

ASPECTS OF INDEPENDENT ROMANIA'S ECONOMIC HISTORY WITH PARTICULAR REFERENCE TO TRANSITION FOR EU ACCESSION



David Turnock

ASPECTS OF INDEPENDENT ROMANIA'S
ECONOMIC HISTORY WITH PARTICULAR
REFERENCE TO TRANSITION FOR EU ACCESSION

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Aspects of Independent Romania's Economic History with Particular Reference to Transition for EU Accession

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Contents

<i>List of Figures</i>	<i>vii</i>
<i>List of Tables</i>	<i>ix</i>
<i>List of Abbreviations</i>	<i>xi</i>
<i>General Editor's preface</i>	<i>xvii</i>
<i>Foreword</i>	<i>xix</i>
1 The Romanian State and its Economic Development to 1918	1
2 Modernisation in Greater Romania 1918–1945: Increasing the Role of the State	17
3 The Communist Era of State Monopoly: Central Planning with a Descent to Sultanism	31
4 The Political Context of Post-Communist Economic Restructuring: The EU and NATO	63
5 Post-Communist Economic Reform: A Chronological Approach	93
6 Problems of Industrial Restructuring and Environment Illustrated with Reference to the Chemical Industry	127
7 Building Materials and Textiles Clothing & Leather: Contrasts in the Nature of Foreign Penetration	153
8 Agriculture: Overcoming the Subsistence Rationale	171
9 Transport: Seeking Capital to Reconnect with the West	205
10 Settlement Patterns: Urban Planning and Development	229
<i>Postscript</i>	<i>269</i>
<i>Bibliography</i>	<i>271</i>
<i>Index</i>	<i>289</i>

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List of Figures

1.1	Industrial regions 1902	12
2.1	Industrial regions 1935	26
3.1	Industrial centres	37
3.2	The rural settlement programme in the Carpathians	54
4.1	Development regions and counties	68
5.1	Less favoured areas in West Region	111
8.1	A fragmented holding in Rogoz, Maramureş	175
8.2	Carpathian regions: livestock units	178
8.3	Less favoured agricultural areas	189
9.1	Rural road modernisation in the Mehedinţi Plateau	207
10.1	Aspects of regional development	231
10.2	Transport and commerce in Bucharest	236
10.3	Classification of towns and rural centres	256

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List of Tables

2.1	Production in large-scale industry 1935 (mln lei)	25
3.1	Investment in the national economy 1950–1989 by sectors	36
3.2	Investment 1950–1989 by county groups	42
3.3	Salaried employment by county groups 1960–1989	44
3.4	Development levels by regional groups 1970–1989	48
3.5	Rural reorganisation: population groups	55
4.1	Provision in minority languages at Romanian universities and high schools c.1995	84
4.2	Major economic sectors according to salaries, occupied population and value added 1985–2005	92
5.1	Small and medium-sized enterprises 1992–2005	100
6.1	Employment in industry 1990–2005	129
6.2	Structure of industrial production by current prices 1990–2005	131
6.3	Enterprises in industry commerce and other services by ownership 1997–2005	132
6.4	Enterprises and labour in industry 1996–2005	133
6.5	The local component in shift-share analysis for industrial employment change 1990–1995	136
6.6	Production in the chemical industry 1985–2005	144
7.1	Industrial production: building materials, textiles and footwear 1985–2005	155
8.1	Farm structure 1998	174
8.2	Levels of intensification in stock-rearing in Carpathian survey areas 1998–2000	180
8.3	Salary bonuses payable to qualified teachers in deprived areas	186
8.4	Production of major crops 1985–2005	191
8.5	Livestock and basic food products 1985–2006	199
9.1	State and private activity in transport 1995–2005	206
9.2	Road transport 1985–2005	210
10.1	Regional profiles	230
10.2	Foreign Direct Investment in Bucharest 1997–2005	235
10.3	Quality of life survey of Romania's 50 largest towns 2006	252
10.4	Classification of towns 1992–2002	254
10.5	Petrol stations	259
10.6	Development of the urban system 1910–2005	263
10.7	Village services in Transylvania 1990	264

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List of Abbreviations

bln:	billion
dwt:	deadweight
GW:	gigawatt
GWh:	gigawatt hour
h:	hour
ha:	hectare
j.v.:	joint venture
km:	kilometre
m:	metre
mg/l	milligrams per litre
mln:	million
MW:	megawatt
MWh:	megawatt hour
n.a.	not available
n.ap.	not appropriate
pc:	per capita
ppm:	parts per million
ptp:	per thousand of the population
sq.km:	square kilometre
t:	tonne
th:	thousand
tln:	trillion
yr:	year

AEC	Atomic Energy Company of Canada
AFPO	Association of Private Forest Owners
AFPR	Association of Furniture Producers of Romania
APMSH	Agency for the Privatisation & Management of State Holdings (APAPS)
APPA	Forest User Groups (Asociații Proprietărilor de Pădure)
ARSA	Authority for Recouping State Assets (AVAS: Autoritatea pentru Valorificarea Activelor Statului)
ASP	Airport Shopping Park (Bucharest)
ATM	Automatic Teller Machine ('Bancomat')
ATR	Aero International Regional
BC	Business Centre
BDIA	Biodiversity-important area
B-I	Bucharest-Ilfov region
BT	Transylvanian Bank (Banca Transilvania)
BTC	Bucharest Public Transport Company (RATB)

