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The Impact of the Economic Restructuring on the Industrial Sector from Râmnicu Sărat City

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ABSTRACT

The article is based on the analysis of the main changes from the industrial sector in Râmnicu Sărat city, during the transition period characterized through a wide economic restructuring process, by contrast with the previous socialist period. From the administrative point of view, Râmnicu Sărat is situated in the North-East part of Buzău County and it is a town of medium size, having especially an industrial role of main supplier of services for the population from its area. The economic evolution of Râmnicu Sărat city after 1989 can be identified with that of the majority towns of small and medium size from the country that somehow artificially appeared during the communist era. The industry of the city was affected by the restructuring and privatization processes that were the main features of the economic transition.

1. INTRODUCTION

The transition process that Romania have been passed after 1989, from a super-centralized economy to a market economy meant a long way of economic reforms and a permanent search for an economic, social and political identity. The entire economy has been affected, while the industrial sector suffered complex mutations as a result of the general process of transition.

The transition from a socialist economy towards a market economy has been connected to a meaningful and continuing restructuring that meant a permanent modification of the industrial sector dynamics. The post-December (after the Romanian Revolution from December 1989) restructuring of the industry can be identified in general with a recession, a constriction of the main activities, a decline or even a crisis which led to negative perception of the phenomenon from the population side. Thus, the restructuring phenomenon generally meant recession and economic constriction.

“The countries that managed to implement a coherent process of restructuring (Czech Republic, Poland, Slovenia, and Hungary) used the strategy of “discipline and encouraging”. Romania, Bulgaria, Slovakia and ex-countries from USSR didn’t join the strategy, but promoted another one of “protection and discouraging”. As an example, Romania protected the old unprofitable enterprises by subsidizing them from the country budget, offering small prices for energy and a turbulent investment climate, a instable legislative system and corruption...” [1, p. 130].

“The excessive industrialization considered as “artificial” proved to be one of the main handicap of the Romanian economy during the transition” [8, p. 118].

2. THEORY AND METHODOLOGY

The analysis is part of an ample research project.

The basis of studying this topic is represented by procedures and specific techniques for the analysis-Geography, the synthesis, the inductive method, the

deductive one, the comparison method (a parallel between economic characteristics of the socialist era and transition period was tested). The data was collected from the real life and from the county and local institutions and was used for drafting the graphic and cartographic areas.

This study, by corroborating field observation, bibliographic and map materials, statistical data, by geographical interpretation filter, follows to emphasize modification from industrial sector after 1990.

3. STUDY AREA

Râmnicu Sărat city is situated in the third largest county of the South-East development region of Romania-Buzău (after Tulcea and Constanța counties), being the 2nd largest locality of the county after the capital Buzău (which gives the name of the county).

Râmnicu Sărat is situated in the South-East of Romania and belongs from geographical point of view to the Piedmont Plain of Râmnic, a sub-unity of the Romanian Plain.

From the administrative point of view, Râmnicu Sărat is a medium size municipality, mainly having industrial function and that of services provider for the people in the area.

In order to emphasize the importance within Buzău county, I calculated the values of the primordial indexes (Goodall, B., 1987) for the towns within the county for the year 2007. The values of the indexes between Râmnicu Sărat and the other towns are: Râmnicu Sărat-Nehoiu – I=3.4; Râmnicu Sărat-Pătărlagele – CI = 4.96, Râmnicu Sărat-Pogoanele – CI = 5.15. The index of primacy was calculated using the formula: $I_i = P_1/P_2$, where P1-is the largest city population size and P2-is the population of the next city.

