

## INDUSTRY – TRADITIONAL ACTIVITY AND ENGINE OF URBAN DEVELOPMENT FOR THE CITY OF TIMIȘOARA

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**Abstract:** *Industry – traditional activity and engine of urban development for the city of Timișoara.* The industrial function of every human settlement is very important as it generates capital increase and development of the settlement. Situated at 571 km from the capital of the country Bucuresti, Timisoara is the largest city in the western part of Romania. It has a value of unemployment under 3%, with direct foreign investments of 7,5% of the national value, placing Timisoara on the second place on national level after the capital city, the GDP per capita in Timisoara was in 2010 approx. 9.000 Euro. In the town are present foreign investors from 78 countries. The most important fields of activity for foreign companies are It&C, automotive, plastics, textile etc. The present industrial activity of the city is a consequence of a long industrial tradition in the city and is favoured by the geographic position, the cheap but highly qualified labour force, a traditional entrepreneurial spirit of the population, the traditional multicultural and multiethnic characteristic of the population which determines good human relations between ethnical minorities but also citizens of other nationalities, and, of course the intense activities of the local authorities for the support and attraction of foreign investments.

**Rezumat:** *Industria – activitate tradițională și motor de dezvoltare urbană pentru orașul Timișoara.* Funcția industrială a oricărei așezări este deosebit de importantă deoarece generează capital și determină dezvoltarea așezării respective. Situat la 571 km de capitala țării, Timișoara este cel mai mare oraș din partea de vest a României. Are o valoare a șomajului de sub 3% și dispune de 7,5% din volumul investițiilor străine din țară care situează orașul pe locul doi la nivel național. Valoarea PIB-ului a fost pentru 2010 de aproximativ 9000 Euro/loc. În oraș sunt prezenți investitori din 78 de țări cu activități în special în domeniile IT&C, componente auto, mase plastice, textile etc. Activitatea industrială de azi a orașului este o consecință a unei îndelungate tradiții industriale a orașului favorizate de poziția geografică a orașului, forța de muncă înalt calificată și ieftină, spiritul tradițional antreprenorial al populației, caracteristicile multietnice și multiculturale ale populației care determină relații favorabile între minoritățile etnice dar și cu cetățenii altor state, și bineînțeles, datorită eforturilor intense ale autorităților locale pentru sprijinirea și atragerea investitorilor străini.



**Key words:** *industrial activities, foreign investors, manufacture, free market economy, industrial zone.*

**Cuvinte cheie:** *activități industriale, investitori străini, manufactură, economie de piață, zonă industrială.*

The industrial function of every human settlement is very important as it generates capital increase and development. Capital can be further reused locally or in other regions and thus it increases urban development. The industrial function of urban settlements appears with the first activities of raw material processing in the 17<sup>th</sup> and 18<sup>th</sup> centuries. The first cities with industrial function appeared in the regions with rich soil and subsoil resources. The industrial function of a city is given by the number of active population working in industrial activities. The industrial function ensures the dynamic character of an urban centre and its importance in the urban network.

Industry represents an important function for modern urban development. Its influence on the neighbouring regions may be major and may not only influence the capital of the region. Through industrial activities the city transforms local products and redistributes them in the region. Industrial development requires labour force that is attracted from neighbouring regions and thus the city contributes to the accumulation of capital in the region. The city is a place where raw materials are transformed in finite products and finite products are transformed in capital<sup>1</sup>. It is a value adding process. Industrialisation is very important in the process of urban development and determined the genesis of numerous cities which later developed in major urban settlements. Ilinca<sup>2</sup> considers the industrial function is various for the towns that produce goods by transforming raw materials. In multifunctional cities the percentage of the population occupied in industry is low whereas in the cities with one giant industrial unit this percentage is very high. Vert<sup>3</sup> considers that industry generates cities but cities determine industrial development, industrial activities being in tight connection with commercial activities, commercial cities having as major objective the maximum transformation of products for revaluation and to extend the range of this products.

