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15 February 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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CONSTRUCTION PROGRESS IN SLOVAKIA EVALUATED

Prague HOSPODARSKE NOVINY in Slovak 23 Dec 83 p 11

[Article by Eng Sidonia Volentierova and Eng Ladislav Serej, Slovak Commission for Research and Investment Development: "Evaluation of Production Construction in the SSR; Status Is More Than Sad"]

[Text] In 1983 a group of 105 mandatory assignments of the state plan for capital construction and centralized buildings completed and put into operation in Slovakia between 1976 and 1982 was evaluated. There was a wide range of diverse buildings important to production (chemistry, the processing industry, building materials and parts, the food industry, land irrigation and drainage). In the overall evaluation for 1982, only projects completed between 1976 and 1981 of the total number assigned were included. Those included had target years between 1976 and 1981 based on design certification to attain design parameters, and this represented 66 construction projects for the SSR (37 projects of the SSR Ministry of Industry, 6 projects of the SSR Ministry of Construction and 23 projects of the SSR Ministry of Agriculture and Food).

In order to make a reciprocal technical management comparison, the analysis and evaluation were based on five of the most important evaluation indicators --volume of production, volume of exports to nonsocialist and socialist countries, volume of output and gross profit.

The 66 construction projects assigned for evaluation were divided into those which meet design parameters in the target year (only 4 projects, or 6.1 percent) and those which do not meet any of the designated basic indicators (62 projects, or 93.9 percent). Of the projects that are not meeting design parameters there were 53 projects, or 80.3 percent, which did not attain design parameters even in 1982.

Losses Which Are Hard To Recoup

In consequence of measures taken by departmental central agencies, including consideration of certain problems of failure to meet design parameters in specifications of production plans, improvements can be expected in the 1983-1984 period only for 21 projects. In the 62 projects which do not meet design parameters, the list in the table below characterizes the overall shortfall. Although four projects indicate fulfillment of design parameters (Harmanec toilet paper mill, completion of Galanta Plant 03, High-Compression Polyethelene II, remodeling of Mlynska Niva panel plant), this had only a minimal effect on the losses enumerated.

Total Shortfall Due to Failure to Meet Design Parameters

Indicator	Target Year Volume Planned in billion kopecks	Target Year Volume Actual in billion kopecks	Percent Fulfillment in target year	Shortfall (Loss in billion kopecks)
Volume of gross production	13.6	10.2	74.7	-3.4
Volume of output	11.7	8.6	74.1	-3.0
Gross output	1.6	0.5	33.5	-1.1
Export to non-socialist countries	2.9	0.4	14.1	-2.5
Export to socialist countries	0.9	0.8	87.1	-0.1

The results achieved in the target year differed significantly from the projected goals. They show that production capacities are utilized at an average rate of 74.7 percent, which means, particularly, that the gross profit is not realized (only 33.5 percent). The most serious situation relative to failure to meet design standards arose at the SSR Ministry of Construction, where 83.3 percent of construction projects fell short and the actual production attained in these projects represents only 65.1 percent of planned capacity.

Of the projects evaluated, 14.1 percent were exported to nonsocialist countries in the target year. The results mostly affect the SSR Ministry of Industry, 13.4 percent of whose projects were exported.

Even though some of the projects did attain the evaluated parameters in production (due to changes in cost ratios), the objectives regarding structure of production and expected physical capacity were not met. The shortfalls found by the evaluation in essence mean that, as a result of non-fulfillment of design parameters in the new capacities, production was not realized in the physical units during the period from the target year to 1981 inclusive.

Products in physical units have characterized not only the situation in non-use of newly built production capacities for the last 6 years, but above all, corresponding disparities in structure have manifested themselves in unsatisfied needs of the national economy and in the domestic market in the last 3 years. This is proof that the basic problem is not in the balance of the plan and its structure, but particularly in unmet planned production goals, the non-utilization of costly capacities, protracted in building, which in essence is even further distorted by the fact that specifications of production plans of various structures in the individual years had to take account of the state of non-use of capacities. A number of so-called objective reasons are given as justification.

And What Are The Reasons?

The most frequently given reason, and the most important one, is the shortage of raw materials and energy. This fact figured in 16 buildings, or 36.4 percent of the group under consideration. For example, in eight buildings under the department of the SSR Ministry of Industry the lack of raw materials and energy accounted for a shortfall of more than Kcs 998 million, and in eight buildings of the SSR Ministry of Agriculture and Food the shortfall for the same reason came to Kcs 731 million in production.

Other serious reasons having a clear bearing on overall losses included labor shortages (4.5 percent), reduced sales (6.8 percent), changes in range of products (22.7 percent), technical reasons (25.0 percent), problems in obtaining cooperation (2.2 percent) and poor quality of raw materials (2.3 percent).

The disproportionately long cycle of preparation and implementation of investments contributed to the difference between conditions at the time the project was incorporated into the plan and current requirements. In many cases, changes were necessary in the structures during production (change in range of products, reduced sales, etc.).

On the basis of evaluation of the reasons for non-attainment of design parameters, it can be stated that problems of a technical nature were noted in 11 projects out of 44 in which planned production was not fulfilled, that is, in 25 percent of the projects. These deficiencies were noted primarily in non-fulfillment of capacities of technological layout, in poor mastery of the technology of production, in deficiencies in technological equipment, in unresolved implementation of the work of technical development in production and in changes in quality of available raw materials.

One of the important reasons why qualitative indicators were not met was high production costs. The result was a very unfavorable fulfillment of gross profit indicators.

The Difficulties Are Not Always Only Objective

In most of the projects, the conditions under which the buildings were erected have changed due to international relations, the situation in the fuel, energy and raw materials market and changes in the projections of individual branches of the national economy. Nevertheless, the results achieved were also affected by shortcomings in capital investment, and in the performance of all the participants.

Production at completed capacities was affected by objective and subjective factors, such as, for example, suppliers' shortages, inadequate capacity of structural and technological parts of buildings, inadequate technical-material base, low level of management and quality of work performed, closely related to labor discipline among participants in construction. In many cases, a change in the concept of the project during its construction had a direct impact on production.

The effectiveness of measures taken by the investors' central agencies was not adequate because many of them were tied to foreign currency assets and supplementary investments.

On the basis of an overall evaluation of the facts ascertained in the fulfillment of design parameters in production capacities, completed in the period 1976-1982, it can be stated that the status is very unsatisfactory. Overall, the shortfall in production represents Kcs 3.4 billion and Kcs 1.1 billion in gross profits.

Insufficient utilization of the production capacities built has a negative effect on development of the use of total capital assets. The fact that planned volumes of production and their economic parameters were not attained forced central bodies to take lower production volume into consideration to a great extent in preparing annual specifications of executive plans. Part of the production was realized by more extensive use of existing production capacities or by importation, or not carried out at all. The suppliers simply rejected the customers' requirements.

The Remedy--Increasing Responsibility

Requirements for new investments will have to be judged by whether they can be implemented and carried out primarily on the basis of demonstrated maximum and efficient use of building production assets, especially those that were completed in the last 10 years.

Another remedial measure calls for strengthening the rights and responsibilities in carrying out and concluding final evaluations of buildings. In this phase it should be possible and obligatory on the level of central agencies--participants in the evaluation process--to take such measures as will contribute, based on judging the difference between current conditions and those envisioned by the design, toward the speedy and maximally efficient utilization of the evaluated investment, even at the cost of an additional limited investment.

In this connection, it is essential that the needs of production innovation and application of R&D findings be promoted even after construction begins. This would accelerate the application of science and research in practice without lengthy and demanding investing and permit maximum use of the newly built base. This system would help in the area of releasing investment and reduce demand for new investments.

We must attempt to improve the application of a system of regular monitoring and evaluation of construction to see to the attainment of planned parameters, and do this at every level of management. The present system of evaluation and control in the course of preparation and implementation of investments must be expanded by monitoring production projects to see how planned parameters are being reached. The same criteria should be applied as in judging mandatory construction.

There is considerable unused potential in the capacities built and therefore managing bodies should take active measures to see that they are fully utilized. There should be improved organization work, increased labor and technological discipline and quality maintenance to avoid breakdowns and accidents with technological equipment which cause production losses, and the necessary raw materials, processed goods and spare parts should be supplied to production in a timely fashion. It is essential to give extra attention to improving supplier-user relations and to ensure the planned sale of products in time. Special attention should also be given to the recruitment of the necessary labor force and to raising qualifications.

In consequence of the under-utilization of new and modern capacities, it is essential to review current objectives at the start of construction, especially in relation to raw and processed material resources and the national economic need for the given production. It is a matter of common interest to meet the tasks of the Seventh 5-Year Plan.

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CSO: 2400/173

EXCESS INVENTORIES CONTINUE TO ACCUMULATE

Prague HOSPODARSKE NOVINY in Czech 23 Dec 83 p 9

[Article by Eng Jan Horevaj, Federal Ministry of General Engineering: "Lasting Difficulties"]

> [Text] Inventories represent the most significant category of current assets. A substantial portion of national income and net material product is accumulated in them. They secure uniformity of production and smooth satisfaction of needs. In the Ministry of General Engineering inventories as a whole amount to almost one-third of the volume of disposable production funds.