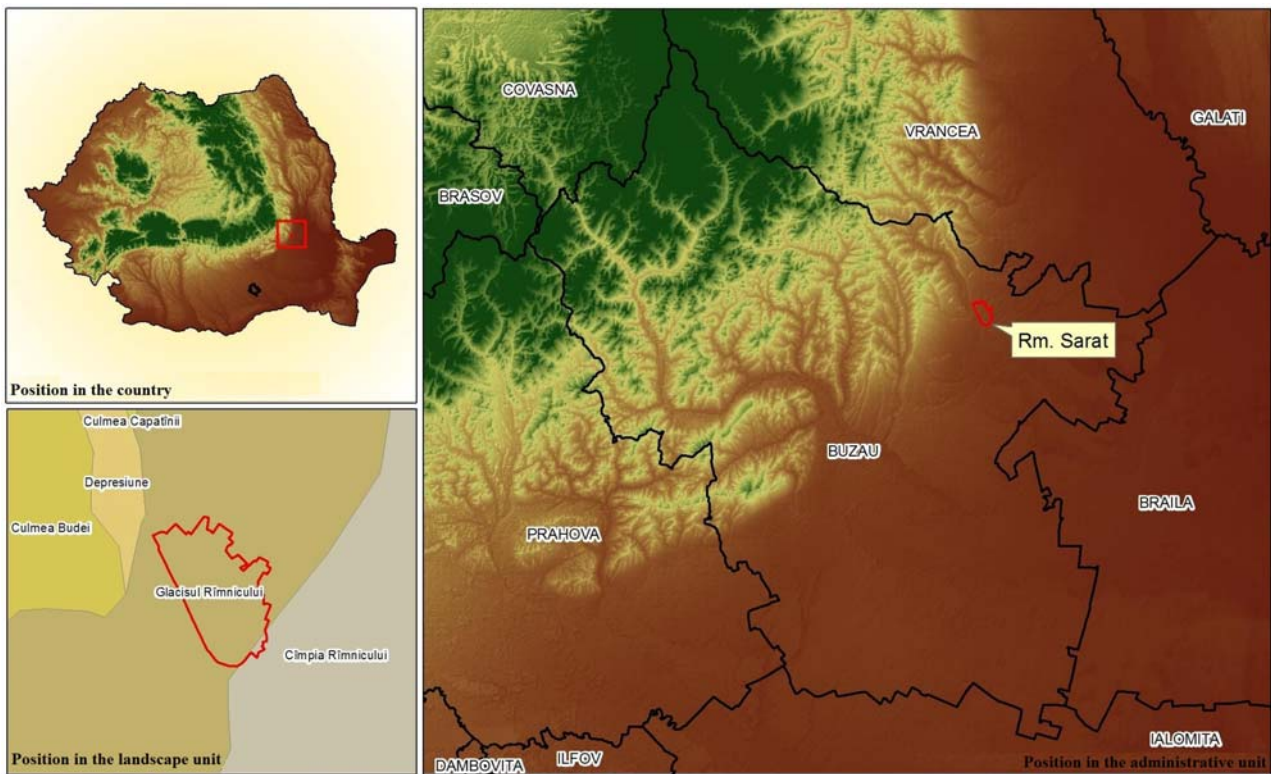


Fig. 1. Râmnicu Sărat geographic position.

4. THE DYNAMICS OF THE INDUSTRIAL SECTOR IN RÂMNICU SĂRAT

The prominent moments of the communist era that generated the industrial development of the city are the nationalization from 1948, the collectivization of the agriculture (1949-1962) which determined a massive movement of the population from the rural areas towards the towns, from the agriculture towards the industry, and the rapid modernization program of the society focused on the development of the industry.

During the communist era and especially between 1951 and 1989, when the development of the national economy took place based on the five years plans focused on high investments in industry, Râmnicu Sărat grew from the economic point of view.

After 1968, an industrial platform took shape in the South-East part of the city, a platform which was maybe too big for a medium size city as Râmnicu Sărat.

Inside this platform (fig. 2) there were produced in a rigid and centralized manner specific to the socialist economy the following products: cigars, cast iron parts, assembly organ parts for electro-

technique, brake, friction and tight armatures, furniture, regenerated mineral oils, diesel oil and crude oil, combined fodder, canned meat, vegetables and fruits.

During the socialist period the industry was the economic limb with the most powerful development. From the economic point of view, "Râmnic" follows the changes determined by the communist system instauration in all the localities of the country. These changes were the vigorous development of the industry in the territory with the purpose of the artificial industrialization of the national economy based among others on the large workforce available after the collectivization in the rural areas.

The population increase in this period is unique as you can see in figure no. 3.

The main causes for the demographic increase were: the industrialization of the town which created new many jobs and the attraction of the workforce from the surrounding villages; the legislative measures in favor of the birth rate (interdiction of the abortion in 1966) which were meant to bring a substantial workforce to sustain the economic development of the communist regime.

The dynamics of the industrial production of "Râmnic" in socialist period reflect the accent on the industry. The global industrial production of the Râmnicu Sărat city increased by approximately 13 times between 1965 and 1990, in 1965 having the value of 306,755 thousand lei coming to 4,055,294 thousand lei in 1990. The index of the increase ratio of the industrial production for 5 years periods was always over 100%.

Until 1989 the production of the industrial products at the city level was increasing due to the maximum functioning capacity of the industrial big objectives situated in general on the industrial platform of the city. Analyzing the industrial production of the year 1998 a high decrease of 12.4% was found out compared with 1997, while entities like FERMIT (brake armatures), Textile factory and ELARS (assembly organ parts for electro-technique) were still steady.