CANDU	Canadian Deuterium Uranium Reactor
CAP	Cooperative Agricultural Producer
CBC	Cross Border Cooperation
CBD	Central Business District
CC	County Council
CCCF	Railway Construction Company (Centrala de Construcții Căi Ferate)
CCH	Cellulose and paper combine (Combinat de Celuloza și Hârtie)
CCI	Chamber of Commerce & Industry
CCIA	Chamber of Commerce, Industry & Agriculture
CDF	Comprehensive Development Framework (World Bank)
CEE	Central & Eastern Europe (including FSU)
CEFTA	Central European Free Trade Organisation
CFF	Forest Railways (Căile Ferate Forestiere)
CIS	Confederation of Independent States
CoE	Council of Europe
CPAPSE	Commission for Poverty Alleviation & Promotion of Social Inclusion (CASPIS)
CRP	Romanian Oil Company
DCMT	Danube Criș Mureș Tisa Euroregion
DCR	Democratic Convention of Romania (CDR)
DDBR	Danube Delta Biosphere Reserve
DP	Democratic Party (PD)
DUHT	Democratic Union of Hungarians of Transylvania (PUMT)
DUP	Detailed Urban Plan (PUG)
EADS	European Aeronautic Defence & Space Systems
EBRD	European Bank for Reconstruction & Development
ECE	East Central Europe
ECEAT	European Centre for Eco-Agro Tourism
ECECs	East Central European Countries
EEC	European Economic Community
EF	Environmental Fund
EFCP	Environmentally-friendly concrete plant
EIA	Environmental impact assessment
EIB	European Investment Bank
EMBO	Employee-management buyout
ENGO	Environmental NGO
EPA	Environmental Protection Agency
EPCE	Environmental Partnership for Central Europe
EU	European Union
EW P	Engineered wood products
FAB	Functioning Airspace Block
FAO	Food & Agriculture Organisation
FDI	Foreign direct investment
FME	Functional market economy
FPSME	Foundation for the Privatisation of SMEs

FSU	Former Soviet Union
GDP	Gross Domestic Product
GIS	Geographical Information Systems
Glulam	Glued laminated timber
GMP	Good manufacturing practice
GRP	Greater Romania Party (PRM)
GUP	General Urban Plan (PUG)
IBRD	International Bank for Reconstruction & Development (World Bank)
ICC	International Criminal Court
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFET	Forest Enterprise for Logging & Transport (Intreprinderea Forestiere pentru Exploatare și Transport)
IMF	International Monetary Fund
IMGB	Bucharest Heavy Machinery Enterprise (Intreprinderea de Mașini Grele București)
IRIS	Integrated Railway Information System
ISPA	Instrument for Structural Policies for Pre-Accession
IT	Information technology
ITC	Information technology and communications
IUCN	World Conservation Union
JBIC	Japanese Bank for International Cooperation
JTA	Justice & Truth Alliance (AJA)
LCC	Large Carnivore Centre
LDGC	Lower Danube Green Corridor
LFA	Less-favoured area
LPG	Liquid petroleum gas
LSL	Laminated strand timber
LVL	Laminated veneer lumber
MDF	Medium density fibreboard
MHPPW	Ministry of Housing, Public Works & Planning (MLPAT)
MIG	Minimum income guarantee
MWFEP	Ministry of Waters Forests & Environmental Protection (MAPPM)
NAAC	National Agency for Agricultural Consultation (ANCA)
NAE	National Agency for Employment (ANM)
NAMZ	National Agency for the Mountain Zones
NATO	North Atlantic Treaty Organisation
NBR	National Bank of Romania
NDA	National Dwellings Agency (ANL)
NDP	National Development Plan
NFA	National Forest Administration (Romsilva)
NGO	Non-governmental organisation
NHDR	National human development reports
NIDP	National Infrastructure Development Plan
NLIP	National Land Improvement Company
NLP	National Liberal Party (PNL)

NPA	National Privatisation Agency
NPCDP	National Peasant Christian Democrat Party (PNȚCD)
NPP	National Peasant Party
NRRP	National Roads Rehabilitation Project
NSF	National Salvation Front
NTC	National Tobacco Corporation
NWC	National Water Company
OECD	Organisation for Economic Cooperation & Development
OSB	Oriented strandboard ('Tischlerplatten')
OSCE	Organisation for Security & Cooperation in Europe
OV	Opération Villages Roumains
PAL	Chipboard
PEEN	Pan-European Ecological Network
Phare	Poland-Hungary: Actions for the Reconstruction of their Economies
POF	Public Ownership Fund
ppm	parts per million
PPP	Polluter pays principle
PPPs	Public-private partnerships
PPPy	Purchasing power parity standard
PRNU	Party of Romanian National Unity
PSAL	Public Sector Adjustment Loan
PSD	Party of Social Democracy
PSDR	Party of Social Democracy of Romania
PSL	Parallel strand timber
RA	Regie Autonome (Autonomous national company)
BTC	Bucharest Public Transport Company (RATB)
RCB	Romanian Commercial Bank (BCR)
RCP	Romanian Communist Party (PCR)
R&D	Research & Development
RDB	Romanian Development Bank (BRD)
RERP	Regional Environmental Reconstruction Programme
RHG	Reichswerke Hermann Göring
RIB	Romanian International Bank
RICOP	Programme of Industrial Restructuring & Professional Reconversion
RNB	Radici Nylon Bergamo
RSB	Romanian Savings Bank (CEC)
RT	Romtelecom
SAPARD	Special Action Programme for Agriculture & Rural Development
SECI	South East Europe Cooperation Initiative
SEE	South East Europe
SEECs	South East European Countries
SMEs	Small and medium-sized enterprises
SOE	State-owned enterprise
SOF	State Ownership Fund
SNCFR	Romanian State Railway Company
SWOT	Strengths weaknesses opportunities threats

TER	Tineretul Ecologist Român
TICDC	Training & Innovation Centre for Development in the Carpathians
TINA	Transport Infrastructure Needs Assessment
TNC	Trans-national company
TRACECA	Transport Central Europe-Central Asia
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific & Cultural Organisation
UNICEF	United Nations Children's (Emergency) Fund
UNHCR	United Nations High Commission for Refugees
USA	United States of America
USAID	United States Agency for International Development
VAT	Value added tax
VOC	Volatile organic compounds
WHO	World Health Organisation
WTmO	World Tourism Organisation
WWF	World Wide Fund for Nature
WWT	Waste water treatment
AEPZ	Zărnești Area Ecotourism Association (AEPZ)
ZUP	Zonal Urban Plan (PUZ)

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Modern Economic and Social History Series

General Editor's preface

Economic and social history has been a flourishing subject of scholarly study during recent decades. Not only has the volume of literature increased enormously but the range of interest in time, space and subject matter has broadened considerably so that today there are many sub-branches of the subject which have developed considerable status in their own right.