The production structure of the General Engineering Ministry is formed by roughly 200 production branches. The products are destined to satisfy the needs of the national economy, the final assembly of products from other branches, and for the export. Such a volume of production branches significantly influences also the total level and structure of inventories of individual enterprises, the VHJ's [economic production units] and the ministry. Inventory structure at the end of 1982 is shown in Table 1.

Coordination , Standardization, Classification

From the data in this table we can conclude that our ministry has accomplished in 1982 the planned task for inventories. We have also succeeded in shortening the time of inventory turnover as against the plan. The table also shows the prominent share of material inventories and goods inventories of sales organizations, which represent almost 70 percent of total inventories. In these categories is also concentrated a substantial part of problems that can be connected with both the production and the realization of the results of our activity.

The volume of material inventories is unfavorably influenced by constantly appearing difficulties and risks resulting from the instability of supplier-consumer relations, which it has been impossible to remove in spite of a number of measures adopted on all levels of management. The inventories grow absolutely, and at the same time difficulties arise with material securing of production. The problems are due primarily to the shortages of some materials, an uneven supply and fluctuating quality of raw materials, materials and complementary kinds of materials. The necessary production changes, both from the point of view of placing the economic load and also that of structure, result in a further growth of inventories.

Table 1

Inventory structure in the FMVS [Federal Ministry of General Engineering] at the end of 1982

Total inventories (Kcs million)	45,836.0
Inventory turnover time (days)	133.6
Planned turnover time (days)	134.5
Material inventories (Kcs million)	18,473.0
Share of Total inventories (percent)	40.3
Turnover time of material inventories (measured in relation to material consumption) (days)	100.31
Unfinished production (Kcs million)	10,228.0
Share of total inventories (percent)	22.3
Inventories turnover time (days)	29.75
Finished products, subdeliveries and other inventories (except merchandise) (Kcs million)	3,937.0
Share of total inventories (percent)	8.6
Turnover time (days)	11.45
Commercial goods of sales organizations (Kcs million)	13,198.0
Share of total inventories (percent)	23.8
Turnover time of commercial goods (measured in relation to receipts of sales organizations)	68.06

To eliminate this influence in our ministry, the task was set to improve the coordination of supplies among enterprises within the VHJ's with the goal of minimizing inventories from their mutual supplies. For instance, in the VHJ Czechoslovak Automobile Plants Prague an audit of delivery terms for deliveries from production was carried out, and disputes between enterprises were solved on the level of general managment in an effort to limit the inventory levels of complementary products with the producer and to use this reduction for sales organizations. In the VHJ Aero Prague delivery terms were redefined more accurately in the economic agreements directly between enterprises. The enterprises Aero Vodochody attained the confirmation of monthly deliveries with key suppliers. The positive results notwithstanding, the set tasks were not accomplished to a full extent. Moreover, the volume of mutual deliveries within the VHJ's does not have a decisive share in the material inventories.

Another way to lower inventories lies in their standardization. It is based on aggregate norms determined by the finding term for inventory turnover. The first check on inventory norms was made as of 31 December 1979. It found that a significant increase in the planned level of inventories may be necessary. Further measures issued by the ministry were, therefore, aimed at improving the quality of consumption norms and their more accurate redefining from the point of view of their linkage to technology and production changes.

In checking on these measures it has been most frequently established that the standardization is not always consistent. The individual norms of key items are established conventionally, and the cost accounting technique is used very little for inventory management. In spite of this, though, the main causes for levels of inventories higher than actual ones lie mostly in the fact that suppliers, under pressure of planned indicators, do not adjust the production terms of individual orders to the needs of the buyers. The existing market of the supplier thus influences the level of standard supplies negatively.

Work in the inventory area, especially that of materials, has been in the last 2 years directed at determining and sorting out excessive and unnecessary inventories. In connection with the notice issued by the State Planning Commission and the State Arbitration of the CSSR (SBIRKA No 49, 1981) about managing the unused inventories, the unused inventories, as of 31 December 1981, were sorted out in the amount of Kcs 2.370 billion. This represented 5.4 percent of total inventories in our ministry. Of this, about 64 percent was destined for use in internal consumption in the following years. Orders of identified materials were reduced by this quantity. The rest of the inventories were offered to other production organizations respectively, and a part of the inventories was liquidated.

In the year 1982 the CSSR Government adopted resolution No 157 about measures for the utilization of excessive inventories in 1982 and for securing their planned development in further years of the Seventh 5-Year Plan. On the basis of this provision, unneeded inventories in all organizations of our ministry were again fully sorted out as of 30 September 1982 in the total amount of Kcs 2.790 billion. Of this, almost 70 percent will be used for internal consumption in the following years of the Seventh 5-Year Plan, and the rest will be offered to exchange organizations.

Sales, Imbalance, Export

A specific area, representing 28 percent of the total inventories conditions, are merchandise inventories of six sales organizations of our resort. A substantial number of suppliers (production organizations) which are also active in other ministries, including cooperatives, share in the creation of supply sources for these sales organizations; a part is imported. For instance, about 600 domestic suppliers insure product deliveries to Mototechna in 60-70 branches, which represent approximately a 160,000 product range. The eneterprise Technomat has about 900 suppliers and 30,000 customers in 140 fields with roughly 40,000 kinds of products.

Similar, although different in structure, is the situation with the remaining sales organizations. From the high number of suppliers and customers, the broad assortment, and also from the fact that practically all branches of the national economy are being supplied, flows the complexity of the sales and the supplier-customer relationship.

Sales inventories have a completely different character from that of production organizations. Their origin and also their increase or decrease are strongly connected with the demand development, which is characteristic expecially in the case of consumer goods. For instance, they are significantly influenced by seasonal purchasing of passenger cars and single-stage vehicles. Their inclusion in the indicator of turnover term for inventories, expressed in days in relation to output, present a distorted picture of the ministry. To the absolute value of inventories of sales organizations is added only the output in the amount of business markup, i.e., about 5.5 percent of achieved sales receipts, and this slows down the total turnover period by more than 30 days.

The development of total inventories for one-half of the Seventh 5-Year Plan in our ministry, recalculated to a comparable base, is indicated in Table 2.

The data in Table 2 confirm that our ministry as a whole has met the inventory tasks for the first 2 years of the Seventh 5-Year Plan and that there are real prerequisties for the fulfillment of planned inventories also for the year 1983. However, we have not been successful with the equalization of inventory development in the course of a year when temporary inventory gluts occur to the amount of 5-10 percent against the planned year-end condition.

One of the substantial causes for this imbalance are the inventories of finished products destined for export, the production of which is, according to the agreement on the preparation of deliveries, binding for producing organizations, but the OZO's [foreign trade organizations] take the products if they have a concrete customer. This onesidedly binding relationship shows especially in the first 9 months of the year when the production organization dealing in export is actually being penalized for having to live up to a given obligation.

The SBCS [State Bank of Czechoslovakia] neither gives credit for the accumulated finished products for export during the year nor subtracts them from the end-of-year inventory in the regular valuation of its development. In fact, the inventories destined for export, produced in agreement with the contracts about the delivery preparation, are considered to have an unsecured demand, and the SBCS requires another confirmation of their salability.

Motivation, Structure, Financing

In our ministry we have adopted a number of measures for the inventory area. The turnover term for inventories is stated in all organizations of our ministry as the binding limit, connected with personal material motivation in the case of all leading workers of VHJ's and enterprises who manage the inventory development or have influence on it. For instance, in the VHJ

Heavy Machinery Works Martin, sectoral directors in the general management and enterprise directors were affected in a corresponding way in the course of 1982 on the basis of a check on the adopted measures.

The sorting out of unused inventories according to the notice (SBIRKA No 49/1981) on managing unused inventories should be considered a permanent task. As long as excessive unused inventories arise, it will be necessary to decide on their utilization immediately or during the sorting-out of tories at the latest. Concurrently, orders for the following period must be adjusted and, as long as these inventories cannot be utilized inside the organization, they will be offered to other organizations for sale or for an arrangement of sale.

Table 2

The development of total inventories in the FMVS in the years 1981-1983

	1981	1982	1983
Material inventories (Kcs million)	18,383	18,473	18,880
Unfinished production (Kcs million)	9,770	10,228	10,616
Products, subdeliveries and other inventories (Kcs million)	3,924	3,937	4,074
Merchandise of sales organizations	13,658	13,198	13,010
Total inventories (Kcs million)	45,735	45,836	46,580
Index of inventories growth, total (percent)	103.7	100.2	101.6
Index of performance growth (percent)	104.2	103.2	104.2
Turnover time (days)	137.24	133.32	129.99
Planned turnover time according to directive (days)	137.37	134.63	130.06

Prices, organization and method according to year 1983.

We will strive to improve the structure of inventories of sales organizations while securing their optimum level for a fluent supply to the whole national economy. The point is to make especially the inventories with long-term turnover correspond to the demand so that they do not accumulate unnecessarily. That is how the desire starts to compensate for them with short-term turnover inventories which further increase the state of total inventories.