From the total surface of intra-village land of the city of 795.53 ha, 138.96 ha representing 17.47% are industrial entities. Râmnicu Sărat represents the main urban economic actor of the county after the capital Buzău, having an important dynamic of the economic activity at the local level, especially of the industry.

The transition from the centralized communist regime towards a market economy triggered important modifications from the economic point of view, especially in the industrial sector.

After 1989, following the cancelation of the CAER market (Community Awareness and Emergency Response), the main problems of the local industrial sector are represented by the lack of the transactional markets for the products and by the lack of the diversity of the industrial production. After this period, all the

industrial entities tried to direct the products towards new markets.



Fig. 2. Industrial entities from Râmnicu Sărat in communist era.

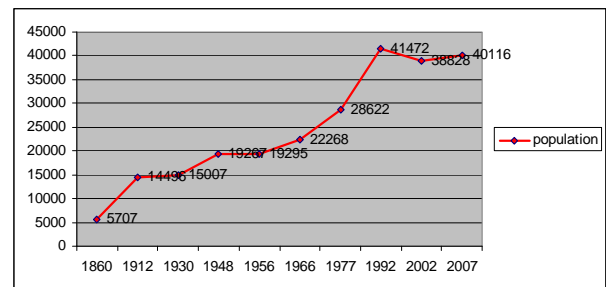


Fig. 3. Dynamics of the number of long-term population.

Some of them managed to keep the competitiveness such as the companies from the textile and clothes industry, but for a short period of time, the regression of this limb being explained by the market monopolization of the much cheaper products from China. Due to the lack of capital, other companies reduced their activity to a very low one or have been closed.

The changes from the economy determined by the restructuring and privatization processes after 1990 are reflected into the industrial sector and labor market of the town: the jobs are not sure any more, the unemployment rate significantly increased, many companies were closed and some brownfield type spaces appeared.

The most evident tendency of the city industry was a continuing decline.

Nevertheless, in the evolution of the big commercial companies of the town some positive aspects interfered, such as: total privatization of the company FERMIT through the MEBO method (Management Employees By Out), acquisition of the main share package of ELARS (assembly organ parts for electro-technique) by Oltenia S.I.F. that controls the development of the company, the split of the company SUCORS (process vegetables as: onions, garlic, tomatoes, various type of pepper, cucumber, preserved in oil, vinegar and brine) in two (an industrial and an agricultural one).

At the level of Râmnicu Sărat city, according to the General Urban Plan, the main economic activity is the industry (having a weight of approximately of 66.9% from the local income), followed by the commerce (27.3%), agriculture (5%) and services (0.8%).

In the industrial area of Râmnicu Sărat has an elementary concentration, with old fashioned factories, without any relationship excepting the surroundings. The private owned companies established after 1989 in the city are linearly disposed along the main communication axes.

Currently, the restructuring and deindustrialization determined the apparition of the Brownfield type sites with different functionality stages, the majority being under exploited.

Nowadays, only the administrative and warehouse spaces are functional on the site of the old industrial factories – for example The Cigars Factory. S.C. ELARS (former IOA), S.C FERMIT (IGFE) and IPILF have administrative and warehouses, but also production spaces. Venus Oil Inc. refinery has been closed, some of the spaces being rented by changing the destination, while the majority are deserted.