One of the aims of this series is to encourage the publication of scholarly monographs on any aspect of modern economic and social history. The geographical coverage is world-wide and contributions on the non-British themes will be especially welcome. While emphasis will be placed on works embodying original research, it is also intended that the series should provide the opportunity to publish studies of a more general thematic nature which offer a reappraisal or critical analysis of major issues of debate.

Derek H. Aldcroft
University of Leicester

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Foreword

Romania has just become a new EU member state and this may rekindle interest in a country that escaped in dramatic fashion from a rapidly-shrinking communist bloc in December 1989. It then seemed that an ‘island’ of Latin culture had been imprisoned within an alien eastern bloc as much by its own primitive and ‘sultanistic’ leadership as by the Soviet embrace that had been so stifling and irresistible during Stalin’s last years. The imperative of industrialisation was reinforced as a not wholly inappropriate meeting of minds between a domestic leadership striving to build a proletariat from a predominantly peasant society (with the eventual prospect of greater material well-being) and Soviet involvement in global power politics that required the utmost cohesion among the bloc’s member states – unified perversely under the banner of a command economy shaped a decade earlier by the realities of impending world war and Moscow’s doctrine of ‘socialism in one country’. But under Ceaușescu it became an even more obscene fetish as production was driven forwards not on the basis of real consumption needs so much as a global ‘dumping’ programme sustained by bilateral deals that not infrequently involved the disposal of manufactures for less than the real cost of the raw materials.

Draconian policies to maintain a high birth rate and consolidate settlement in key villages were indicative of a mentality that treated Romania as a gigantic ‘Lego’ kit allowing the old dictator to pursue his obsessive ‘labour of love’: literally *building* communism as new integrated economic complexes with energy resources, power generation, local manufacturing capacity and housing – all under communist party control – exemplified by the little town of Anina (in the Banat Mountains) that bears the scars not only of more than two centuries of coal mining but also of Ceaușescu’s ‘meglamania’ in conceiving an energy project in the 1980s based on low-grade bituminous schist. Incapable of spontaneous combustion, natural gas had to be brought in specially by pipeline to a power station built on a limestone plateau (specifically on Ceaușescu’s orders to assure the necessary integration) that consumed part of its production in pumping of cooling water from the valley below. Even so, the first generating set was already being choked by ash when the revolution occurred: a technical problem that had not been anticipated and for which no solution could be found. Within months the quarries were silent and the workforce dispersed, while the new town of Anina (due to replace the old as the latter became part of the opencast quarry system) was still-born with its first apartment blocks unfinished to this day and only partially habitable.

The book tries to show how the aberrations of the 1980s – and the excesses of the communist era as a whole – must be drawn into the wider picture of a neo-Balkan state striving for modernisation after centuries of Ottoman suzerainty were relieved progressively by removal of Istanbul’s trading monopoly under the Treaty of Adrianople in 1829, the end of Russian protection at the end of the Crimean War in 1856; followed quickly by great-power recognition of the union of the Moldavian

and Wallachian principalities in 1858 (though still subject to Ottoman suzerainty) and finally independence confirmed by the Congress of Berlin in 1878. Economic growth accelerated, but the country had to rebuild after the First World War; now with strong Western support for a 'România Mare' that was more than doubled in size through the incorporation of former Habsburg and Russian territories (historically Romanian but products of the fragmentation of the so-called East-Central European 'shatter zone' by rival imperial systems). However the wider political context continued to be all-important and Romania was obliged to adapt to German hegemony in the region in the later 1930s (accompanied by some further territorial changes in 1940) as well as the Soviet takeover of the resulting totalitarian structures after 1944. It is therefore a fascinating but complex task to reconstruct a continuous programme of modernisation punctuated by repeated territorial and ideological changes to which the Romanians were obliged to adjust.

However the main thrust of the book rests with 17 years of transition (1990–2006) that have seen a once-unlikely transformation in Romania from an ultra-conformist Soviet satellite (notwithstanding the so-called 'independent foreign policy') to an enthusiastic EU accession candidate. In fact the origin of the book lies in a contextual study for post-communist restructuring that could not (for reasons of length) be contained within a single volume: hence a number of references to the author's 2008 (in press) publication by Edward Elgar. After the early years of neo-communist uncertainty, Romania has once again accomplished a radical ideological change observed at first hand throughout. The new president (former communist Ion Iliescu) took a conservative approach and gained popularity for cancelling the most hated laws of old régime while refusing to 'sell the country' to foreign investors. His dubious credentials were spelt out in banner headlines when he repeatedly used Jiu Valley miners as a private army to intervene in Bucharest against more radical reform movements championed by the modernising wing of the National Salvation Front and emerging centre-right parties. But although Iliescu stayed in power until the beginning of 1997 – and regained office during 2001–2004 – he was eventually forced to concede that a 'third way' between the capitalism of a neoliberal EU and the orthodox communism of pre-Gorbachev era was impossible.

So, while reform was extremely tentative in the early years – justified allegedly by the Romanians' desire for 'peace and quiet' after their buffeting by Ceauşescu's excesses (increasingly aberrational in the 1980s) – the direction of change eventually became unmistakable. A centre-right coalition committed Romania unambiguously to the EU project during 1997–2000 and the new orientation was sufficiently compelling by 2001 to command the support of modernisers in the Party of Social Democracy (PSD) – evolving from the conservative wing of the Salvation Front – who were then returned to power. But it was doubly fortunate that the unexpected defeat of Adrian Năstase (PSD prime minister during 2001–2004) in the presidential election run-off at the hands of the charismatic centrist Traian Băsescu (leader of the Democratic Party: one of the governing coalition partners during 1997–2000) should then inspire a realignment of finely-balanced parliamentary forces and deny a further term in office for the PSD, now heavily tainted by corruption in both ministries and local government where the activities of some party 'barons' had become notorious. Instead, the centrist Popescu-Tăriceanu government has done enough to raise standards in public life

(with vigorous attention to the criminal justice system) and stimulate an economy – continuously in growth since 2000 – to satisfy critics in Brussels.