Further, we are going to orient ourselves toward a maintenance of inventories in the course of the year. This way we want to remove the problem involved in keeping up their planned condition at the year's end. Primarily vacation time orders have a negative influence on an even development of inventories.

We are striving for a uniform development of inventories during the year and individual months, resp. quarters so that fluctuations of greater significance do not occur. In regular monthly consultations with general managers, in consultations with business and economic managers of VHJ's we will keep paying attention to inventory development in the evaluation of the plan's fulfillment. In case of an unfavorable inventory development we shall adopt such measures that will secure the adherence to the planned tasks.

In cooperation with the State Bank of Czechoslovakia we shall strive for a fluent financing of the inventory volume defined by the plan. If it is exceeded, the financial means are usually lacking, and inability to pay arises. The consequence is an increase in undesirable, non-productive costs (fines and penalizations) which make practically all decisive indicators worse.

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CSO: 2400/174

BRIEFS

EXPANDING AUTOMOBILE PRODUCTION--Waiting periods for purchasing factory-new Wartburg automobiles, which according to statements by GDR citizens currently amount to 10 years or more and are a real bone of contention among the population, may possibly be reduced in the years to come. According to information from the Eisenach automobile factory, Wartburg production is to increase substantially beginning in 1984, initially by 10,000 cars. At the present time, the Eisenach automobile plant quotes a daily production figure of 400 cars. All told, 180,000 automobiles were manufactured in the GDR in 1981 between Eisenach and Zwickau ("Trabant"). The planned production increase in Eisenach is to be accomplished by a "rationalization push." In this connection, about 1,600 employees are being prepared for new tasks. "Discussions" are currently being held with production workers, aimed at pursuading them to work in three shifts, in some cases in the so-called "roll-over" week, according to reports from the automobile plant. While only 20 percent of the production workers have participated in the three-shift system up to now, this number is to be raised to 40 percent as of 1 April 1984. The "discussions" stress the great economic and political significance of expanding the automobile production. [Text] [Bonn IWE TAGESDIENST in German No 179, 7 Dec 83 pp 1-2]

STATE CONTROLS PRIVATE HOMES--Private homes in the GDR are not completely exempt from state housing policy. Under certain conditions, they fall under the jurisdiction and control of the state housing authority. Although private homes are primarily intended for use by their owners, the state has the legal authority to avail itself of space in "under-occupied" dwelling in case of local housing shortages. The allocation of space to others does not affect the individual's ownership of the home. [East Berlin NEUE JUSTIZ in German No 12, Dec 83 p 503]

SO: 2300/271

MANAGERS EXPRESS MIXED VIEWS ABOUT '84 PROSPECTS

Budapest MAGYAR HIRLAP in Hungarian 4-6 Jan 84 p 7

[Telex answers from enterprise directors general to question: "What do you expect in 1984?"]

[4 Jan 84 p 7]

[Text] What do you expect in 1984? This is the question we asked the heads of two dozen enterprises that play a decisive role in their respective industries. Their telex answers to MAGYAR HIRLAP differ in many respects but are unanimous in that our enterprises have appraised this year's challenge and anticipate a tougher test of strength than last year which, incidentally, was not an easy one either. In the following we are publishing the answers we received, in slightly abridged form.

Dr Jozsef Virag, director general of Ganz Electrical Works (Ganz Villamossagi Muvek): We cannot expect the external conditions of economic activity to be easier in 1984. Knowing the modifications of the economic regulators, we can establish that particularly the resources available for development and debt servicing will be limited, which will make exceptionally difficult the realization of technical development plans that require also investment. Due to the constriction of the investment market, the only way to increase our production is through the expansion of export. A good sign is that our order book is almost entirely ensured. We hope to obtain more evenly than in 1983 the cooperations and capitalist import necessary for our 14-million-dollar nonruble-denominated export and 32-million-ruble socialist export. We hope that the economic regulators will not change during the year, and that both the moral and material appreciation of good specialists in industry will improve.

In spite of the approximately 100-million-forint ripple effect of the higher prices of cooperation and materials this year, we have set as our goal the attainment of the 1982 profit level and profit volume, through cost reductions and other measures. This will permit an approximately 3-percent rise of the wage level. Because of the tighter regulations, we will be able to meet only partially the installments due on our credits, but we will try to keep the rescheduling of our credits as low as possible.

Zoltan Gombocz, director general of Chemolimpex [Foreign-Trade Enterprise for Chemicals]: I expect that the recovery of the international chemicals market, noticeable since the middle of 1983, will continue also in 1984, because for us this will mean more favorable marketing opportunities and higher export prices. Although we have become accustomed to the fact that everything is in motion and undergoing change, I am hoping for a quieter period of enterprise activity so that my fellow managers and I will be able to take at least half of our vacations.

Janos Vad, director general of the United Chemical Works (Egyesult Vegyimuvek): For 1984 we have orders for about 3.0 billion forints, which is substantially more than our production capacity. Unfortunately, fulfillment of these orders is being hampered by three factors: the limited possibilities of procuring imported raw materials; the manpower situation, respectively the national wage and manpower regulations that are not conducive to the expansion of production; and the shortage of development resources. Yet the chemical industry should be developing its output at a faster rate this year than the average for industry. We expect the recovery of the capitalist market to continue, but it will be difficult to take full advantage of this recovery because of the obligation to supply the domestic demand.

Ferenc Kralik, director general of Elektroimpex [Foreign-Trade Enterprise for Telecommunication and Precision Engineering Products]: We will strive to expand the circle of products suitable for export to capitalist countries, and to utilize also the advantages inherent in "small export." We hope that the regulators for industry will provide more incentive to increase hard-currency earnings. We will continue to do everything possible to further intensify our existing relations with the CEMA countries and to fulfill our obligations.

Jozsef Zambo, director general of Danuvia: I am confident that collaboration among enterprises that takes mutual interests into consideration will ensure the improvement of cooperational relations. I expect that the price system's modification and the streamlining of income regulation will have a favorable effect on the activity of enterprises that are producing modern products for demanding markets, using a large industrial technology base.

Jozsef Kovacs, director general of the Industrial Concrete and Reinforced Concrete Works (Beton- es Vasbetonipari Muvek): I expect first of all that the enterprise's adjustment to the substantially changed economic environment of the construction and investment market will continue as successfully as in 1983. And within this, that the output of products will better satisfy, in terms of quantity and quality, the demand for prefabricated concrete and reinforced-concrete components used in housing construction undertaken by the population; and that production in the new capacities for concrete beams and joists will successfully rise to the planned levels. I am also hoping that we will be able to participate at least at last year's level in the production of prefabricated structural components for the construction of schools, kindergartens and day nurseries. That we will be able to maintain the enterprise's profitability and solvency, and our workers' attained living and working conditions and their level of earnings. And, last but not least, that the conditions in public life will be peaceful and quiet, because that is essential to construction and creation.

Gyorgy Andrasovszky, director general of the Brick and Tile Industry Trust (Tegla- es Cserepipari Troszt): The workers of our industry exerted exceptional effort in 1983 to supply the population's demand for construction materials. We significantly overfulfilled our production targets and increased our output of modern products that save heat. We expect the demand for construction materials to build family homes will remain high. Therefore we believe that, in the wake of the measures we adopted, the experienced trends will continue in the realization of our development projects, and also in our economic activity geared to the stricter requirements.

[5 Jan 84 p 7]

> [Text] In yesterday's issue we began publishing the telex answers of the directors general of the decisive enterprises in their respective industries, to our question as to how they regarded their 1984 prospects. Today we are continuing the answers.

Dr Ferenc Szabo, director general of the Danube Iron Works (Dunai Vasmu): This year the collective of the Danube Iron Works has the opportunity to complete an even more successful year than last year. The marketing of our products is ensured. Most of the basic materials required for production are available. If the system of regulation becomes more flexible, we will be able to contribute significantly also toward improving the economy's balance of payments. We are confident that also the construction of the coking plant, one of the largest investment projects of the national economy, will be speeded up, with the help of the planning and contracting enterprises.

Lajos Dozsa, director general of MAT (Hungarian Aluminum Industry Trust): The management of MAT figures that the national economy will be able to meet its international payment obligations only by continuing to curb import. This necessarily means the application of a selective investment policy in the entire economy, and in industry in particular. On the whole we expect a very tough year for the national economy in 1984, but with signs of improvement. Taking advantage of the opportunities that economic recovery provides, and also of the results of technical development in recent years, in 1984 the Hungarian aluminum industry wishes to continue its dynamic growth similarly as in 1983, in terms of output and nonruble-denominated export. Our quantitative indicators are generally 10 to 15 percent higher, and our efficiency indicators 40 to 50 percent higher, than our last year's results. We hope to increase the wage level of the workers at our trust by 5 percent. By developing new nonruble-denominated markets, we wish to sell products of an ever-higher degree of fabrication. Through intensive energy-conservation, technical and organizational measures, we will strive to make our energy consumption more efficient, and by improving the quality of organization we will ensure the prerequisites for the application of modern electronic computers. By raising the wage level, employing wider wage differentiation and improving the working conditions, we wish to make our industry more attractive, achieve a turnaround in manpower management, and alleviate the manpower shortage that is causing us substantial losses. We believe that we will be able to achieve our objectives even if conditions prove somewhat less favorable than last year.