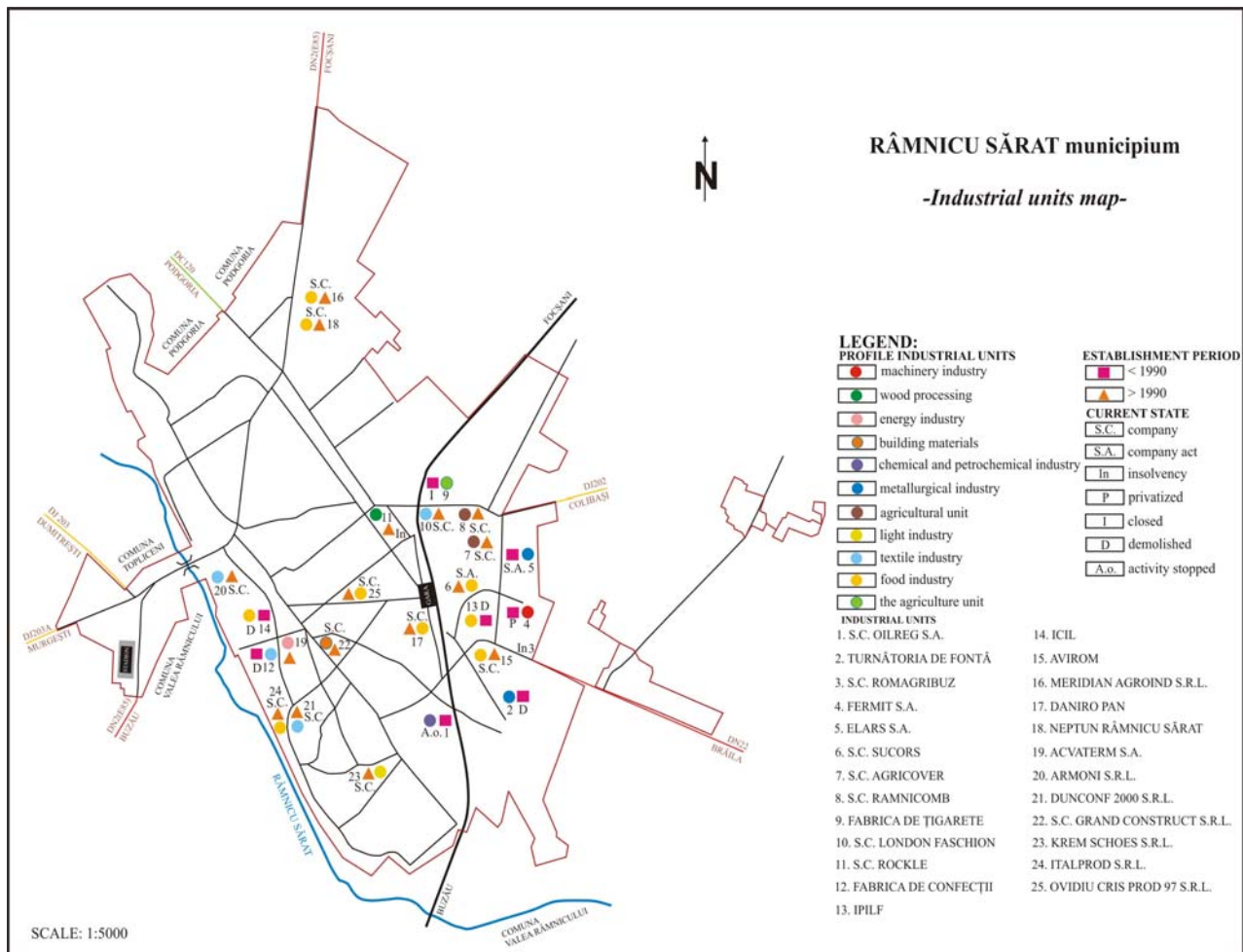


Fig. 4. Industrial units map of Municipality.

The industrial buildings are in an advanced deterioration status and require rehabilitation and consolidation work. The cast Iron Factory was sold in 1999 to an Italian investor. Even though according to the contract he had the obligation to maintain the

object of activity, he managed to change (Sansa Buzoiana, 27.04.2010).

The building of the factory was demolished, the owner having the intention to sell the land. On the land of the Textile factory from Râmnicu Sărat was

build a supermarket of Kaufland Company, while the living spaces and the kindergarten were abandoned. In central area, on the land of the ICIL ex-factory (milk producer in the communist period) a commercial center was built – Penny Market.



Fig. 5. New functionality to land Textile Factory.

Also in the central area, the land of the former company ICIL (milk processing), to build a shopping center owned company Penny Market.

In North-East, a part of the land used as warehouse in the past was bought by the company Meridian Agroind Limited (company established in 1994, having as main object of activity the production and commercialization of the milk made products).

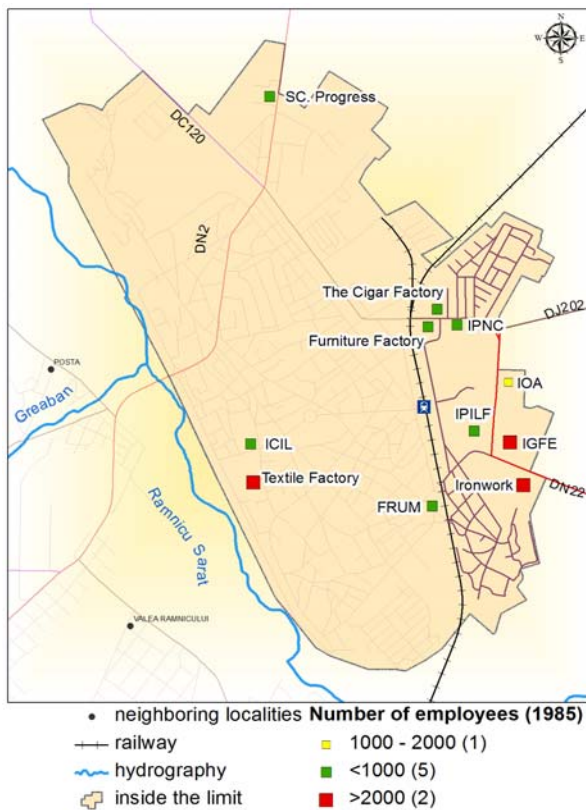


Fig. 6. The number of the employees from the enterprises in Râmnicu Sărat (1985).