The book is based on wide reading as well as fieldwork, but I have not set out to reference every detail noted in the proverbial ‘thousand and one’ media notes from which the book has been built up and citations generally refer to the substantive literature on which the bibliography is based. Furthermore the references to EU ‘Country Reports’ – annual reviews (often highly critical) of Romania’s progress in meeting the conditions required for accession are available on the Internet through www.europa.eu.int/comm/enlargement/index/htm and are not included in the bibliography. Four domestic matters concern first, the introduction of the new ‘heavy’ leu (each worth 10,000 of the old) that came fully in force in 2007 after a transition period. However, the old currency – which after all is part of the economic history – is retained for most calculations although dollar and euro equivalents are now very widely used (incidentally all \$ references relate to US dollars). Second, Ceaușescu’s tinkering with placenames by adding the Roman names to two cities – hence Cluj-Napoca and Drobeta-Turnu Severin – is acknowledged in the first-mention of these places in each chapter but is not repeated throughout. Third, Romanian names for organisations e.g. ministries, agencies and NGOs are anglicised along with the names of businesses (such as the leading banks) that are frequently used (with the Romanian names or acronyms in brackets in the list of abbreviations). But the names (or acronyms) of other businesses are given in Romanian with some English translation. Fourth, while the traditional spatial units for Romania are the historic provinces, counties and communes, the large regional development areas now in force have been used retrospectively as in Figure 3.1 and Table 3.5. Finally for the sake of simplicity the present Yugoslav successor states (including Kosovo and Montenegro) are used retrospectively for the whole post-communist period: hence the references throughout to Serbia rather than the (smaller) Yugoslavia or Serbia & Montenegro.

I am indebted to many people who have helped in various ways with the project. Although the entire text is my responsibility I have incorporated notes on the wood processing industry and forest privatisation by Florin Ioraș of Buckinghamshire Chilterns University College. My numerous friends in Romania have not been involved specifically in this project but I am grateful for the fact that I have been able to obtain information and comment from time to time from Șerban Lacrițeanu, Nicolae Muică, Mirela Nae and Dan Platon in Bucharest as well as Remus Crețan in Timișoara, Rodica Petrea in Oradea and Vasile Surd in Cluj. Nicolae Muică has also been particularly helpful in obtaining hard copy of some materials not available electronically and I also grateful to him for his help and companionship in the field over many years in connection with various rural research projects that have been part of the ‘stock’ on which this book is based. My sincere thanks also go to Ruth Pollington who has drawn all the maps (some of them produced specially for this publication) and to my wife Marion who has helped to prepare the text for publication; not to mention her patience and support during several years while I have postponed the conventional routine of a retired academic. Finally my thanks to Derek Aldcroft as the series editor for his advice and encouragement as well as Tom Gray and Amy Corstorphine at Ashgate.

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Chapter One

The Romanian State and its Economic Development to 1918

This chapter provides a brief introduction to the Romanian people and the state within its present borders with reference to the complementary natural regions and priorities in policy-making. But its main purpose is to examine the major issues and themes in economic development until the First World War. Although development proceeded throughout the early modern period it was not until independence was recognised in 1878 that there was scope for fiscal policies in support of national industry; bringing to an end a period of free trade that saw much of the country's small-scale manufacturing wiped out by imports from the Habsburg Empire. Industrial growth was crucial for a modern commercial agriculture by creating an expanding home market and absorbing the subsistence farmers, yet heavy protection for industry risked damaging foreign trade in agricultural commodities which was important as one of the principal sources of capital investment. Although the country was fortunate in having timber and oil as staple exports to generate capital for industrial growth, Romania was still a predominantly peasant society in 1914 with land reform a key element in the political agenda following the revolt of 1907.

Introduction To Romania

Romania is one of the larger East Central European countries (ECECs) in terms of both area (238.4 th.sq.kms) and population (21.73mln in 2003). It lies in the southeastern part of this region (sometimes seen as a separate region of Southeastern Europe: SEE) although Romania likes to see itself as eminently 'Central European' and resists the Balkan label more clearly applicable to countries lying south of the Danube. It occupies a Carpathian-Danubian-Pontic territory of considerable strategic significance, underlined by the recently-identified north-south and east-west trending Eurocorridors. The landscape is dominated by the semi-circular sweep of the Carpathians that are part of Europe's Alpine structures, yet with a crest line generally below 2,000m the mountains are modest in relation to the Alpine-Himalayan chain as a whole. Comprising metamorphic and volcanic rocks, the semi-circular mountain chain has historically provided a good defensive line, albeit weakened by low-level through valleys associated with the Jiu, Mureş, Olt and Someş rivers; while the range is also quite narrow: 100kms in the Rodna and only 70km in the Parâng. Along with the structural and erosional intermontane basins and depressions (including Ciuc, Făgăraş, Gheorgheni and Trei Scaune which may be old lake basins) these considerations enhance the accessibility of the high ground

and help to account for a relatively intensive pastoralism since prehistoric times. Erosion surfaces are an added benefit for high-level occupation and although there is some controversy over the extent of permanent settlement it is clear that population pressure in the eighteenth and nineteenth centuries gave rise to the colonisation of the mountain surfaces wherever subsistence farming was possible and legacies of this occupation are still very evident to altitudes of 1,400m (especially in the counties of Alba, Hunedoara and Suceava). The mountain regions maintain a strong complementary role in the economy by producing the bulk of the non-agricultural domestic raw materials, many of the most skilled urban-industrial communities and an active peasantry which still makes full use of the agricultural potential and often retains a mountain homestead as a base for seasonal employments in other areas.