Mrs Jozsef Szabo, director general of Hungarotex [Foreign-Trade Enterprise for Textile Goods]: We are operating in an industry that has been affected the most severely by world recession. Last year started under very adverse conditions; in the weak and uncertain market we encountered growing competition. During the year the world economy improved, and it may be regarded as a great achievement that--in spite of a declining work force and the difficulties in the supply of basic materials--the Hungarian textile and clothing industry increased its production and Hungarotex was able to expand its capitalist export in 1983 by 8 percent over 1982. For 1984 our enterprise set for itself the objective a repetition of the results attained by the end of last year. We wish to expand our capitalist export at a similar rate, and in our socialist export we anticipate an expansion of 4 to 5 percent. We do not expect any substantial change in market conditions, and this continues to set very demanding requirements for us.

Dr Ilona Tatai, director general of Taurus: In December 1983, Taurus closed a very successful year. Production increased by 8 percent; nonruble-denominated export, by 21 percent; and ruble-denominated export, by 26 percent. Our profit is around 1.3 billion forints. The enterprise's policies remain unchanged for 1984. We will increase our production by 5 percent, for the expansion of export; our nonruble-denominated export, by 10 percent; and ruble-denominated export, by 5 to 6 percent. Accordingly, incomes at Taurus will rise at a rate above the average for industry. To achieve the planned objectives, we will have to tighten cost control. We will introduce a new system to control the consumption of materials and energy in the interest of further economization, and we will raise productivity through new organizational measures. In spite of our limited resources, one of the biggest tasks of technical development this year will be the market introduction of marine hoses for petroleum. Further progress of cooperation among the CEMA countries' rubber industries permits the improvement of domestic supply and provides export opportunities. In the domestic economy, strict but better-balanced import control can be expected. Marketing opportunities will improve in response to the capitalist economy's slight recovery and as a result of negotiations at the governmental level. The system of regulation for 1984 will improve the economic conditions of the successfully operating enterprises. For example, the development of incomes will be linked more closely to enterprise performance, and there will be a stronger incentive to export. I believe that industry's 1984 tasks will be more difficult than they were in 1983, and more intensive effort will be necessary to achieve the planned objectives, but we can nevertheless expect better results than in 1983.

[6 Jan 84 p 7]

[Text] This is the third and last installment of the telex answers that MAGYAR HIRLAP has received from the chief executives of the leading enterprises in their respective industries, to the question: What do you expect in 1984? We hardly need to comment on the views expressed in the answers. But it can be immediately established that the expectations are based on a realisitic assessment of the situation, and that they also reflect the enterprises' entrepreneurial spirit.

Dr Lajos Tolnai, director general of the BVK (Borsod Chemical Combine): The BVK learned how to answer the world economy's challenge and bottomed out in 1983. During the years of recession it transformed its structure. At a rising production value of nearly 11 billion forints, in one year it saved sources of energy equivalent to 100,000 tons of petroleum products. Taking advantage of the rapidly growing demand for our products, in 1984 we intend to increase our production and to expand our dollar-denominated export, while continuing our import substitution at home. We will continue and expand also our intellectual export that earns us 6.0 to 7.0 million dollars a year, at a high rate of profit. With the help of the World Bank, we intend to continue the rapid change of our production structure, because the foundation must be laid now for the results through the rest of this decade, at both the microeconomic and the macroeconomic level. The production task and the structural change can be achieved solely through self-financing, but only if the organs managing the economy provide the necessary assistance.

Tibor Lakatos, director of AGROKER [Agricultural Supply Enterprise of Pest, Nograd and Komarom Megyes]: I expect better coordinated and more plan-conforming preparation of decisions, the substantiation of production's material and technical conditions with contracts, and timely modification of the economic regulators. On the other hand, it would be a good thing if there were fewer central measures that influence the operation of the enterprises . . .. At the same time the liquidation of unprofitable organizations should proceed less tolerantly. It would likewise be good if at least the medium-range development concepts of the basic branches were clarified unambiguously. At our own enterprise I expect that the conditions of independent enterprise operation will be strengthened, the market will become stabilized, and the decline of profit will slow down. I believe that it is important to strengthen the sense of ownership and responsibility, and to achieve a harmony of the rights and obligations of the democratic forums.

Istvan Papp, director general of the Institute of Energy Economy (Energiagazdalkodasi Intezet): We will begin to organize fulfillment of the more than 100 million dollars of additional export targeted for the 7th Five-Year Plan, and we will strengthen the institute's strong points, i.e., projects for the development of the electric power industry, and energy conservation. We will help to restore the external market's equilibrium also through significant import savings.

Dr Imre Gellai, director general of the Danubius Hotel and Spa Enterprise (Danubius Szalloda es Gyogyfurdo Vallalat): Hungary's attraction to international tourism will not subside and will even increase slightly. For the enterprise this will mean an increase in the number of foreign tourists visiting its spas. We are ready for this influx, and with the start of the 1984 season we will open the enterprise's third spa hotel, the Hotel Aqua in Heviz. I expect that this year hard currency will again account for the larger proportion of our foreign-exchange earnings, but at the same time we will continue our discount offers for the domestic population. Thereby we wish to better meet than last year the other main objective of the national economic plan: the further improvement of the population's living conditions.

Lajos Menyhart, director of the Danube Intercontinental Hotel: Briefly stated, I would like to see more effective aid for the profitably operating units, and better financial recognition of good workers. Other sectors and areas also will have to cooperate in our efforts to significantly improve the services we offer foreign tourists. I would like to see our occupancy rate improve by 3 or 4 percentage points, and to cater to many organized events. To this end we will complete the hotel's remodeling as soon as possible, so that our swimming pool may be opened for our guests.

Dr Mihaly Muszbek, economic director of the Skala Cooperative: Just as one expects continuous growth of a sports team that is in good training, customers expect better results also of the Skala Cooperative's collective. We will open new department stores in Budapest and Tatabanya, and we hope they will be at least as popular as our department stores already in operation. The main prize in domestic trade's 1984 race is the further confidence of the customers, to be won with special emphasis on the quality of the merchandise. We hope that our industrial suppliers will be demanding in evaluating quality specifications, because competition is heating up not only in the foreign market.

Kalman Kaszas, director general of the Centrum Department Stores: What do I expect? First of all, further improvement of supply by domestic industry, stable economic regulators, and realization of the population's planned purchasing power. I would like to see Centrum's supply adjust the most closely to the domestic demand, our personnel problems diminish, and our workers retain their present willingness to work.

Tamas Beck, president of the Chamber of Commerce, director general of BUDAFLAX (Flax Spinning and Weaving Enterprise):

Our primary task this year is to keep our country solvent, by managing prudently and purposefully the relatively meager resources and capital available to us. During the new year we will exercise utmost economy in every area and at every level of the enterprise's operation. We intend to boost the commercial role and activity of BUDAFLAX through the application of new forms and methods.

We must expand the physical volume of capitalist export efficiently, by 10 percent. We plan to improve the enterprise's net earnings of foreign exchange, by cutting back capitalist import. On the basis of an agreement concluded with the Lee Cooper Corporation of the United Kingdom, fashionable blue jeans bearing the Lee Cooper label will be produced domestically to broaden the assortment of casual clothes. In 1984 we will expand our ruble-denominated export by 34 percent. I am confident that the collective of our enterprise will hold its own also in 1984, by working together in a disciplined manner, and that a year from now they will be able to claim significant economic results, just as in 1983.

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FURTHER INFORMATION ON POLONIA-TYPE FIRMS

Activities Summarized

Krakow ZYCIE LITERACKIE in Polish No 40, 2 Oct 83 p 3

[Article by Barbara Seidler]

[Text] It is a slippery topic on which people are divided in their opinions. The several years of operation of Polonia-type enterprises in Poland have aroused both interest and controversy. There is no question but that these enterprises are a new thing in our socioeconomic system.

Amid the atmosphere of international detente, good economic results and bold programs, the decision was made to prepare a governmental draft plan for cooperation with Polonia in capitalist countries. Such a plan was prepared and approved. That was in 1972. The number of people with Polish ancestry scattered around the world has not been determined. It is believed that there are at least 10 million, and some put this unknown at 18 million. In one way or another, however, it is known that many enterprises belonging to Poles and run by them are in operation worldwide. It is estimated that in Canada there are about 6,000, in Great Britain there are about 3,000, in France there are about 1,000 and there are several hundred each in the FRG and the Scandanavian countries. There is a lack of data from the United States. It is known that there are Polish firms in the West, that many Poles hold important positions in various enterprises and corporations and that some of the emigrants scattered around the world have certain sums of money that are nonetheless too small to be used to build their interests in the capitalist system.

It was not as easy as it seemed to work up good contacts with Polonia. More than one obstacle had to be surmounted on the road to the cementing of cooperation, and sometimes one simply had to rein in and wait. In 1975 the first economic meetings were held as confrontations. The next year the name Polonia Economic Forum was adopted and the meetings came to be held regularly during the International Poznan Trade Fair. In May 1976, the Council of Ministers issued a decree regulating the conduct of several kinds of economic activity in Poland by foreign corporate bodies and individuals. They restricted the area of such activity to handiwork, domestic trade and gastronomic services, the hotel trade and production and services activity. The legislators intended that Polonia capital should be the major investor.

