the Rumanian regime was dissatisfied with its economic position in the bloc on two other counts. Development of foreign trade with the bloc had been sluggish for several years, and the regime perhaps became convinced that it had to expand its trade with the free world appreciably if it was to achieve high economic growth rates during the 1960-65 period. Secondly, Soviet extensions of credit to Rumania in the 1950s totaled only $155 million, much less than those received by most other East European countries. This probably seemed unfair, particularly in the light of Stalin's earlier exactions from the Rumanian economy through reparations and deliveries from the joint Soviet-Rumanian companies.

No Soviet credit is known to have been extended to Rumania after 1956, although one probably was promised for the proposed Galati steel combine. Credits from the more developed East European countries also had been small. On the other hand, several West European countries began to expand their markets in Rumania in 1959 by extending small credits for industrial plants--the first provided by the free world in a decade.

Bucharest's Defiance of CEMA

Rumania's determination to assert its national economic interests was not revealed fully until 1963, when the leadership successfully opposed efforts to broaden the powers of the Moscow-sponsored Council for Economic Mutual Assistance (CEMA) and disregarded Soviet opposition to the building of the Galati steel plant.

The USSR and some East European regimes, trying to initiate a "new stage" in bloc economic cooperation, had proposed closer coordination of national plans, more joint investment projects, and more extensive product specialization in manufacturing. Moreover, Khrushchev had proposed formation of a joint planning staff for CEMA. The Rumanians feared that a CEMA with greater authority would make decisions which would hamper Rumanian industrialization. Bucharest consequently opposed any change in the organization that would limit Rumanian economic sovereignty.

Other satellites probably were also opposed to the Khrushchev proposal for a CEMA planning staff, but Rumania alone was publicly hostile. Rumania, in addition, refused to accept some new forms of cooperation which were supported by other satellites.

Although the USSR agreed in 1960 to provide certain facilities for the Galati steel project and to increase deliveries

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of iron ore, it presumably had misgivings about the project because of Rumania's inadequate domestic supplies of iron ore and coking coal. These doubts become stronger later, possibly because of a reduction of projected steel requirements in the bloc. Nevertheless, at a CEMA meeting last July, Rumania reportedly reaffirmed its plan to proceed with the Galati project. It had already purchased a plate mill from a British-French consortium and had opened negotiations for the purchase of other steelmaking facilities in the West. The USSR not only failed to alter Rumanian plans for Galati, but it now has apparently committed itself to provide the blooming-slabbing mill, the sheet rolling mill, and additional supplies of iron ore, previously promised.

Success of Economic Policies

Bucharest's more recent moves toward greater independence have been encouraged by the regime's satisfaction with its economic accomplishments since 1960 and by its confidence in future progress. With comparatively little foreign assistance, Rumania has made great strides in industrialization. In contrast to the slowdown in industrial growth in most of Eastern Europe, Rumania maintained an average annual industrial growth rate of 14 percent between 1960 and 1963, giving it one of Europe's highest rates of over-all economic growth in recent years.

This high rate stems partly from Rumania's relatively low degree of industrialization. In contrast to highly industrialized countries such as East Germany and Czechoslovakia, Rumania still has large reserves of underemployed labor and many opportunities for simple advances in technology.

Since 1959, moreover, growth has been stimulated by an improved agricultural situation and by a rapid expansion of foreign trade, especially with the West. Agricultural production leveled off near the postwar peak, avoiding the sharp fluctuations of previous years. Collectivization facilitated food exports by tightening state control over agriculture, while the depressing effect it usually has on agricultural production was offset by technical advances.

Rumania is capable of sustaining a rapid, although probably somewhat reduced, rate of economic growth in the next several years.

Declaration of Independence

The Rumanian regime's now more definitive declaration of its right and intention to act independently in the Communist world came in the form of a resolution adopted by an extended session of the party central committee which met from 15 to 22 April. Bucharest specifically stated that it would not participate in any supranational Communist economic or

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political organizations, which it considered infringements on the sovereignty of socialist states. It also insisted that "there can be no parties which are 'superior' and parties that are 'subordinate'" and that "nobody can decide what is and what is not correct for other countries and parties."

Effects of Domestic Policies

Although the Rumanian regime in its relations with the Soviet bloc seems to have moved into a position not unlike that of Yugoslavia, it remains ideologically conservative, especially in regard to its domestic policies. There is no evidence of ideological deviation toward the more decentralized Yugoslav economic system, about aspects of which the Czechs and even the Bulgarians have permitted some public discussion. On the contrary, the Rumanian economic system continues to be characterized by detailed central planning and nearly complete socialization of agriculture.

Although Bucharest has amnestied a large number of political prisoners this spring, it has made clear it does not contemplate any liberalization on the domestic political scene comparable to the changes which have come about in its relations with the Soviet bloc and with the West. Nevertheless, under the guise of de-Russification--the Rumanians consider themselves a Latin island in the sea of Slavs--Gheorghiu-Dej has taken a number of steps that appeal to the population and will whet its appetite for some relaxation in domestic policy.

De-Russification Campaign

The campaign for de-Russification of Rumanian life began in mid-1962, when Bucharest publicly criticized the USSR for underplaying in an official publication the role of the Rumanian party in liberating the country from the Germans. By the end of 1962, Moscow was seldom mentioned in Rumanian propaganda as aiding Rumania's progress. Last spring the party spread the news throughout the country of the Dej regime's defiance of Khrushchev's economic policies, thereby appealing to popular nationalist sentiments which hold Russia to be a traditional enemy. During the May Day celebrations in 1963 and 1964, no posters of living Soviet leaders were in evidence.