Subcarpathian hill country consisting essentially of Tertiary clays, marls and sands complement the main Carpathian range especially in the east and southeast. This belt is never more than 30kms across and it is usual to find the upland terrain broken by depressions like those of Cașin-Tazlău and Vrancea. In a forested state the land was fairly stable but heavy cutting of the woodland since the nineteenth century, complemented by the spread of subsistence farming, has left the countryside prone to instability with landslides (and more occasionally mudflows) a constant threat. Within the Carpathian arc lies the Transylvanian Plateau: one of the major Tertiary lowlands of ECE although subsidence was not as persistent as in Pannonia to the west. The landscape is one of smooth slopes developed on clays and sandstones. While it is too dissected and unstable for intensive arable farming it is suitable for high density mixed farming communities with intensive fruit growing and viticulture at the contact with the plains. Much oil has also been found in these Subcarpathian structures. Settlements claim a particularly long history and offer much of ethnographical and touristical interest, resting on the notion of cultural continuity for romanised Dacian population that assimilated Slavic (and Magyar) influences without radical change. While continuity of settlement on the high erosion surfaces of the mountain core ('corona montium') seems implausible the Latin base to the language and culture cannot seriously be disputed.

The peripheral lowlands, areas of prolonged geological subsidence, provide the bulk of the agricultural resources and their network of markets – combined with the ports of the Danube and Black Sea – provided much of the capacity for communist industrialisation. The Romanian Plain in the south (extending to the Lower Danube) and the Tisa Plain in the east are capped by loess deposits, sometimes up to 40m thick and stand at 90–140m above sea level. Chernozem soils are highly amenable to intensive cultivation sustaining Romania's large wheat exports in the late nineteenth century. But drought is a hazard, particularly in Bărăgan and Dobrogea, and high yields have only been sustainable since irrigation systems were installed. The floodplains have been of limited agricultural use apart from grazing (though fishing and timber has also been significant) but the temptation to dyke, drain and irrigate the wetlands under communism for intensive cultures added to the risks of flood damage to the point where some areas have been restored to a traditional régime. The Danube delta is the newest landscape in geological terms: a complex of backwaters, sandbanks and floating reed islands with drainage by the three main distributaries of Chilia in the north (marking Romania's frontier with Ukraine), Sulina in the centre

(the main navigation channel) and the Sf.Gheorghe in the south. Only one eighth of the delta constitutes dry land and none of this rises to more than four meters above water level, apart from the complex sandy banks of Chilia and Letea. Once again attempts to intensify land use have given rise to serious ecological complications.

Geopolitical Unity

While Romanians like to see their occupation of the Carpathians as the key to their survival (albeit with some assimilation of Slavic elements) since the Romanisation of Dacia, subsequent recolonisation of the low ground as far as the Danube and the Black Sea has given rise to the notion of geopolitical unity across the Carpathian-Danube-Pontic zone. However this notion was compromised by the Habsburg, Ottoman and Russian imperial systems bordering on Romanian territory, with the additional complication in Transylvania of Hungarian and German settlement of Medieval origin. Of course the imperial powers were unable to sponsor an independent Romania, given the strategic importance of the territories involved (although the Ottoman concept of suzerainty allowed home rule at the principality level) and while France and the UK encouraged modernisation through models for government and socio-economic reform these states were in no position to apply military pressure in the Danube region. Hence it has been difficult to secure enduring external support for self-determination for a large island of Latin culture that has – remarkably – survived over two millennia since the Romanisation of the indigenous Dacian population. Romanian independence was first achieved in the former Ottoman Principalities of Moldavia and Wallachia along with Dobrogea thanks to the consensus reached by the Congress of Berlin in 1878. The First World War led to a ‘Greater Romania’ that included the whole of Transylvania (along with Banat, Crişana and Maramureş) as well as Bessarabia and southern Bucovina; thanks to West European (especially French) support following the defeat of both Russia and the Central Powers. However this settlement was contested bitterly by both Hungary and the Soviet Union regarding former Habsburg and Russian imperial lands respectively. The Soviets demanded the return of Bessarabia in 1940 along with southern Bucovina and the Hertza district (now comprising – mainly – the separate Romanian state of Moldova), while Hitler’s arbitration in the same year split Transylvania in half. Although the partition was overturned by the Soviets after the war in Romania’s favour, contested sovereignty was all too apparent through the polemics of nationalist parties in Hungary and Romania during the 1990s until the interest of both countries in CoE, EU and NATO membership brought a tacit acceptance of the status quo in the context of more enlightened ethnic policies. Romania is now poised to realise the historic goal of becoming part of a westernised Europe and the prospect of territorial stability has generated confidence for the necessary business of cementing relations across the once-disputed frontiers.

Modernisation: The Rural Base

There is no space to explore the political geography of the post-Roman era which saw autonomous communities fall subservient to external pressures. But the evolution of Romanian society was strongly conditioned by the power held by Hungarian lords and German burghers in Transylvania while the principalities of Moldavia and Wallachia, falling within the Ottoman Empire from the fifteenth century, combined autonomy with greater ethnic unity. The Turkish practice of appointing a succession of short-term Greek 'Phanariot' rulers after 1711 (rather than native princes) had negative results through their priority over personal wealth, but Bucharest became the largest and richest Balkan city by the end of the eighteenth century as the Phanariots required luxurious housing and services and consigned wheat to Istanbul (whose trade monopoly became ever more important after the Ottomans lost their southern Russian territories in 1783). However the Treaty of Kuchuk-Kainardji (1774) gave Russia a protectorate over Moldavia and Wallachia (complementing Ottoman suzerainty) in the interest of defending Christianity and this was sufficiently inspiring for Moldavian volunteers to accept Russian objectives as their own during the 1787–92 Russo-Turkish War. But despite some Russian success with the Porte in easing the burden of Phanariot rule, Russian influence in Moldavia seemed rather less progressive when the eastern part of the principality (Bessarabia) was annexed in 1812 as the price for ending their occupation. Meanwhile the Habsburgs had occupied Oltenia during 1718–39 and initiated the 'Partition of Moldavia' by taking Bucovina in 1775 (by 1782 both the Habsburgs and Russians had their agents in Bucharest). However there was an economic stimulus (despite Vienna's preoccupation with the challenges of the existing Habsburg borderlands) through a mutual interest in trade and an "inadvertent promotion of economic ties" between the Principalities and Transylvania (Lampe & Jackson 1982, p. 107) sanctioned by commercial treaties. Indeed Balkan commodity surpluses became increasingly valuable to the Habsburgs as the expansion of cereal growing in Hungary reduced the scope for livestock rearing.