Within a year, voivodship governors granted licenses to three firms to conduct activity. By the end of 1982, decisions had been made in 499 cases, with 374 licenses granted and 125 requests denied. In each subsequent year, more and more people have cropped up that wish to conduct activity in Poland. And so, in 1978, 9 licenses were granted, in the following year, 18 were granted, a year later, 46 were granted, then 68 and the year 1982 closed with 230 licenses having been issued that year. This brief summary shows that neither the crisis nor martial law stopped those that were determined to invest a little to get a quick return. Some Polish emigres caught the wind in their sails and, having a flair for business, set up enterprises to supply an absorptive market with what was lacking and what could be produced quickly with a minimal outlay of costs. However, they were also able to set a price that was disproportionately high compared with their costs, since people would buy it anyway: shampoos and baking extracts, blouses, trousers and purses. Consumers complained that the shampoos did not foam and that the trousers were made from poor quality velveteen but were nonetheless expensive--however, nothing else was available.

What is the subbranch structure of the foreign enterprises joined together in the Polish-Polonia Industry-Trade House INTER-POLCOM? The largest group is made up of clothing manufacturing enterprises (76), followed by plastics processing enterprises (41), handbag-furrier's enterprises (27) and wood products and precision tools products enterprises (24 each). There are enterprises of the economic, mechanization, hosiery, construction, phonographic, jeweler's and even the advertising-decorator's subbranches (the latter is apparently to allow for expansion, although four enterprises, we must assume, are not working without profit). There are also firms that work on the distribution of parcels (there are nine such firms). Most of the firms belong to the citizens of the FRG, Great Britain, the United States, Sweden, Austria and France. On the average, the firms employ 30 people, although there are some that employ 200 or more.

In 1982, the value of investments that were carried out was about $4 million and 1.5 billion zlotys. The level of investment commitment varies from several thousand dollars to $300,000. Investments are executed rapidly (they generally take 6 months to be readied for production). A small investment, a brief setup period and all of a sudden production and profit. The machines are working full speed ahead. Stoppages cost 4 to 8 hours per month.

When the Polonia-type firms came into existence, it was said that they would use imported raw materials. Meanwhile, PIH [State Trade Inspectorate] studies show that the domestic market is the major source of producer goods for foreign enterprises. Eighty-seven percent of the producer goods supply comes from Polish factories. During the course of a 9-month check made in 1982, these enterprises purchased goods valued at 517 million zlotys (2.3 percent of the total value of goods supplied to the market) and valued at 183.4 million zlotys (2.2 percent of the total value of goods) in trade directly from the manufacturers of state-controlled enterprises.

This is not the way it was supposed to be. Although the regulations in effect do not prohibit such practices, the legislators counted on other, imported sources of producer goods. But there is also the other side of the coin. Through the clearing of accounts, Polonia-type firms that purchase materials directly from the producer acquire spare parts for machinery and bring them in from the second payments area [capitalist countries] for dollars. Thus, for a domestic producer, a client in the form of a Polonia-type firm is much more valuable than socialized trade or Polish clothing manufacturing plants.

There is no social justification for the taking over of big lots of goods from state-controlled trade (and the most attractive items at that), although there are gaps in legal regulations through which the cleverest are able to squeeze. But the cleverest people are not always honest. For example, one of the firms, Top-Mart, purchased cotton textiles from the Ceba Clothing Industry Plant in Czestochowa (supplying, of course, in the clearing of accounts, parts for looms and spinning frames, among other things), but gave the orders for sewing the clothing to the Medo cooperative in Kepna and then sewed in its own label, stitched on buttons and sold the pants for 4,000 zlotys a pair, while they would have cost 1,800 zlotys at most, had they had a Polish label. This is a clear example of dishonesty. It should be pointed out, however, that in general Polonia firms make fashionable goods. They rummage through the pages of magazines, set up their machinery and supply the stores with the latest that Burda has to offer. Polonia firms do not sell cheaply, but inflate their prices, for these are contract prices that do not always reflect the actual costs outlay for manufactured goods. In Poland manpower is cheap, even very cheap. Average employee earnings, estimated at 14,000 zlotys, are actually near the average for key industry. However, nearly everyone employed in production receives this average; moreover, the work is well organized, there are no stoppages, workers are happy and the entrepreneur calculates that productivity is considerably higher in his plant than in key industry, for with the same average wage, the time allowed for efficient work is used in full. In other words, it is very profitable for a foreign entrepreneur.

The tax relief also makes it profitable for him. By the end of 1981, the period of exemption from income tax was 2 years. At the beginning of last year, this was extended to 3 years. Nor is the turnover tax of less than a few percent very high. The income tax is progressive (50 percent on 500,000 zlotys) and becomes linear for higher figures. Such provisions give a clear advantage to Western firms by comparison with Polish craftsmen, for example. That is why our craftsmen are justified in asking why they must pay 85 percent on sums over 480,000 zlotys. Foreign businessmen hire Polish directors. They pay them about 30,000 zlotys per month, for the most part, they give them a car, require them to take initiatives and make them hassle things over with officials. On 6 July 1982, the Sejm passed a law that had been lobbied for by the representatives of Western firms. The law proclaims that the establishment of the enterprise must be preceded by a bank deposit for $10,000 to $15,000. The deposit may be withdrawn when the investment has been started. The firm pays a turnover tax of 6 percent and it must have a plenipotentiary, a Polish citizen. The owner, his children and his family may spend the zlotys earned as profit from the enterprise activity.

Three enterprises specialize in the servicing of the export and import of Polonia firms: Polimar, Remex and Dynamo. That is because an enterprise must export in order to be able to import. Enterprises export 4.4 percent of their production. Last year [1982] foreign-Polonia firms exported goods and services valued at $25 million and they imported $12 billion worth of goods and services.

Seven years have passed since the first foreign enterprises were established in Poland by three Polish emigrants--Lothar Grabowski from the FRG, Stanley Szewczyk from Canada and Ryszard Markowski from Austria. In an economy, 7 years is a very long time. The Polonia-type firms inscribed themselves upon the countryside situated along the Wisla, and the value of their goods and services at the end of 1982 was 17.7 billion zlotys, for a six-fold growth over 1981. When they are accused of outbidding others to purchase materials for the clothing manufacture subbranch, they retort: we paid out $500,000 to buy components and raw materials. Sometimes they are even involved in governmental programs. For example, Impol produces heliotropic equipment for the blind, Poltrade makes chemical preparations for activating batteries and Vidiomex produces drill bits for masonry equipment, lathe tools and saws that formerly were imported.

Not long ago the representatives of firms and those interested in investment in Poland were presented with a document concerning the directions of development of coproduction cooperation with Polish enterprises. In short, we would like to interest them in fodder production, hog raising and the production of building materials, insecticides and medicines.

Roughly speaking, the following complaints are made against Polonia-type enterprises: a small part of profits (less than 20 percent) is designated for investment. In 1982 their investment outlays in convertible currencies amounted to $7.7 million. Per dollar invested, after all taxes were paid, there was 750 zlotys profit. About 30 percent of the firms use domestic raw and other materials exclusively, 40 percent derive half of their producer goods from Poland and only 9 percent use only imported raw materials for production.

The social claims are more serious. They are obvious, evident to the naked eye: the prices of articles are inflated and the quality is not the best. Of course, this is not so of production in all enterprises. But the charges are readily applicable in general, for the firms are a breach in our economy and as such, they should not make mistakes, since we make enough of them ourselves.

The firms representing foreign capital are privileged by comparison with native handiwork and domestic small-scale production. This too is irritating, and angers those that would like to start up some sort of production.

What is the most offensive from the societal viewpoint, however, is the fine stratum of people employed in managerial positions in foreign firms. The 12,500 employees are not the question here--the seamstresses, the construction foremen and the other manual laborers. They do honest work, quietly, with good organization; they do not shatter one's nerves, and their work and not their connections are considered. They are treated properly; they receive

Christmas cards; sometimes the employer pays for a theater ticket for them and sometimes he funds a vacation for their children. Those in question belong to a small group of some managers that have impressed their cunning and their organization upon the owners that have their offices far from the Wisla shore enterprises. Of course, not all plenipotentiaries, representatives, directors and managers are such people. The better and the more honest someone is, the more humbly he behaves. Unfortunately, there are also those that people ascribe to the IWA caste. IWA is a sign on the dashboards of the automobiles they use. This IWA caste swaggers arrogantly in hotel restaurants, at gas stations and at the Pewex. They exchange dollars at black market prices and--sometimes with their principals and sometimes on their own--they speak with contempt of the humdrumness, the shortages and the sort of life one must live--which is not caused by society, after all. That is why, when one speaks of foreign enterprises, one must look not only at the labor organization, the models they set up for us, but also at everything, including the fact that some owners invest little and would like to get rich quick by taking advantage of inflated prices, and their representatives sometimes demonstrate arrogantly that they belong to another, supposedly better, caste.