Dej's de-Russification measures have included several that directly affect the public. In September 1963, for example, Russian language courses in school grades 5-11 were made elective rather than mandatory. At the same time the "Maxim Gorki" Institute of Language and Literature in Bucharest was abolished. In January 1964, publications began stressing the Roman origins of the Rumanian language. In addition, Radio Bucharest has markedly curtailed its rebroadcasting of Soviet radio programs.

Closer Ties With the West

As Rumania has moved toward greater economic independence,

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its political and cultural contacts with the West have simultaneously increased, thus introducing another influence toward less rigid domestic policies.

In March 1963, the regime agreed to the distribution by the US Legation of a monthly cultural bulletin, which began in May. Two months later Rumania stopped jamming Western broadcasts. Rumanian officials are removing long-standing irritants by granting exit visas to dual nationals, and are encouraging Western governments to raise the rank of their diplomatic missions in Bucharest.

Trade with the non-Communist world, mainly West European countries, rose by 143 percent in 1960-61 and accounted for nearly one third of total trade in 1961, compared with one fifth in 1959. Thus, the reorientation of trade toward the West that had been planned for 1965 was realized four years early. This increased share of trade with the West was maintained in 1962 and--judging from still incomplete data--again in 1963, as total Rumanian trade continued to expand rapidly. Rumanian petroleum, forest, and food products have proved to be readily salable in Western Europe. This ability to boost exports to the West has been enhanced by resourcefulness in finding new markets and, in some instances, by arranging profitable barter deals through private traders.

Aside from giving Rumania greater flexibility in economic planning, closer economic relations with the West have brought the benefits of advanced technology and medium-term credits for certain new Rumanian projects. Preference for Western technology has even led Rumania to place orders in Western Europe for equipment that the more developed satellites wanted to supply. A survey by the US Legation last September indicated that Western-supplied plants valued at some $400 million had been contracted for or built in Rumania since 1960, and that the regime was contemplating additional purchases of more than $150 million.

Rumania has received favorable credit terms for some purchases from Western Europe, with repayment periods of as much as six years. Although Rumania incurred a cumulative trade deficit of $79 million with the free world in 1961-62, a striking growth of exports in 1963 apparently restored the balance. This should improve Bucharest's chances of obtaining additional Western European credits if they are needed.

Rumania seems to have a considerable potential for continuing to increase exports to the West. It will be difficult, however, to sustain the rapid pace of 1960-63 unless agricultural production can be raised above the recent plateau.

Rumania now is pushing for more normal trade relations with the US. At Bucharest's request, a high-ranking Rumanian delegation will begin negotiations in

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Washington on 18 May to improve bilateral economic and political relations. In conversations with high US officials, Rumanian leaders have said they hope for a substantial rise in trade. Bucharest has indicated, however, that it is not looking for handouts and that it can readily obtain needed goods elsewhere if the US does not loosen its export restrictions.

Rumania's determination to pursue its own economic interests, even when these conflict with those of the Soviet bloc, has also been apparent in the performance of the Rumanian delegation to the UN Conference on Trade and Development, which is currently sitting in Geneva. They have portrayed Rumania as a developing country whose interests lie with the less developed and, for the most part, nonaligned countries at the conference. Moreover, the Rumanians, unlike other East European representatives, have not broadly attacked Western trade restrictions against Communist countries, have not supported the Soviet-sponsored proposal for a new international trade organization, and have not mentioned a draft proposal of "trade principles" submitted by the USSR, Poland, and Czechoslovakia.

Rumania and the Sino-Soviet Dispute

Rumania has used Moscow's need for support in the Sino-Soviet dispute as a bargaining point in concert with the alternatives arising from its improved relations with the West. Since March 1963, when Rumania sent its ambassador back to Albania after having withdrawn him in late 1961 as had other Soviet bloc states, Rumania has been more reticent than any other Eastern European country --except Albania--in support for Moscow against Peiping. Bucharest essentially agrees with Moscow's substantive positions but is apparently even more concerned than Poland or Hungary over the probable effects on its bargaining position with the USSR should Khrushchev carry the dispute with China to a final break.

In recent months, Rumania has printed numerous articles agreeing with Moscow's peaceful coexistence line, but has done little to criticize Peiping for not adhering to this line. It has also failed to support Moscow's plans for dealing with the Chinese. Dej has absented himself from meetings particularly concerned with the dispute, such as occurred during the East German party congress in January 1963, the celebration of German party chief Ulbricht's birthday the following June, and Khrushchev's 70th birthday gathering a month ago.

In February and March 1964, the Rumanian party attempted to prevent the dispute from moving further toward a formal split

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by making a mediation effort, which included sending a delegation of its leaders to Communist China, North Korea, and the USSR. When this effort failed, the Rumanians made public the details of their attempt and recommended that the international movement form a commission that would include the Soviet and Chinese parties to induce the two major parties to ease tensions.

Prospects

The Dej regime, in its show of independence, is apparently convinced that the USSR cannot apply strong political pressure or economic sanctions and that it will not intervene militarily. Moreover, Rumania probably will continue to receive at least tacit backing for its stand from some other East European leaders who fear that closer economic control by the USSR eventually might work to their disadvantage as well. It seems likely, therefore, that Rumania will increasingly demonstrate its independence in pursuing its national interests in its relations with both the bloc and the free world. (SECRET)

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