Feudal Landowners

Feudal landowners ('boyars') were certainly much encouraged by a sharp increase in cattle, horse and pig prices after the start of the Napoleonic Wars. Evolving from acquisitive village leaders who took over the best village lands and gained great influence as the nineteenth century elite, they exploited the peasantry according to the Ottoman model, although demesnes were usually worked less intensively than in the Habsburg lands to the north. Ottoman officials and feudal cavalry were usually supported by lands granted by the sultan for life (without inheritance) but while there was no feudal jurisdiction over the peasants, it was common for these fiefs to be administered illegally as 'chiftliks' on which the peasants were obliged – out of economic necessity – to work as sharecroppers under terms which might be onerous enough to ferment national revolutions. The estates became more prominent in the Principalities when the opportunities to supply grain as well as livestock to Istanbul "encouraged boyars to attempt to secure rights to the agricultural

production of villages” (Stokes 1987, p. 52) and they controlled the plains not through landownership so much as their rights to collect tithes. While demographic setbacks and insecurity combined with transhumance to prevent tight control of a sedentary population in the eighteenth century, the nineteenth century reality was quite different thanks to more ordered government and a resumption of population growth. The boyars then gained clear access to power when the Ottomans replaced the Phanariot Greeks with native princes in 1821. Labour requirements were raised before the end of the eighteenth century while in 1815 settlement on boyar land became a privilege (rather than a right) and tithes were raised from a tenth of the production to a fifth. The Ottoman trade monopoly was removed under the Treaty of Adrianople (1829) and an expanding cereal surplus found its way to Central and Western Europe, albeit with continued dependence on sharecropping. Russian protection produced an era of enlightenment under the Count Kiselev who sought to enhance the political control of the centre over the landed interests and drew up constitutions in the form of ‘Organic Statutes’ (1831) that legally restricted peasant smallholdings to a maximum of two-thirds of the estate land. However, production continued to focus on small-scale operations because peasants disliked working as estate labourers and resisted official surveys that might reduce the land available; while the owners (or the merchants renting their lands) “were apparently more interested in maximising their short-term cash income than in organising production for long term” (Lampe & Jackson 1982, p. 223). They would rent additional estate land (‘prisoare’) to peasants (without survey) through contracts requiring payment in cash or kind rather than feudal labour services (increased by the codification of tasks in such a way as to take far longer than the customary 12 days). This exploitative arrangement facilitated a monetisation process and was very rewarding to the owners who “used not only the threat of surveying but also the growing peasant demand for land to increase rents sharply” (Ibid, p. 223). Thus, capitalist farming was introduced on the basis of neo-feudal obligations that made labour extremely cheap. While there was some mechanisation on the estates the process was limited by the fact that the labour was not supplied by rural proletariat but rather by a “peasantry of subjugated smallholding sharecroppers” (Stokes 1987, p. 54).

Gradual Reform

In 1848 a provisional government contemplated peasant emancipation as well as the provision of more viable holdings for which the estates would be compensated. But the reaction that followed the arrival of Ottoman forces saw a revision of land rights in favour of the boyars in 1851, paving the way for greater use of peasant labour on estate reserves – though this ‘second serfdom’ also saw the peasantry encroaching on estate land so that cultivation on peasant-worked land increased faster than on estate reserve land. This facilitated a growing grain output, albeit with low yields given the technology employed and the recurring drought conditions. In 1858 the boyars became landlords (‘moşieri’) while Prince Cuza’s 1864 reform formally abolished feudalism and gave the peasants two-thirds of the estate land with the aim of creating an independent class of small proprietors. But this so alarmed the landowners that they mounted a successful coup against him; yet the peasant holdings were small and the prohibition of a land market prevented any evolution towards viable family farms.

Meanwhile the landlords obtained legal title to the remaining land (necessarily the best one-third!) and subsequently enlarged their estates through the secularisation of monastic lands. Both peasants and landlords could access state land but even so the average peasant holding declined from 1896. Furthermore, when leasing more demesne land for sharecropping a curious legal formality tied the contract to unpaid labour on another portion of the estate. And as landlords leased estate management to agents by competition, contracts had to ensure greater profits and so they became more onerous for the peasants. This was especially the case after 1895 when cereal prices stagnated in the face of North American competition, and when the flagging latifundia system was taken over by rapacious Jewish estate managers ('arendăși') seeking the cheapest possible peasant labour, with adverse consequences for public health through long hours of peasant work and the virtual absence of protein in the diet. In 1904 the Liberal government sanctioned peasant cooperatives to compete for sharecropping leases but the system did not make significant progress because only rarely could the cooperatives compete with the managers. Owners actually preferred wage labour by landless Romanian peasants and seasonal Bulgarian, Macedonian and Serb migrants (the latter also prominent in Bulgaria and Hungary) but most failed to create a stable basis for capitalist farming since they entered world markets not "as profit-seeking farmers but as tribute-seeking rentiers" (Stokes 1987, p. 55) while German and Hungarian farms still secured greater efficiency. It was only after the First World War that the system was revised in favour of wider peasant proprietorship and heavier state taxes.