Situated at 571 km from the capital of the country Bucuresti, Timisoara is the largest city in the western part of Romania, with a population of 317.651 inhabitants. It is one of the most important cities in Romania based on the figures presented by the mayor of the town Gheorghe Ciuhandu in a statement on the situation of the town in January 2011 ([www.primariatm.ro](http://www.primariatm.ro)) the value of unemployment being under 3%, the value of direct foreign investments being of 7,5% of the national value, placing Timisoara on the second place on national level after the capital city, the GDP per capita in Timisoara was in 2010 approx. 9.000 Euro, the national value being 5700 Euro. In the town are present foreign investors from 78 countries. The most important fields of activity for foreign companies are It&C, automotive, plastics, textile etc. The present industrial activity of the city is a consequence of a long industrial tradition in the city and is favoured by the geographic position, the cheap but highly qualified labour force, a traditional entrepreneurial spirit of the population, technical support, transportation infrastructure, the traditional multicultural

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<sup>1</sup> Beaujeu Garnier, 1995, p.

<sup>2</sup> Ilinca, 2009, p. 311.

<sup>3</sup> Vert, 2000, p. 282.

and multiethnic characteristic of the population which determines good human relations between ethnical minorities but also citizens of other nationalities, and, of course the intense activities of the local authorities for the support and attraction of foreign investments.

In Timisoara industrial activities developed on craft activities developed in medieval period which were meant to satisfy the needs of the civilian and military population which inhabited the citadel. Archaeological proofs show that the population of Timisoara performed agricultural activities, crafts activities and trade.<sup>4</sup>

16<sup>th</sup> and 17<sup>th</sup> century documents show the economic and social progress of the inhabitants of the citadel of Timisoara, craft activities being organized in guilds. The intensification of crafts activities and trade was highly influenced by certain events in the history of the city such as the presence in Timisoara of the royal family of John Huniady, the presence of the Christian armies before the anti-ottoman campaigns. Commerce and trade were boosted by the privileges granted by the Hungarian Kingdom.

In the period of Ottoman occupation 1552-1716 all crafts activities continue to develop, historic resources showing that the population was occupied in agricultural activities as well as in crafts and trade. This was a natural consequence of the fact that a large military garrison and numerous high rank military Ottoman officials.<sup>5</sup>

After the Habsburg conquest of the city in 1717 Munteanu I. and Munteanu R. identify 5 stages in the industrial development of Timisoara.

*The first stage* develops to the middle of the 19<sup>th</sup> century and is a period in which a large number of population is still occupied in agricultural activities. In this period emerge some modern industrial, commercial, banking, trade and transportation activities that would lead the way for a modern development. At the end of the 17<sup>th</sup> century an gunpowder mill functioned at the outskirts of the city which was managed by an administrator appointed directly by the Sultan<sup>6</sup>.

The real industrial development of the city started with the Hapsburg period. After 1716 the authorities support the establishment of manufactures that would use the raw materials from the region and numerous qualified craftsmen are brought to the region. It was the wish of the Governor Mercy to bring to Timisoara Catholic merchants and craftsmen from Austria, Bohemia, and Hungary. Due to the multiethnic character of the population these immigrants could easily fit without feeling rejected.

The first production plants funded in Timisoara were the beer factory established in 1718, the leather and carpet manufactory established in 1725. In the same year begins the building of the baize weaving plant, the leather processing plant, the silk weaving plant, the stockings weaving plant, the paper factory, the nail manufactory etc., for which the Count Mercy hires the German specialist Heinrich Framish. In 1727 the baize production of the local plant replaces entirely the import from the Ottoman Empire. This would develop very much on the requests from the Austrian army and the local citizens. In 1730 a state manufacturing unit was established for the production of cloth for the Austrian army. Another important plant was that of tapestry. Law protected mulberry plantations are

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<sup>4</sup> Munteanu, I. Munteanu, R., 2000, p. 261.

