

What is this?

By Nicolaie Mihaiescu

Abstract

Do you still remember the time when in Ceausescu era we used to produce and circulate a lot of political joke? One of those referred to a dialogue between a Romanian and a Westerner. The first asked if in west one can buy foodstuffs if only queues in a row for hours like in Romania. The answer was: queue, what is this? Then the Westerner asked if Romanians eat meat. The answer was "Meat, what is this?."

In recent years Romanian economy produced a lot of moments when be either a specialist in economy or simply citizen you asked yourself: what is this? Here are two of such moments that I want to remember (but they are so many, unfortunately)- lifting the custom barriers for import of food products and allowing all big in world retailing to destroy the Romanian home trade companies. Let me explain the reasons of recollecting these two moments.

Keywords: *agriculture, retail, Romania, trade*

JEL: Q1, F1, L81

Romanian agriculture was from centuries the biggest resource of national economy and its hope of development. The year 1938 represented one of the peaks in agricultural production and analysts said that Romania was the main cereals supplier of Europe. People had enough vegetal commodities even during Ceausescu's regime in spite of the fact that exports were so much and sometimes one can hardly notice meat, eggs or fish on sale. Imported food was almost missing.

Agriculture was a hard working domain and very few believed what the government wanted to convince us that we succeeded in making agriculture a mechanized one and thus a semi industrial branch of economy. In late 70's, in many areas, peasants ploughed their land like their ancestors did 400 years ago. Still we had a large network of irrigated lands and good crops. After 1989 agriculture went a very dangerous path. First of all we disrupt big farms and make almost every peasant get no more that 1-2 Ha that normally cannot be worked mechanically. Then all irrigation systems were destroyed leaving million of hectares without water in dry seasons. All happens due to political reasons and it led to unprecedented chaos .Many small farms collapsed, peasants had no money to buy what they need for better result and the general picture was worst then in Ceausescu's time. In short, Romanian peasants became poorer and less capable to cultivate the soil.

It was in 2000 or 2001 when, to please Europe, the Government announced proudly that all custom duties for food imports were lifted " so that the Romanian peasants may compete with those from all Europe "(!!??). Very few other political mistakes can equal such a stupid measure.

The result is that now, 10 years after, Romanians have to import almost 75% of their foodstuff and countryside is more and more abandoned and land deserted. We did not understand how a Government can make the mistake to even think that a peasant with no money and no modern tools may compete with one fully mechanized and having enough money –subsidized- from elsewhere in Europe. Even in 2007 when it was accepted as member of European Community Romania was not prepared to make a modern agriculture and to meet higher standards. Nowadays we still cannot fight against competitors and the situation is worse than in the past. Competition ? What is this ?

Second moment I wanted to remind you is about Romanian home trade which in 20 years lost almost everything and prospects are very bad. What was once state property in trade was privatized and changed, becoming day by day more efficient and modern due to the implant of some big world retailers, cash and carry and hard discounter. They start occupying the market quietly in '92-93' and now they dominate the trade territory. Put this together with an almost destroyed industry and an agonizing agriculture and see that home trade have few reasons to survive. During the last 15 years all governments have contributed to let the others do what they want including taking Romanian market to themselves using mainly political weapons. Cora, Carrefour, Metro and then Billa, Penny, Real, Selgros to mention the most known ones and those selling foodstuff, populated the whole country and occupied an important segment of market-big commercial structure-that normally was prohibited to Romanian investor because no one may earn enough money to build a mega store, hypermarket and even supermarket and the state ignore them all taking no steps to encourage legally or financially the promotion of Romanian capital. As I said ,some 5-6 years back ,foreign big trade world companies occupied only the upper side of the retail market leaving the rest of outlets to local investors , while struggling to each other how to conquer the biggest part of market. At that time we think that this might be a good opportunity for local people to focus on developing specialized shops and general merchandise retail units closer to residential places. This way competition was expected to bring a modern home trade to the benefit of people. Nothing happens in the mean time and many small trading companies went bankrupt .Since the most populated economic sector was the home trade one, unemployment means a lot for Romanian society.

Inside this gloomy picture, less than 2 years ago, a chain of general merchandise medium store announced its presence in Bucharest and some other places. It was a happy event since the investor is a Romanian one and perhaps money came from inside Romania which is to say that something real good entered de cities. This chain of stores is called MIC.RO .Today, it is believed that the chain has around 1000 units and maybe half of them in Bucharest. Their ambition for the next 2-3 years is to reach more than 3000 units. A Mic.ro shop is an ideal proximity store selling almost everything one need in his home-food including fresh fruit and vegetables, soap and detergents, all kind of drinks including alcohol, cosmetics, bread, cigarettes and so on. Besides you can find newspapers and may drink a warm coffee. Mic.ro chain have some other new item to show, the so called shop on wheels, a specially equipped small truck that

is parked on streets in crowded areas. These trucks offer a smaller variety of goods but in some places one can drink a coffee sitting like in a bar. So far there are some 500 trucks of the kind

In 2010 the owner of the company Mic.ro announced the intention to expand their activity by franchising its brand in food business. They also announced they open stores in the Republic of Moldova.

When Mic.ro opened its activity we all thought that Romanian companies, including the newly created Mic.ro, will be able to stay and hold the biggest part of proximity stores spread inside the dwelling areas closer to the consumer and in competition to foreign investors of the same level. Unfortunately a similar goal was undertaken by Mega Image Company. There was a sudden big leap forward of Mega Image in the last 6-9 months and some said that there are 500 Mega Image in Bucharest. Such a huge investment in a short time is supposed to be supported by someone strong that is not in Romania. At a first glance such development was to help an increased competition and the result will be helpful for consumer. The mystery did not last too long and so we were astonished to hear that Mega Image, once a Greek possession, was bought by Delhaize company, the owner of Cora one of the biggest world retailers. This way a hypermarket owner entered another niche, one of the proximity stores that we believed will belong to Romanian companies for good. Something similar happens to other big retailers that once they entered the market tried to buy small foreign or Romanian trading companies to expand their market margin. Anyway the ever-growing Delhaize empire is now a huge capital concentration that in a normal society had to be checked by an institution called Competition Council. This has never happened and what it was supposed to be a fair trade competition proved to be a huge concentration of capital. Do you think is there anyone here in Romania strong enough to fight against Delhaize?

Just like in the case of agriculture may I ask myself, fair competition in the trade business? What is this?