Râmnicu Sărat city has currently a private owned economy. The main problems arise from the difficulties of selling the products on the internal and external markets. The most important economic agents from Râmnicu Sărat that bring Buzău county on an important place of the national economy are FERMIT Inc. (brake armatures) and ELARS Inc. (assembly organ parts for electro-technique). The investment program in these important industrial entities generated an increase of the labor productivity on 11 months of the year 1998 by 4.8% compared with 1997.

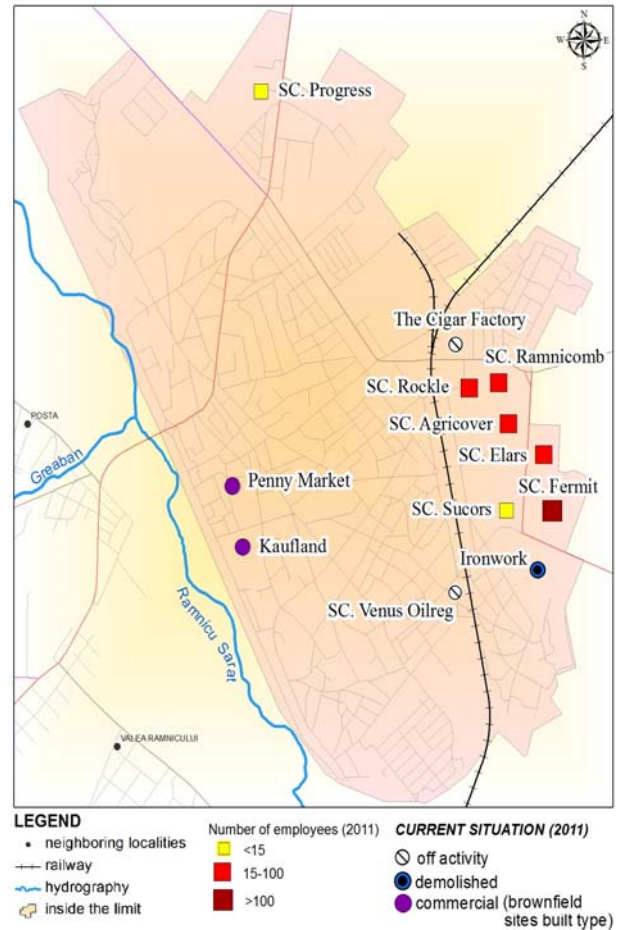


Fig. 7. The number of the employees from the enterprises in Râmnicu Sărat (2011).

The socialist economy was focused on the industry development, on the increase of the number of enterprises and of the industrial production. Starting with 1990, the economic, politic and social changes in the country determined the dismissal of the workers and the reduction of the activities within the industrial entities.

The slow pace of privatization, the lack of the financial instruments, especially of the direct investments, the low commercialization of the products on the market and the repeated dismissals of the employees are the main factors that hindered the re-launching of the local industry in the period of the economic transition.

In the post-December period of the enterprise reform, in the privatization-restructuring process (the main condition of the market economy success) there have been applied two types of restructuring: a) restructuring of the state enterprises through the Government Decision No. 445/1994, having as main purpose the encouraging of the privatization whose profitability objective was never reached due to the lack of investments and b) liquidation of the enterprises that couldn't be efficiently restructured.

In order to become competitive on the internal and European market, the majority of the companies need technology, equipments and modern production capacities, qualified workforce, etc. The lack of funds represent the main cause that hinder the above factors.

5. CONCLUSION

The industry in Râmnicu Sărat was affected by massive restructurings that generated a decline translated in deindustrialization. The causes of the industrial decline are multiple, out of which we mention: lack of an open market, reduced productivity, reduced modernization and technology, the Governmental policies before and after restructuring, the incapacity of the town to attract capital investments.

The effects of the industrial decline are reflected in: the modification of the functional industry entities, a bad economic environment that doesn't stimulate some types of activities, apparition of some industrial Brownfield sites, diminishing of the employees number and apparition of new social phenomenon – unemployment, decrease of the quality of life.

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