<sup>5</sup> Idem, p. 264.

<sup>6</sup> Munteanu, Munteanu, op. cit., p. 267.

arranged at the periphery of the town for the silk factory for which Italian workers are brought<sup>7</sup>.

*The second stage* takes place from the middle of the 19<sup>th</sup> century to the First World War. In this period agricultural activities diminish and industrial activities flourish in all fields. These are supported by large investments of Hungarian and Austrian capital. In this period numerous large industrial plants are built with modern technology that determines increased work productivity. The development of industrial activities determines the increase of commercial activities and the development of transportation. Numerous banking units are established based on the increase of capital.

The economy of the city benefits by the establishment in 1850 of the *Timisoara Chamber of Commerce and Industry* which is still in activity under the name of *Timiș County Chamber of Commerce, Industry and Agriculture*. It has a continuous activity for the support of local entrepreneurs until 1948 when it was dissolved by the state, but it was re-established in 1990. This autonomous organisation was self-financed and aimed to support the economic interests of its members according to market requests. One of the most important actions of the Chamber was the organising in 1884 of an International Exhibition at Timisoara of agricultural and industrial products in order to attract foreign investors and partners from different parts of Europe. The *Timisoara Industrial Inspectorate* is founded in 1884 for the supervision of the industrial law enforcement.

An important role in the support of the local economy was played by the Mayorality of the city of Timisoara which granted facilities to investors such as tax exemption, free land granting for the building of factories such as the hat factory, the shoe factory, the cotton wires factory, the chain factory, the soap factory, the steam mill, the matches factory, the candy factory etc.

Conciatu<sup>8</sup> mentions that the Mayorality of Timisoara supported local industries with a 30% tax exemption and granting free land, free bricks and free electricity.

At the 1900 census in Timisoara existed 2278 industrial units and in 1900 existed 3384 units. More than half of the production units of this period were small and medium sized family workshops that covered the need of the local population. The biggest numbers of employees were in food industry – 2473 employees, clothing industry -1555 employees, and metallurgy – 1038 employees<sup>9</sup>. The most numerous activities belong to light industry, enterprises having numerous specialists, enterprises specialising their employees in evening classes and apprenticeship schools, and used modern tools and machines. Numerous industrial units were famous for their quality productions even abroad, in Europe and even America.

The most important industrial units functioning in this period were:

*The beer factory* which was established in 1718, is transformed in 1884 in joint stock company. Its compounds occupy 225000 m<sup>2</sup>, had 200 employees, 24 clerks, and an annual production of 250000 hl of beer. The beer factory had branches in Budapest, Szeged etc. and exported products in all the major cities of the monarchy.

*The air gas plant* which was founded in 1858 as a branch of the Austrian Gas Society but was bought in 1905 by the Mayorality of Timisoara. The gas network was spreading to the 4 quarters of the city.

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<sup>7</sup> Munteanu, Munteanu, op. Cit., p. 268.

<sup>8</sup> Conciatu, 1919, p. 271.

<sup>9</sup> Munteanu, Munteanu, op. Cit. P. 279.

*The first refinery and alcohol factory SOLVENTUL* was established in 1869 and had engines of more than 520 horse power. It had its own electric plant and bought its own tank wagons for alcohol transportation.

*The Timisoreana Mill* was established in 1869 and was property of the Banat Mill Society. It occupied a surface of 14890 m<sup>2</sup>, its own industrial railway, and engines of 900 horse power. It had 280 employees and 40 clerks. It exported products in Germany, France, the Netherlands, and USA etc.

*The electric plant of Timisoara* was built between 1882 and 1884 and becomes property of the city in 1893 and in 1913 had 7032 subscribers. The electric plant builds between 1907 - 1910 the hydroelectric plant to increase electric power for public lightning and at a lesser price for electric tramway and industrial purposes.

