

1968**Iranian-Romanian Commercial Relations and
Prospects for their Development****Citation:**

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Summary:

A report on the Romania-Iran economic relationship, including figures regarding; evolution of exchanges, cooperation activities, loan agreements between Iran and other socialist countries, and Iran's foreign trade. Also includes discussion of Iran's foreign policy, which is described as independent with the purpose of defending Iran's national interests.

Original Language:

Romanian

Contents:

Translation - English

Iranian-Romanian commercial relations and prospects for their development

Commercial bilateral relations are currently based on the 5-year commercial agreements signed in January 1968.

Evolution of exchanges: the amount of goods traded between the two countries has significantly increased, especially in recent years, as follows:

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□□□□

Expressed in \$ millions

□□□
□□□□

1966

1967

1968

1969

□□□
□□□□

Provided for in the commercial protocol

Contracted by 30 June 1969 □□□

□□□□

Total

9.8

22.2

28.5

42.0

44.3 □□□

□□□□

Romanian Exports to Iran

6.0

16.9

19.8

21.0

21.9 □□□

□□□□

Imports from Iran

3.8

5.3

8.7

21.0

22.4 □□□

□□□□

Balance of trade

+2.2

+11.6

+11.1

-

-0.5 □□□

□□□□

Trade dynamics (1966=100%)

□□□

□□□□

Total

100

227

291

429

452 □□□

□□□□

Exports

100

282

330

350

365 □□□

□□□□

Imports

100

139

229

553

589 □□ □□

Romanian exports to Iran in 1968 consisted of: machinery and equipment (74%), steel and aluminum laminates (4%), paper (5%), sodium products (3%), sunflower oil (4%), butter (3%), resinous lumber (3%). Romania imports from Iran the following: crude oil (26%), cotton (69%), cars (5%). To accommodate Iran's request to diversify its exports to Romania, in 1969 Romania bought certain manufactured products from Iran (cotton and synthetic fabrics; semi-processed hides).

In 1969, the balance of trade between Romania and Iran is even.

According to the forecasts of the Romanian Ministry of Foreign Trade, the balance of trade with Iran will be reach a deficit of approximately \$9 million on 31 December 1969, especially because Romania delivers equipment to Iran on long-term credit, while our imports of Iranian goods are paid for upon delivery. To cover this deficit, we will use resources from the technical credit, agreed upon between the two countries -

approximately \$5 million - and, at the same time, we are taking actions to increase Romanian exports to cover the remaining \$4 million.

Regarding our exports to Iran, we noted the low prices at which we sell certain goods (sodium carbonate, sunflower oil, sugar, etc.) as a result of the [low prices of the] competition, coming especially from socialist countries, as well as the relatively low absorption capacity of the market.

Cooperation activities

Cooperation activities play an important role in the development of Romanian-Iranian trade relations.

The main cooperation activities completed to date:

- Contract for the delivery of 20,000 assembled tractors or spare parts (\$34 million);
- . Agreement for the construction of a tractor factory with a final capacity of 10,000 units (at an estimated value of \$42 million);
- . Contract for the delivery of 1,000 freight wagons (\$10.8 million);
- . Contract for the construction of a sodium factory with a capacity of 60,000 tons/year (\$5 million);
- . Building a plant for lumber processing (approximately \$10 million).

□□

According to the terms of these cooperation activities, Romania receives crude in exchange for machinery and installations. In 1967, [the two countries] signed a contract for the import of 3.6 million tons of crude to be delivered between 1968 and 1970 (until 30 June, we imported 919,000 tons). Subsequently, in 1969 a new contract for the import of another 5 million tons of crude was signed, to be delivered between 1970 and 1973.

Loan Agreement

Iran underlined the need to obtain a global loan which would enable our country to supply equipment, receiving Iranian crude and manufactured products in exchange. We agreed that in August 1969, [our countries] negotiate an intergovernmental loan agreement, amounting to \$100 million.

[...]