The Habsburg Lands

In this area – extending southeastwards after the Ottomans were pushed into retreat in 1699 – the Romanians managed to counter the ensuing ideological offensive through the support of the Uniate Church. At a time when Vienna was locked in a struggle with the nobility over centralisation, the Habsburgs singularly failed to win over the Romanian peasants to Catholicism. Although Horea's revolt in 1784 was firmly dealt with – at a time of revenue crisis on feudal estates just as Habsburg tax reforms were being perfected (Verdery 1983, p. 344) – the Hungarian nobles received only symbolic compensation for damage to their estates. Reactionary lordly attitudes in Transylvania were again apparent in the run-up to the 1848 revolution for Transylvania's diet rejected emancipation in 1846 – even with the support of the most commercialised estates producing sugar, oil and alcohol – when the opposite was being widely advocated across Hungary as a whole. With limited mining and manufacturing, this 'no' to agrarian capitalism kept the peasants on the land and delayed improvement even after a Transylvanian Agricultural Society was belatedly established in 1844 (Ibid, p. 357). In other words, in a complex situation that saw ethnicity interwoven with a process of state-building and economic change, Romanians were not without support in Vienna and they reciprocated with support for the emperor against the Hungarian nationalist revolutionaries of 1848. Feudalism was dismantled during 1848–54 but economic change came slowly except for small islands of modernity based on the more compelling mineral resources, as if there was a cynical acceptance of backwardness by a regional elite that maintained a high social and political status through control of a dependent peasantry. Ethnic relations were further complicated

when the Magyars settled for dualism through the 'Ausgleich' (compromise) with Vienna in 1867 allowing for a Hungarian civil service and industrial establishment in Budapest (built up from eastward-moving capital) along with a consolidation of colonialism in Transylvania.

Hungarian Supremacy in Transylvania There was improved access to commodity markets but the peasants had to work on the estates to pay compensation for their plots (rendered progressively less viable through partible inheritance) with further agricultural work through sharecropping. Informal methods predominated, including payment in kind to migrant 'Highlanders' for casual labour even on the largest Romanian farms (Verdery 1983, p. 240). Meanwhile the progressive influence of the Saxons was undermined by outside competition and intrusion into their commercial niche by Armenians, Jews and Wallachians although – with larger farms and smaller families – they could mechanise and pay their workers in cash (Ibid, p. 346). Not surprisingly they found it hard to decide whether to ally with the Hungarians or Romanians as the latter were “persuaded that a viable economy could be organised only on a national basis [whereupon] they sought to create a Romanian agriculture, a Romanian industry and Romanian banks” (Ibid, p. 220). They had most success in banking and credit because starting with 'Albina' in 1872, 274 banks – mostly small and agricultural – were established by 1914. Hungarian assimilation tactics could not succeed because, as a predominantly rural people with Orthodox and Uniate traditions, the Romanians were “protected from the assimilative power of the cities in the central industrial regions which served as foundries of Magyarisation” (Ibid, p. 223). Progressive Hungarian leaders like I. Tisza (premier during 1913–17) wanted to deal with Transylvania's Romanians – as the largest minority in Hungary – to bring them into the mainstream of public life and weaken their links with Bucharest. Yet there could never be compromise over the Magyar character of Hungary that barred proportional representation for Romanians at all levels of government. Since the transfer of the province to Romanian rule after the First World War, under the Treaty of Trianon, a large Hungarian minority has remained, especially in the east (Covasna and Harghita). Along with other Hungarian minorities in Serbia and Slovakia this provides the prime focus for ethnic politics in the Middle Danubian region where right-wing calls for a restoration of the pre-Trianon frontiers was potentially destabilising in the early 1990s.

Modernisation in the Romanian Kingdom (Regat) To 1918

Important political progress was made through the union of the formerly separate principalities with the ending of Russian protection after the Crimean War (1856) and the inspired decision of 1859 when Prince Cuza was elected in both Moldavia and Wallachia combined with Western support for the larger state as a bastion against Russian expansion. However Ottoman suzerainty continued until the country gained its independence in 1877 at the time of the joint Romanian-Russian intervention in Bulgaria, following the suppression of revolt by the Ottomans, and sovereign status was acknowledged by the powers at the Congress of Berlin in 1878.

The ruling prince Carol I now headed a kingdom ('Regat') and presided over more than three decades of modernisation before the First World War intervened. Prior to 1878 Romania had enjoyed considerable autonomy, but always with the Ottoman Empire as the suzerain power (balanced by Russian protection from 1829 until the Crimean War). Politically the country was in the hands of the Liberal Party that represented an oligarchic industrial community, with opposition from the landowning Conservatives. The Wallachian capital (Bucharest) – a Balkan trading centre defended by a line of monasteries planted on hillocks and bluffs on the northern side of the Dâmbovița floodplain that became the residence of Wallachian princes – permanently from 1659 – became the Romanian capital from 1862 and the seat of a centralised government that grew rapidly after independence. More organised urban growth followed the constitution of 1831 but expansion well beyond the confines of a tight knot of winding streets was facilitated only by new boulevards in the late nineteenth century and a revolution in building through technical innovation in the cement industry by the landowner Prince Bibescu who used the family fortune to introduce the rotating oven in 1908. Since the trappings of modernism rested on an enduring oriental legacy there was evidence of a patrimonial state where a certain degree of corruption and authoritarianism was evidently justified in the interest of nationalism. But at the same time a tension between modernism and traditional values was all too evident.