*The matches factory* was established in 1894 on a surface of 8000 m<sup>2</sup> with 400 employees. It exported to Turkey, Bulgaria and Egypt matches, axle grease, guns grease shoe polish etc.

*KANDIA Candy, Chocolate and Can Factory* was established in 1895 as a small candy production unit and in 1909 becomes a joint stock company with 300 workers. Its development was more pronounced after 1920 when it exported products to all the Romanian provinces.

*Paltim Hat Factory* was established in 1900 had 500 workers and the latest European technology and branches in Bucharest, Budapest, Paris London, Vienna and exported products all over Europe and also in USA and Southern America.

*TURUL shoes factory* was founded in 1900 and had American technology. It had branches in Hungary, Austria, Germany England, the Netherlands, Switzerland, France, USA etc. it produced 3000 pairs of shoes daily and in 1918 it had more than 700 workers.

*The slaughter house* was built in 1904-1905 in Elisabetin District, near Fabric District. It consisted of 11 buildings built according the plans of Szekely Laszlo. It had the most modern equipment of the time.

*The Spinning Mill* was founded in 1905 and produced 2 million rolls annually and exported products to Romania, Bosnia, Serbia, the Ottoman Empire, Egypt, Minor Asia, Austria etc.

*The first Textile plant* was set up in 1905 as a joint stock company with the latest equipment and in 1914 had 150 looms and spanned over a surface of 12000 m<sup>2</sup>. It produced high quality fabrics for export all over Europe.

*The water and sewage plant* was built in 1914 with 21 employers in order to supply the town with drinking water, to maintain the sewage network and the industrial water supply system. Drinking water was pumped from three deep wells in Urseni, filtered and then in the reservoirs of the water towers from Fabric and Josefin Districts to maintain the pressure.

*The third stage* is the interwar period until the nationalisation of June 11, 1948. This is a period of economic development in all fields of activity. The Austrian entrepreneurs are replaced by the finance men, entrepreneurs, and politicians from the Old Kingdom, that start a policy of seizure and of the subordination policy of the enterprises of Timisoara. It is a most difficult period for the economy of the town as many restricting measures were taken such as restricting the import authorisations to only 25% of the required raw materials by establishing by the capital city the quota for imports. After the

instauration of the Romanian power in 1918 in Timisoara were approximately 2500 industrial units<sup>10</sup> in the following field of activity:

- Steel and Iron Industry -185 production units;
- Production of car and means of transportation, electric industry, musical instruments, school supplies – 326 production units;
- Stone, clay, asbestos and glass industry -30 production units;
- Wood and bone industry – 159 workshops;
- Leather, fur, feather, cloth and rosin production units – 44 workshops;
- Spinning and weaving industry – 66 production units;
- Clothing industry – 738 units;
- Paper industry – 14 production units;
- Food and delicacy industry – 432 units;
- Chemical industry – 20 production plants;
- Construction industry – 321 units;
- Arts and multiplications production – 91 workshops.

The production made in Timisoara was of high quality and was mainly for exportation.

During the First World War numerous industrial units went bankrupt and the activity of others was meant for war production.

In the interwar period industrial development continued for Timisoara, although production capacity decreased with approx. 50% due to working class protests and the crisis of 1929-1932<sup>11</sup>.

In this period continues the development of traditional fields of activity, but the chemical and building materials sectors flourish mainly. In this period the small workshops and production units disappear as they either go bankrupt or are taken over by larger production units or enterprises. Large units continue their development. This is the case of the Wool Industry Plant which in 1935 develops its chopper section unique in Europe and becomes the wool supplier of all plants in the country; Kandia opens new departments and buys new technologies; the Tobacco factory creates a canteen for 800 employees, a dispensary and a infirmary, nursery, library etc.; Turul shoe factory becomes the unique provider for the Romanian Royal Family etc.