Problems, Possibilities

Bialystok GAZETA WSPOLCZESNA in Polish 12 Oct 83 p 6

[Article by H. Przygoda]

> [Text] They have been a fact of life in our market for several years. More than 400 of them exist at present. They operate in Poland on the basis of executory regulations of a law dated 6 July 1982. Merchants say that they enrich what our market has to offer. The private production-trade sector views them askance as the competition, while the Polonia-type firms themselves...?

They complain of the lack of a good atmosphere and sense of stability that result from the often changing executory regulations that do not regulate in full all matters related to the investments of foreign capital (this regards tariffs above all).

While in theory they ought to export as much as possible, practically speaking this is not favored by the current production structure. For as it now stands, Polonia-type firms are merely supplementing the (temporary) shortages of light industry with their products. For this reason too, the goods they produce are in demand in Poland, but are difficult to dispose of on thriving Western markets.

Taking advantage of the temporary lethargy of the chemical industry, several Polonia-type firms went into production of cosmetics and washing-laundering agents. But these products found no market in the second payments area and even our consumer, who is easy to please, turned up his nose at them. So the firm buys Polish linen for zlotys, sews tablecloths from them, sells them on Western markets and, for the currency he obtains, develops his machinery for making poor quality cosmetics.

And so, on the one hand we have the favorable (?) supplementing of the market stressed by merchants, while on the other we have the opinion of Minister Zygmunt Lakomiec (MHWiU) [Minister of Domestic Trade and Services] who assures us that our producer-goods problems will end by 1985.

This situation leads us to expect that the authorities that grant foreign investors licenses to begin production will not continue to be influenced by temporary producer-goods shortages, but over the long term, will take into consideration those subbranches that do not expect a production increase.

There are those that maintain that thus far, Polonia-type firms are not moved so much by sentiment or the intention to satisfy real needs, as by the desire to take advantage of the economic situation and the looting of the average consumer's pocket.

At the beginning of September, the residents of Bialystok were presented with goods valued at nearly 70 million zlotys produced by 64 firms, within the framework of the First Polonia Meetings. The offerings were no revelation; the assortment did not differ from what is currently being produced by our trade, something "industry winced at."

Ready-made clothing, knitwear, footwear, costmetics and small consumer items dominated. There were also a few batteries (at black-market prices), a few toys, some pieces of pottery and some jewelry.

In all fairness, it should be admitted that among the Polonia-type firm items displayed at the Meetings, there were a few products of good quality that were also priced moderately. These were contracted for immediately by the patron of the exhibit--the Bialystok WPHW [Voivodship Domestic Trade Enterprise].

The merchants succeeded in picking out of the trash heap what was affordable by the average consumer. The Polonia-type firm counters at the Nowy DT [Department Store] will already begin to carry this quarter, under the "Zbyszko and Jagienka" label, warm weather jackets of shiny nylon, quilted vests and knitted products--produced by Interbomag, Romat, Interkom and Konsoprod. Pants of polished cotton and velveteen, jeans and overalls are already on sale and will continue to be sold.

The WPHW, however, set up a small contract with the producer of ladies' tights, believing the price (from 290 to 500 zlotys) to be too high. They were also cautious in contracting for the goods of footwear enterprises (Elizabeth-Pol), ordering only 2,000 pairs of year-round ladies' shoes and waiting for Adidas footwear and winter-type footwear that have been promised (Bumet plans to begin production this year).

The merchants thus made the sensible decision to order only those Polonia-firm items that are not priced outrageously and that are still in demand, while they refrained from provoking customers that would see inferior-quality satin, provided with a ladies' designer label and a price of 13,000 zlotys.

It is doubtful that Polonia-type firms will continue in the market, since people have begun to speak ill of the quality of the goods they produce, and the market is not so absorptive as it was a year ago. What's more, domestic industry has begun to produce more rhythmically; domestic trade has taken the offensive, lowering prices.

Thus everything points to the fact that very soon producers will begin a healthy competition for the attention (and the pocketbook) of the consumer.

Consequently, Polonia-type firms have two avenues open to them: either they must produce what will really supplement market shortages, or they will have to submit to the competition, lower prices and improve quality.

Potential customers assess the Bialystok Polonia Meetings very critically. They say that the inflated prices can only demoralize the decent producers that still exist. I agree with them entirely.

Expectations, Achievements

Krakow GAZETA KRAKOWSKA in Polish 11 Oct 83 pp 3,4

[Article by Wojciech Zurawski; materials enclosed between slantlines printed in boldface]

[Text] There is no point in chronicling the work of Polonia-type firms in Poland. Most of the myths associated with the saturation of the market, the supplementing of the offerings of domestic trade and small-scale production and the introduction into Poland of expensive, modern Western technology have not been confirmed in all cases. This runs from the words full of euphoria, guarantees to the authorities regarding special preferences, to the censure, the negation and the public expressions of dissatisfaction. The economy, like no other field of public life, does not recognize compromises. Reality counts here and money determines basic utilitarian value. When the most recent of the series of Polonia Forums was held during the International Poznan Trade Fair, the idea was hatched of legal regulations that would serve as a basis for the existence of foreign firms in Poland. It appeared then that both sides wanted to take advantage of the favorable situation: the administrative authorities in the form of the Ministry of Finances, the Ministry of Domestic Trade and Services and the Ministry of Foreign Affairs and Polonia, scattered all over the world. As time went on it became evident that the matter had become a free-for-all and basic errors were being committed.

Expectations

Expectations regarding the influx of Polonia capital were very great. Very quickly, however, it became clear that only small-scale production was being brought in. A law in preparation on stock companies, mixed capital and the leasing of frozen investments that would parallel the law on foreign firms did not see the light of day.

On the other hand, it seems certain that no one anticipated such an interest in investments in Poland. Poorly constructed economic mechanisms and the constant uncertainty regarding the intentions of legislators did not encourage the making of large capital investments here. The expected technological shot in the arm did not reduce fundamentally our technical backwardness or rebuild fixed assets in some sectors of the economy. We promised ourselves that the quality of our products would equal world standards. In many instances, however, this did not happen. /When martial law was imposed, the economic sanctions applied solidly against our country by the capitalist states caused tremendous losses that still affect society. That is why during this difficult period, contacts with Polonia businessmen were a salvo and an example of the fact that economical management is stronger than a favorable trade policy./ At that time we needed those foreign firms to be able to show our people and especially foreigners that the freedom to effect certain structural solutions still exists and that the authorities are fully credible in this area (both of which are true). The data is not unimportant that shows that during martial law, as the Polish government expected, contacts with Poland did not stop despite the orders of the authorities whose citizens are the owners of the enterprises. We forget this too easily today when we have succeeded in rebuilding part of the positions we lost in international trade. /The public censure of economic sanctions during two economic forums--first in 1982 by Bohdan Graff, president of the Great Britain Club of Industrialists and Merchants of Polish Origin and then during the 1983 forum by Tadeusz Kutek, also from Great Britain--showed itself to be more than a matter of courtesy, but also an expression of a certain attitude of these people regarding Poland./

Excessive propaganda with regard to Polonia-type firms aroused unhealthy emotions in society. Adulators forgot about the scale of possibilities and the minimal overall impact on the domestic market. Those that wish to destroy these firms exaggerated the potential danger and argued that the working class was battling high, undeserved earnings, the squandering of money, price increases and the lining of Polonia pockets with hard earned zlotys that are exchanged for dollars illegally among merchants.

Fulfillment

The law passed by the Sejm in July 1982 provided the legal bases that was in accordance with the demands of the Polish-Polonia Industry-Trade House INTER-POLCOM, the firms, the owners and the government. It was based upon the principle of a 50 percent maximum income tax, a turnover tax on sales of about 6 percent and a 50 percent surplus between export and import--at the end of the fiscal year--of the state at the official exchange rate for zlotys. These rules of the game were applied to firms establishing their production plans. Many of them had production-task programs and coproduction agreements with enterprises that lacked the foreign-exchange funds to purchase spare parts, components and the like.

/Today we no longer remember the queues of people waiting for Inter-fragrances shampoos, Polonia-produced juices, the first perfumes, batteries and the like. The somewhat quieter market does not make the fuss it used to over the goods of foreign enterprises; they are sold in the regular stores, often in the same gray wrappings as items from the regular key industries./ And it is here that we reach to most important issue. /Anyone that thought that the Polonia firms would not accept our rules of the game was sadly mistaken. Economic laws are relentless; the lack of competition and the possibility for selling everything automatically lowers the jumping bar./ The same Poles work in these firms as anywhere else. The fact that the organization is good, that there is a little more money for advertising and that there is more concern for fashion in no way changes the picture--/the Polonia-type firms imbibed the same negative phenomena with the milk of the economic reform as we observe in State enterprises./

When I took part in the June Polonia Forum-83, I saw the reaction of businessmen to the timid suggestions of the representative of the Ministry of Finances regarding important changes in the July 1982 law; I saw their surprise and wonder. / No one could understand how a new law was to be put into effect, when the executory acts for the old law were still incomplete. Where were the confidence in the authorities and the sense of stability indispensable for conducting foreign interests? / Let us not forget that neither in the United States, in Switzerland, in the FRG nor in many other countries do businessmen receive any security in the bank in the event of bankruptcy. What's more, they do not receive credit for their investments in Poland, for we are one of the locations that has an especially difficult fiscal-political structure. The proposal for regulating the turnover tax by taking into account governmental preferences for concrete sectors of the economy in which the firms operate was viewed hopefully. Unfortunately, as it happened, these preferences were to change every 12 months. /While our situation is understandable, since economic stability progresses each year and each year we are able to cross off another sector from the so-called zones under the protection of the government, how can production be adjusted to yearly changes? Is it then any wonder that there are so many that wish to produce clothing? There is no input of machinery, and whether one sews work clothing for miners, children's sleepers in short supply or ladies' dresses, one can always find oneself in a government program./ The situation is worse with regard to optical and electronic equipment, footwear and furniture.