The Land: A Fundamental Issue

As already noted, Prince Cuza attempted to modernise landholding in 1864 by giving land to the peasants and abolishing their feudal obligations, but smallholdings were not viable as family farms and the peasants were obliged to enter into highly oppressive labour contracts (or sharecropping arrangements) in respect of the estates retained by the landowners. This was the social basis of a farming system that made Romania the world's fourth largest wheat exporter. The situation deteriorated with an increase in the rural population while the total area of peasant plots remained relatively stable. Holdings that averaged 4.6ha in 1864 were reduced to 3.4 by 1905. At the same time payment for farm work failed to keep up with prevailing price levels because the landlords came under pressure from falling cereal prices at the end of the century, with little scope for other farming enterprises once the Austro-Hungarian market was closed to Romanian cattle exporters in 1882. Some contemporary commentators like R. Rosetti and V. Kogălniceanu wanted to improve peasant access to land and introduce a more equitable labour contract system, but there could be no fundamental change because the state desperately needed the proceeds of the cereal trade to help modernise the country and accelerate industrialisation which was not only a strategic necessity but also – as was argued by C. Dobrogeanu-Gherea and S. Zeletin – a social imperative as the only long-term solution to rural overpopulation. Arguably there was a role for both policies with the poorer peasants leaving for the towns while the more successful peasant families, with access to cooperative rural credit, might compete for land through relatively intensive farming systems on smallholdings created by the banks in purchasing and sub-dividing estates (although Kogălniceanu's Peasant Movement of 1906 was always constrained by the lack of

adequate tariff reform to open the Habsburg Empire to Romanian cattle exporters). In his review of the 1907 peasant revolt P. G. Eidelburg (1974) skilfully meshes together the long-term consideration of falling cereal prices and population increase with a stark choice between high tariffs to protect an infant industrial establishment or low tariffs that would stimulate cattle exports but simultaneously threaten Romanian industry through a flood of cheap imports.

Continued Peasant Subsistence

The logic of a clear split between efficient farmers and a surplus peasantry absorbed by urban-based industry could not be achieved at the time: indeed, the process of displacement was hardly complete at the end of the communism, to say nothing of the recession over the past 15 years. So capitalist farming facilitated by the 1864 reform was complemented by a major subsistence effort that was only partly displaced to marginal land. The late nineteenth century, with its economic restructuring complemented by population growth, saw much expansion of farming on the margins of the forests (indeed the erosion of the woodlands through the pressure to extend the agricultural area can be widely inferred from the placename evidence) and also on unstable hill-slopes of the Subcarpathians as the fertile river terraces were reserved increasingly for commercial farming. Subsistence farming was combined with a wide range of occupations in manufacturing and services that made pluriactivity a basic characteristic of the modernising Romanian village (Muică et al. 2000). Meanwhile, in Transylvania population growth continued in the mountain valleys, including the high platforms of the Apuseni, since the 'Highlanders' could seek outlets in the lowlands for their handicraft production and their surplus labour at harvest time. There was also better scope for stock-rearing in view of the large Habsburg market that was virtually closed to Regat farmers by high tariffs erected in retaliation for the protection of industry. Maximising the opportunities for seasonal grazing pushed vertical transhumance systems to their limits and also extended the use of steppeland grazing to areas east of Romania that had not yet been ploughed up for cereals. However this was becoming more difficult where the challenge included the use of sandy lands for fruit growing and viticulture.

Industrial Development

The Regat had considerable potential for industry by virtue of its agricultural raw materials, forest wealth and minerals (especially oil). As primary exports, these commodities could provide the wealth needed to import the equipment and technology needed to create the broad manufacturing base needed both for employment and production of strategic goods. Despite the virtual absence of coking coal and iron ore (available only to a limited extent in Transylvania where metallurgical industries developed in the Hunedoara and Reșița areas) a diverse industrial establishment was achieved. Industrial development in the early nineteenth century was slow but the village craftsmen and urban-based artisans were numerous. Attempts by the princes of Moldavia and Wallachia to introduce factory industry to their respective capitals – Iași and Bucharest – were frustrated by the backward war-torn environment for which monopolies and tied labour forces were inadequate compensation. The Assan

milling, oil-pressing and distilling enterprise in Bucharest stood out as the most impressive mid-century development and one of the first to use steam power. Craft skills in the rural areas were of some significance when organised on a workshop scale to cope with orders from the towns. Thus the Kogălniceanu military clothing factory at Târgu Neamţ (1858) was grounded in the reputation of the area for woollen textiles fostered by the Neamţ monastery.

Fiscal Concessions

Granted in the 1870s after great damage had been done by free trade initially accepted in the agricultural interest, these grew into more comprehensive schemes to stimulate industry, including free building land, customs-exempt imported raw materials, concessionary railway freight charges and some production subsidies. Usually there were stipulations over the scale of mechanisation (to ensure a significant level of production), the number of employees (usually 20–25 minimum) and the training of native workers. Protective legislation encouraged the paper and sugar industries in 1881–82 and further legislation followed in 1886–87 for large-scale industry as a whole, plus a Mining Law in 1895 to open the oil industry to foreign investment. Further laws in 1906 and 1912 maintained conflict with the Habsburg Empire with tariffs averaging 20 per cent on finished and semi-finished imports that were certainly high enough to deter some European manufactures while creating “a climate in which entrepreneurs could believe investment in domestic industry would yield at least long-term prospects for satisfactory profit” (Lampe & Jackson 1982, p. 269). There was however the downside from overvalued exchange rates pushing up food prices and lowering demand for manufactures while pressure on industrial wages was backed by an emerging socialist movement. After good progress in the 1890s (a decade blessed for the most part by high cereal prices) momentum showed signs of flagging when living standards ceased to grow, the virgin cereal lands were fully occupied and world prices stagnated. Moreover the saturation of the home market suggested that an industrialisation policy based on substitution had largely run its course, though perhaps not in textiles where import levels were still high. In Romania, where 40 per cent of the seats in the legislature went to urban representatives backing protection, industrial growth to 1914 averaged 6 to 8 per cent over a period extending back possibly to 1880 (Jackson 1986, pp. 60–61). However it is possible that protection was too high since the cost of requirements like military uniforms, paper, transport equipment and drugs was increased. Low initial tariffs might have been sufficient (unless immediate provision of a national armaments industry was required) but there was a real problem in knowing just how high tariffs needed to be to have the desired effect through a lengthy sequencing scenario (Montias 1978, pp. 70–71).

Foreign Investment

This produced the fastest growth, most notably in the oil industry. Refining began in the 1840s but it was not until the Mining Law of 1895 that the state could lease to a third party the mineral rights on land the owner could not develop himself. ‘Steaua Română’ was transformed by British and American capital into the first foreign-owned exploration and marketing company with resources for deep drilling