At the 1930 Census 1649 industrial units with 16998 workers, the majority with less than 100 employees, but there are also three units with more than 500 employees and six units with a number of employees between 200 and 300. 90,7% of the industrial are individual units and the most industrial units are in ready-made clothes – 731 units, food production – 256 units, metallurgy – 233 units, woodworking – 176 units and building – 64 units<sup>12</sup>.

The development of the industry is supported by the Chamber of Commerce and Industry which establishes in 1933 the first Service for the professional formation of the youth and organizes periodically a Sample Fair and supports financially enterprises in difficulty. In 1931 the Trade and Industry Register Office is established that keeps track of the enterprises registered in Timisoara.

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<sup>10</sup> Conciatu, 1919, p. 40.

<sup>11</sup> Munteanu. Munteanu, op. Cit. P. 277.

<sup>12</sup> Recensământul general al populației României din 29 decembrie 1930, vol. X, p. 717.

A newly emerged sector for the interwar period is the electrotechnical sector by the establishing of Dura, Galvani, Agalux, Novalux plants which produced batteries, lamps, primary cells, electric engines etc<sup>13</sup>. In this period the main fields of activities of the industrial units were food production, textile, ready-made clothes, metallurgy, electrotechnics, leather processing, chemical-pharmaceutical etc. the industrial production of Timisoara covered in 1938 4,2% of the total national production<sup>14</sup>.

During the Second World War the industry of Timisoara has very much to suffer mainly because the industrial production of Timisoara was meant for war production (Dura plants, the chain factory, Turul shoe factory, wool industry, Teba Textile Plants, Stocking factory, the Alcohol factory etc.). Numerous industrial units go bankrupt or reduce their activity as they lose numerous markets for their production or because they lose their raw materials markets. The crisis is emphasized by the fact that many workers were sent to the front line. The bombings of 1944 destroy completely 10 industrial units and partially other 16<sup>15</sup>.

*The fourth stage* is that of the communist period after the nationalisation of properties, in which activities are taken over by the state that coordinates and centralize all activities, the accent being laid on quantity and not on quality.

The post war recovery of the industrial activity was very difficult due to the lack of financial resources and of raw materials together with the harsh measures taken by the state to control industrial activities, the economical system becoming centralized and controlled entirely by the capital. Industrial units owned by ethnic Germans or Hungarians, or with German or Hungarian Capital were taken under the direct control of the state and the production of other units was entirely directed for the benefit of the Soviet army. Consequently numerous industrial units close their activity. The biggest blow for the industry of Timisoara comes in June 11, 1948 when 110 big industrial units are nationalized and small production units are transformed in cooperative economic units. The nationalized units were joined in larger state owned units: Electrobanat is formed by the joining of Dura, Galvani, Agalux, Novalux units, Azur is formed by joining the soap factory, the united factory of varnishes and paint, the detergent factory, etc.

After nationalization industrial development is registered in the sectors considered major by the state. After 1965 light industry, mechanical engineering, energetic industry and thermal industry developed mainly. Industrial activity was aimed mainly to produce a large quantity of goods without taking into consideration the quality of the products. In production were used large amounts of workers and inefficient technologies. New production units are established at Electromotor, UTT, Teba, ILSA, UMT, Solventul, 6 Martie etc. and new production units are built: the tramway factory, the sugar factory, FAEM, Optica, Electrotimis, Tehnometal etc. Until 1990 industrial activity of Timisoara was poorly organized by the capital city, and had a varying production due to the lack of raw materials that determined a poor quality production.

*The fifth stage* is that after the change of regime in 1990, is a period of transition from the centralized communist system to a liberal market economy, coordinated by the demands of the market. After 1989 the industrial activity of Timisoara undergoes profound changes in structure and production due the financial jam and the slow rhythm of the

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<sup>13</sup> Munteanu, munteanu, op.cit., p 282.

<sup>14</sup> Georgesu, L., 1941, p. 7-13.