Loans obtained by Iran from European socialist countries

Total amount of loans received: \$816 million

1. The Soviet Union provided Iran with loans worth \$346 million, divided as follows:

a. \$385 million according to the 27 July 1963 collaboration agreement, offering Iran a 12-year loan, at 3.6% interest.

The loan was given with a view to building the following:

- dams and a hydro-plant on the Aras River;
- . 11 cereal silos (with a total capacity reaching 80,000 tons);
- . A fish-breeding farm etc.

□□

b. \$286 million according to the 13 January 1966 collaboration agreement. The loan will be repaid in natural gas, over a period of 12 years, at 2.5% interest. The loan was given with a view to building the following:

- Steel-mill with an initial production capacity of 500,000-600,000 tons of steel per year, and the possibility to expand that capacity to 1.2 million tons of steel per year;
- . a gas pipeline from the south of Iran up to the border of the USSR;
- . a machine-tools plant with a capacity of 25,000-30,000 tons per year.

□□

c. \$22 million according to the agreement for the construction of cereal silos in Iran with a total capacity of 300,000 tons. The loan was given for a period of 8 years, at 2.5% interest per year.

2. Czechoslovakia provided Iran with a loan worth \$215 million, divided as follows:

a. \$15 million according to the January 1966 collaboration agreement, given to build:

- Cast iron plant in Tabriz;
- . other economic plants.

□□

The loan will be repaid over 10 years, at 2.5% interest.

b. \$200 million according to the March 1969 collaboration agreement. The loan was given to build various industrial plants, to be repaid over 12 years, at 2.5% interest.

3. Romania provided Iran with loans worth \$130 million, according to the economic cooperation agreements signed between 1966 and 1968. Romania agreed to deliver the following items on loan:

- 20,000 tractors. The loan will be repaid over a period of 8 years, at 2.5% interest per year;
- . 10,000 ploughs. The loan will be repaid over a period of 4 years, at 2.5% interest per year;
- . a tractor factory, on a loan granted for a 8-year period (subsequently extended to a 10-year period), at 2.5% interest per year;
- . delivering 1000 freight wagons and electro-technical equipment, on a loan granted for a 8-year period, at 2.5% interest per year;
- . agricultural machinery, on a loan granted for a 8-year period, at 2.5% interest per year;
- . an industrial plant for lumber processing in the wooded areas of the Caspian, on a loan granted for 8-year period, at 2.5% interest per year;
- . a sodium factory, on a loan granted for a 8-year period, at 2.5% interest per year.

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4. Hungary provided Iran with loans worth \$50 million, divided as follows:

a. \$10 million according to the 12 May 1955 collaboration agreement;

b. \$40 million according to the February 1968 collaboration agreement;

Both loans were granted over a 10-year period, at 2.5% interest per year.

5. Yugoslavia provided Iran with a \$50 million loan for:

- Building a shipyard;
- . funding for agricultural and lumberjacking projects;
- . energy-related plants.

□□

6. Poland provided Iran with a \$15 million loan, to be repaid over a 8-year period, at 2.5% interest per year. The loan will fund a sugar plant and other plants.

7. Bulgaria provided Iran with a \$10 million loan according to the February 1968 collaboration agreement. The interest rate is 2.5% and the loan is meant to develop the mining industry, and to build a cheese factory, etc.

[...]

Report from the Romanian Ministry of Foreign Affairs, No. 05/14330, Secret, On Iran's Foreign Trade and Economic Cooperation with other States

Iran's foreign trade

A feature of Iran's foreign trade is the lack of statistical data about crude exports and petroleum products, [especially] with respect to the total value of these exports, since these exports are directly managed by the International Oil Consortium and therefore, the revenue share Iran receives from the oil industry is only mentioned in Iran's balance of foreign trade. Therefore, Iran's balance of foreign trade is always negative, while the balance of payments is usually positive, or almost even.

a. Exports

In 1968, the value of Iranian exports (excepting crude oil) rose by 18% compared to the previous year, reaching \$217.3 million.

The biggest share of Iranian exports consists of traditional products: carpets, cotton, dried and fresh fruit, caviar. Cement exports dramatically dropped due to Iran's internal needs.

b. Imports

The value of imports in 1968-1969 amounted to \$1,380 million, rising by 14% compared to 1967.