Surprise

Since 1 August, new regulations have been in effect regarding Polonia firms. They cover the change in the turnover tax, the income tax and the export system. Practically speaking the /turnover tax will have the least effect upon firms, and the greatest upon society. The reason is that according to the law, this tax will be added to prime costs and the product automatically will be sold at a considerably higher price. But again people will say that the Polish emigrants are making a fortune and no one will hit upon the fact that minister St[anislaw] Nieckarz is exacting tribute./ Let us take a look at the published table of the turnover tax from the various subbranches. For products of the metals industry, of which the market has none, the tax on nails is 40 percent , it is 65 percent on razor blades and shaver belts, 60 percent on welding electrodes and batteries, 55 percent on rubber tires, 20 percent on typewriters, 60 percent on pure chocolate, 70 percent on coffee and tea and 50 percent on zippers. One sees from this that the preference is based on the fact that what is normally not produced is purchased by customers, and the higher tax flows into the coffers of the minister of finances. In some cases, the percentage of the tax is also lower: 1 percent for duplicating services, 1 percent for baked goods, 6 percent for toys and parlor games, 6 percent for almost all leather products, 6 percent for fodders and 6 percent for furniture. Is the preferential structure that emanates from the list established by the Ministry of Finances a reflection of certain tendencies in our economy? I do not know. Unfortunately, the regulations make it better to produce skis for the elite and pay a 6 percent tax than to produce pesticides for agriculture and pay a tax of 35 percent. The Polonia businessman pays a 60 percent tax on tights that industry generally does not supply for the market, while he only pays a 6 percent tax on soap, of which we have plenty. If there were a high turnover tax on such luxury items as video recorders, high quality radio equipment, ultramodern furniture, yachts, articles of gold, fox furs and the like, one could have no reservations. But this...?

The Income Tax

/The income tax rate of 85 percent applies to firms that have an annual turnover of more than 4 million zlotys--in other words, all of them. This is the highest income tax for foreign enterprises operating within the territory of another country that is applied throughout the world./ No one has surpassed us. Obviously, this encourages operating under primitive conditions for 3 years and then dissolving the firm. Instead of fighting such parvenus, we create a salvo for them. Of course, there are additional exemptions granted by the minister of finances: a 5 percent reduction for export, a 20 percent reduction for anti-import activity and a 10 percent reduction for market production. At the same time, these reductions are not cumulative. To make things more fun, the list indicating what is included in anti-import activity has not yet been published; thus, everything still hangs in the air. The imposition of such a stiff tax undermines earlier assurances and represents a warning sign for firms. /Inter-Polcom and enterprises propose that the high tax should not be imposed on firms but on the earnings of their owners. Taxing 85 percent of the owner's net profit would make sense./ Over the long term, a firm taxed this highly cannot expand, invest or change the production structure according to market requirements. It is also a shame that /it still has not been determined what the possessor of zlotys derived from a firm activity can do with the zlotys in Poland. Is he permitted to buy horses from a stud farm for 5 million zlotys, a yacht for 3 million, a residence for 15 million and the like? This is the source of the lack of control and the various shady dealings regarding the purchase of antiques from Desa, articles of gold and currency./ Even if he squanders money on hotels, liquor and women, an entrepreneur cannot spend several million zlotys during the course of his visits to Poland. It is a misconception to compare foreign firms with domestic trade.

The End of Export?

A random analysis done by the PIH Main Inspectorate shows that firms import 10 percent. The rest of producer goods comes from domestic sources. Until now the system was such that at the end of the fiscal year, 50 percent of the surplus was sold to the state. Some firms were charged with various kinds of swindles and it was decided that it would be ordered arbitrarily that 50 percent of all gross foreign exchange from every contract would be resold immediately to the bank for zlotys. Instead of promoting export and giving preference to import, the complete opposite has occurred. For example, a contract is for $1,000. Immediately $500 goes for resale to the bank, for the costs of the Polish foreign trade agency, for insuring shipments, transport, the costs of the forwarding agent, business trips paid entirely in foreign exchange average 20 percent. [as published] Thus, 30 percent remains for the firm. Very often a contract is based upon the import of part of the input into a product. This refers to packing materials, components unavailable domestically and the like. When these costs reach 20 percent, in effect only 10 percent of the entire hard-won contract remains--not even enough to purchase another foreign-exchange input. I should like to stress that this is how the issue looks from the legal viewpoint.

/No one cares whether firms have swindled or have contrived to cheat financial organs, only whether they have abided by the logical and consistent regulations./ Unfortunately, the firms that base production on import, e.g., in the furrier's or chemicals subbranches, have been confronted with the barrier of regulations. /Is it not more profitable to buy materials domestically?/ The Ministry of Finances apparently has become aware that something is amiss, for it has already sent an explanation that the ceiling of 50 percent of costs does not include the previously mentioned 20 percent in transaction costs. However, we are far from the full standardization of regulations that have the purpose of stimulating pro-export production. The minister of domestic trade, the minister of foreign trade and the plenipotentiary for Polonia-type firm affairs have already approached the Ministry of Finances requesting that the new tax law be re-analyzed.

In Lieu of a Conclusion

/Polonia-type firms that produce junk, that do not abide by the licenses they have been granted and that make unwarranted profit should be opposed, even to the withdrawal of their right to operate./ We have already had several such examples. We do not expect this from foreign business. However, when this form of management is attacked across the board, it is often called to mind that the Hungarians and the Bulgarians manage very well with foreign capital, believing that small enterprises are a normal step in the international division of labor in foreign trade.

While high penalties should be imposed for poor quality, the products of Polonia-type firms are not only cheap clothing but also hearing aids, equipment for the blind, energy consumption meters, integrated circuits, fodders and spare parts for farm machinery. By the end of June, 380 enterprises were in operation, employing approximately 20,000 people. The value of their products and services was 19 billion zlotys, or 5 percent of production in the small-scale production sector and 0.5 percent of total domestic production. As is evident, the scale of the problem is disproportionately small compared with media and society interest.

[Editorial note] We wish to present the issue in a comprehensive manner. Therefore, in 2 weeks, we will present the position of the Ministry of Finances in the magazine REALIA.

[signed] The editorial staff

Officials Comment

Warsaw EXPRESS WIECZORNY in Polish 27 Oct 83 p 4

[Interview with representatives of Polonia-type firms by: j.naw.; date and place of interview not given]

[Text] From the outset, Polonia-type firms have stirred up public resentment. It appears that in some cases, the criticism is valid. But what is the real truth? In order to arrive at an explanation of at least several questions connected with the activity of Polonia-type firms, we turned to their representatives: Stanislaw Echilczuk--member of the Board of the Polish-Polonia Industry-Trade House Inter-Polcom, Bogdan Rytel--member of the Socioeconomic Council of the Mazowsze Branch of the PPiPH Inter-Polcom, Adam Wieteska--plenipotentiary of the Foreign Enterprise Digicom Poland and Jacek Bukowski--director of the Foreign Enterprise Artch '80.

[Question] In your opinions, how does the man on the street view the employees of Polonia-type firms?

[Answer] [A. Wieteska] I think that he sees them this way: an elegant Western car, a high salary, probably in foreign-exchange, an easy life style, business trips (abroad, of course)--this is the common, stereotypical impression of the entrepreneur of the Polonia-type foreign firm. In other words, he is the sort of parasite, if in a elegant version, that amassed a great deal of profit from his activity in the crisis-ridden country; what's more, the fortune came from the pockets of citizens. In a word, he is that "black Pete, whose presence in the deck seems necessary, but who burns the hands that touch him..."

Unfortunately, the mass media has been responsible for some, nay, a great deal of the impact of this view of things, the molding of the circulating impression of Polonia-type firms, the pluses and minuses of the 1977 economic move that integrated Polonia capital with our economy.

[Question] Then what is the real situation? What is the other side of the coin?

[Answer] [St. Echilczuk] One can only find that out by obtaining data from the Government Plenipotentiary's Office and from Polish-Polonia Industry-Trade House Inter-Polcom [PPiPH Inter-Polcom] documents. One thing that they show is that the Polonia-type firm is not the devil he is pictured to be.