<sup>15</sup> Munteanu, Munteanu, op.cit.p. 282.

privatization process and the collapse of the mammoth industrial units that could not cope with a free market economy. Even so Timisoara continued to be one of the most important economic centers of Romania. During the transition period the industrial sector undergoes major changes in the structure of the economic fields due to the processes of restructuring and refurbishment. Industrial production continued in traditional sectors but new sectors emerged such as electronics and electrical, telecommunications, automotives, mechanical engineering and equipments.

To these five stages we may add a *sixth stage* corresponding to the present period, in which the economy of the city is characterised by a free market economy.

Today the industrial units are situated along the road or railway routes in 8 industrial zones:

- *The Calea Buziaului industrial zone*, includes units in the fields of chemical industry, electronics and automotive industry (e.g. Siemens, Elbromplast with more than 100 employees which produces a large amount of molded plastics for Central and Eastern European Markets present in Timisoara since 2000, Procter & Gamble, Azur Ld., Mecatim, Lisa Draximayer, AEM Timisoara, Continental Automotive etc)

- *The Calea Sagului industrial zone*, includes warehouses and building materials units gathered in Calea Sagului Industrial Park \*e.g. Arabesque, Euroholding, IMP, Lintesa Promotive, Incontro etc.)

- *The North Eastern industrial zone (UMT)* is a traditional zone including the former compounds of UMT, Timisoara Mechanical Plant, which are now occupied mainly by units in automotive industry such as Continental Automotive Products, Prompt, TRW Automotive, Continental Automotive Production SRL, but also Linde Gas etc.

- *Freidorf Industrial zone* is an area included in Freidorf Industrial Park created for the benefit of foreign investors.

- *Calea Torontalului industrial zone* is a newly emerged area with food industry units such as Scallini, Coca Cola, Pan Sarmis but also production of genetic material (Semetest) and electronics (Flexitronics Romania). It was here that Torontal Industrial Park was built for small and medium sized enterprises.

- *Calea Aradului industrial zone* is an area for warehouses and services.

- *The central industrial and warehouses zone* is situated on the railway that crosses the town. The former food and textile industry units were replaced by new units in metal construction, buildings but also numerous service, commercial units and new office buildings were built in this area.

- *The North railway station industrial zone* is occupied by the former warehouses and workshops of the railway but is presently under reconversion. Inte industrial units of Timisoara aer situated mainly in the western part of the city on the road arteries due to the proximity to the exit points of the country towards the Central and western Europe and because the eastern part of the town is occupied by forests and the water plant but isolate industrial units are still present within the city but these are undergoing a reconversion process being turned into commercial units, service buildings or even residential units.

The structure of the industry follows the features of the work force highly specialiyed in industrial fields especially in the new fields of activity of the electronics and electric domain, IT&C, telecommunications, automotive, and engine and car components industry. The most important fields of activity of the industrial units of Tmisoara are presently:

- IT&C, Electronics and electric industry (e.g. Siemens, Alcatel, Solectron, Zoppas, ABB Rometrics, Luxten Lightninc, Elba Phillips etc.)
- Automotive industry (Lisa Draxlmayer, Siemens Automotive, Delphi Packard, Kromberg& Schubert etc.)
- Chemical and petrochemical industry (e.g. Continental Automotive, Procter&Gamble, Azur etc.)
- Recycling industry (Adam Muller Guttenbrunn)

The industrial sector had in 2008 a number of 58997 employees representing 38,86% of the total of the active population of Timisoara. In 2008 in Timisoara existed 1348 units in the industrial sector, the most numerous being the units in food industry – 183 units, clothing and textile industry – 174 units, rubber and plastics production etc<sup>16</sup>.

The present industrial activity is a direct consequence of the permanent entrepreneurial tradition of the population and the permanent existence of numerous industrial units that reassured the fame of an important industrial city of Europe. Although industrial units encounter some difficulties due to the lack of a coherent legal frame Timisoara reiterates its industrial status by having a competitive production influenced by the free market economy.

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<sup>16</sup> Direcția județeană de Statistică Timiș.