Imports include those goods delivered on loan and as a result, they do not affect the balance of trade for 1968/1969.

The Federal Republic of Germany is Iran's number one supplier of goods (21.6%), followed by the UK and the US.

Imports from socialist countries amount to \$86 million, due to increase to \$200 million by 1972.

The Iranian authorities are currently trying to decrease the difference between imports and exports with respect to some countries (Japan, the US, West Germany, the UK, Yugoslavia). Concomitantly, they try to enter foreign markets and they seek to develop Iran's commercial and cooperation relations with socialist countries.

[...]

Report from the Romanian Ministry of Foreign Affairs, No. 05/03993, Secret, On Iran's

Foreign Policy and its Position Regarding the Main International Issues

Giving a realistic appreciation of international dynamics, the Iranian state leadership has been promoting in recent years an independent foreign policy, based on defending the country's national interests.

On the occasion of a recent interview granted by the Shah to the press, he said that 'the independent policy of Iran means that we defend as well as we can the interests of our country and of the nation. We do not readjust our policy according to the interests of the great powers.'

The Iranian government seeks to [use] its foreign policy to ensure the necessary internal stability for the achievement of its economic development plan, using Iran's natural resources, first and foremost its oil, in its national interest. Moreover, [the Iranian government] seeks to defend Iran's interests in the Persian Gulf and to extend its influence in the Middle East.

Along the lines of this policy, Iran is developing its cooperation, especially in the economic and technical arenas, with European socialist states, managing to obtain from these countries loans worth over \$1 billion for 1968-1972 and it seeks to maintain, at the same time, close relations with Western countries.

Despite its contradictions with its Western allies, Iran continues to be tied to these countries through CENTO, through the Mutual Defense Treaty with the US, as well as the Agreement with the International Oil Consortium, which refers to the most important aspect of Iran's economy.

I. Bilateral Relations

a. Relations with socialist countries

Iran has diplomatic relations at embassy level with the USSR, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Romania, and Hungary.

In recent years, Iran sought to promote its friendly relations with these countries, so as to contribute to the consolidation of its own independence.

The Shah paid official visits to the USSR (last time in September 1968), Romania, Yugoslavia, Bulgaria, Poland, Hungary (in 1966), Czechoslovakia (1967). The Iranian Prime Minister visited our country (in 1966) and the USSR (in 1967).

Iran was visited by the President of the Romanian State Council, the President of the Polish State Council, the President of Yugoslavia, the President of the Bulgarian National Assembly Presidium, the President of the Romanian Council of Ministers, the President of the Yugoslav Federal Executive Council, and the Soviet Prime Minister.

In addition to Comrade Nicolae Ceaușescu, the President of Czechoslovakia, the President of the Hungarian Presidential Council, the Chairman of the Presidium of the Supreme Soviet of the Soviet Union are due to visit Iran in the second half of 1969.

The positive course of Iran's relations with socialist countries was affected to a certain extent by the intervention in Czechoslovakia (which Iran disapproves of) which made the Iranian government become more apprehensive of the countries in question, and manifest renewed suspicion especially towards the USSR.

The Iranian government follows with a certain concern the policy of the Soviet Union

in the Near and Middle East, the Soviet presence in these region, which is seen by Iran as a continuation of Russia's traditional policy to expand its influence in the Persian Gulf.

The essence of Iran's relations with European socialist states resides in its economic [interests], which is manifested through a rather active cooperation with the USSR, Czechoslovakia, Yugoslavia, Bulgaria, and our country, and to a smaller extent with Hungary and Poland.

Iran does not have relations with the People's Republic of China, the Democratic Republic of Vietnam, the Democratic People's Republic of Korea and the German Democratic Republic. With the German Democratic Republic Iran had commercial relations until last year, when it severed these relations following a declaration of the GDR Foreign Minister, Otto Winzer, who took Iraq's side in the dispute with Iran over Shatt-el-Arab (on the occasion of the establishment of diplomatic relations between the GDR and Iraq).