Hence, the data for the end of 1983 shows that there were 380 foreign Polonia-type firms in Poland. These firms realized goods and services valued at 19 billion zlotys during the first 6 months of 1983. Of this, 80 percent went to the market, only 3 percent went for export and the rest went for procurement and services. Employment in the PPZ [Polonia Foreign Enterprises] sector was somewhat below 20,000 and the average wage was approximately 14,000 zlotys. Thus, the current opinion of the exorbitant sums earned in firms is very exaggerated.

[B. Rytel] The accusations regarding the extensive management of these enterprises are also exaggerated. This is attested to by the greater and greater commitment in the permanent investment process by such firms as: Top-Mart, Thomex, Haste, Danpol, Interkulpol, Amepol, Poltrade, Marko and the like. The process of increasing investment in our country has been expanding in particular since long-term licenses began to be issued to conduct economic activity.

[J. Bukowski] I can add that much emphasis has been placed upon the input of Polonia-type firms in the implementation of several government production-task programs. These include the "footwear" program implemented by such firms as Polbrit, Bumet, Elizabeth-Pol and Polimer that will supply over a million pairs of shoes.

[A. Wieteska] Many firms, including Balt, Impol, Plastomed, Digicom Poland and Natalex specialize in the production of laboratory and diagnostic equipment, non-contact switches, electronic medical equipment and preparations for the pharmaceuticals industry (production-task program "health"). The production of liquid disinfectants for the health service, insecticides, a broad range of chemical and cosmetic agents, electronic-measurement apparatus, a broad assortment of food articles (Inter-Fragrances, Comindex, Konsumprod) and the production of such a necessary item as batteries (the Interkulpol firm) are a very small part of the activities of Polonia-type firm business. Add to this the unquestionable benefits in both directions of coproduction ties with units of the state-controlled economy and the implementation of Polish and foreign patents and licenses, i.e., of modern technology, as well as the use of waste raw materials, and it becomes evident that things are not as bad as is claimed. On the contrary, these firms are worthy of recognition. Then let us render to Caesar what is Caesar's.

[Question] But one cannot hide the fact that there are also the bad sides of Polonia-type activity. And there should be no tariff reduction for bad firms.

[Answer] [B. Rytel] Obviously. There are some "black sheep" among the several hundred firms. These firms take advantage of the economic situation and, conducting noninvestment activity, attempt to make vast profit in the shortest time possible. But they do not go unpunished for this--the end result is obvious. For activity that is in conflict with the rules of PPiPH, licenses are revoked or withheld. That is how such firms as Maadex, STS [expansion unavailable] Clejdung and others ended their existence. What is symptomatic in such cases? It is that everyone takes a beating. It is very easy to lump together the good and bad examples in the same pot. The making of generalizations about the activities of Polonia-type firms affects the way society accepts them and sometimes creates an unfavorable atmosphere for their initiatives, that Inter-Polcom works to coordinate in the interest of society and the investor.

[St. Echilczuk] How, for example, is one to understand the article in one of the widely read weeklies that appeared recently? In my opinion, the article shows a bias. It ignores the facts and the results of a special commission appointed many weeks ago to study the incident, that submitted a report in confirmation of its findings. Damage was done to individuals and to the house. What is the purpose of such a game?

If we wish to build the right atmosphere around this movement, that is not the way to do it. There should be more rational thinking and acting (as well as writing) in the discussion of these questions. In a word, they require more honest information and a deeper glance. For is it not in our interest and to our advantage to support and expand such concrete initiatives as those of the Solco firm, i.e., producer of medicines from the life medicines series, saving our country about a million dollars annually, or the installation by the Multireaktor firm of unique waste treatment plants, initiatives that are being implemented in close cooperation with the Mazowsze Branch of the PPiPH.

[Question] From what you gentlemen say, the firms are enriching the market. This is positive. But there are such negative phenomena as the failure to invest and the unequal location of firms among the voivodships, leading to a "glut" of the activity of these firms in some regions of the country, as well as the greed and the ordinary swindles that took place in the initial period.

[Answer] [B. Rytel] I agree. A rational view of Polonia-type firm activity is needed, and every violation of the law must meet with a reaction of the authorities. Such firms cannot be a "hotbed of lawlessness." Such cases, if they exist, hurt people. Workers are especially vociferous in their reaction to this.

[Interviewer] Gentlemen, I thank you for your answers.

Pros and Cons

Warsaw RZECZPOSPOLITA in Polish 26-27 Nov 83 p 3

[Article by Zofia Krajewska; material enclosed between slantlines printed in boldface]

> [Text] The past 3 years of intensive activity have won the foreign firms more enemies than friends. This proves conclusively that the confrontation of theory and practice has not yielded the best results.
>
> According to assumptions, attractive items were to flood the store shelves, prices were to be in line with the expectations of customers and not the appetites of owners, investments in dollars were supposed to grow like mushrooms after a downpour and an abundance of foreign-exchange was to flow into the state treasury. In short, it was to be an economic miracle. But the miracle did not occur and Polonia-type firms have not met society's expectations.

The initial enthusiasm came to be replaced by caution and then mistrust. In the end it turned into sharp, open protest. This was directed above all at the inflated prices and a quality that was far below what these prices warranted.

Official Secrets

As it happens, aggregate, summary-type data regarding the Polonia sector has been shrouded in a cloud of secrecy. Except for a single report on a nation-wide inspection, all documents are marked "secret." It is known, however, that most voivodships have their own Polonia cases. They are more or less serious, depending upon the status of the voivodship and the number of foreign staff members. In several cases, the prosecutor has intervened in cases; in several others, firms have come under the strict scrutiny of their treasurers. Most often, however, difficult cases go directly to the voivodship governors, whose laborious arbitration is beginning to be mildly boring.

It is difficult, however, to determine the scale of negative tendencies in the activity of Polonia-type firms, as well as the extent of irregularities, on the basis of random information. For nearly a year, an inspection of foreign enterprises conceived on a large scale has been in progress.

Revocations for the Dishonest

/The inspection has led to a decision to withdraw the licenses of four Polonia-type firms to conduct economic activity. With regard to a fifth, a proceeding has been initiated./ The drastic measures were undertaken because the liquidated enterprises has conducted activity that transgressed the framework of the concessions they had obtained. At the same time, in all cases open excesses had been committed.

In November 1982, the /Lodz enterprise Adampol/ had its license to conduct its Torun branch withdrawn. It was determined by the voivodship office, that the branch, which was to purify waste, sent it on elsewhere, at a great profit.

In December 1982, the /Warsaw firm Madex/ lost its concession. As established, the enterprise was to specialize in renovation-construction work, in producing baseboards and parquet flooring, in turning. Meanwhile, Madex expanded production to embellish ready-made porcelain, at stiff prices, and set in motion its own purchase and sale of ready-made carpentry elements. The firm bought furniture on the market, touched it up and resold it as Madex products.

/Intervera, set up in Wroclaw/ in 1981, was liquidated in 1982, for engaging in a very specific trade activity instead of producing plastics products, carpentry elements and clothing, for which it was contracted. Specifically, the firm engaged in the transfer of textiles from one voivodship to another, which is commonly known as speculation.

/In Gdansk, the Shipclean enterprise/ lasted somewhat less than 6 months. As set up, it was to engage in repair services. In actuality, it signed contracts with the Gdansk Shipyard, took advances and did not complete work it had started.

A proceeding has been initiated against the /Poznan firm Damarin./ The charges are as serious as they are varied. Generally speaking, (for the prosecutor will soon supply details) they concern the sale under the firm's label of products bought in the factories of the state food industry, at correspondingly higher prices.

/Since 1980, voivodship authorities have requested that six Polonia-type firms leave their areas./ The first license was withdrawn from the Warsaw enterprise Jakubowski-Waja that produced racing bikes for enthusiasts. In this case, the reason for the withdrawal of the concession was prosaic--the owner miscalculated his strength and fell into financial straits.

Are We Making a Mountain out of a Molehill?

Overall, the negative balance of recent years is not particularly alarming. In any event, it is less alarming than the reports coming directly from customers and plants. We should add that questions of irregularities in Polonia-type firms are a tangled affair, and the withdrawal of a concession does not always close the matter. An example of this is the Madex firm, that appealed against the voivodship governor's decision to the NSA [Supreme Court of Appeals]. The court's establishment of truth and of the degree of guilt continues until this time, proving that for lawyers everything is not so obvious as it is for the voivodship administration.

We should not forget, however, that the /withdrawal of a concession, identical with a firm's liquidation, is an extreme measure that the authorities resort to unwillingly./ More often, NIK [Supreme Chamber of Control], PIH [Polonia Trade House] or treasurers' chambers inspections end in financial recommendations and the designation of added taxes to be paid. While there are rarely glaring excesses committed in Polonia firms, small fiscal, price and procurement transgressions abound.

/The most frequently encountered of these are: a lowering of the amount of taxes due the state, accounting errors, the failure to make full reports (which Polonia firms are required to do in contrast to domestic trade), excessive freedom in the setting of prices and finally, the excessive use of domestic raw materials./ Last year, according to PIH, 30 percent of the enterprises studied made exclusive use of domestic producer goods, 40 percent made use of domestic raw materials for half of their procurement and only 9 percent used imported raw materials.

This year's reports remain a great "secret." The same is the case with the extent of other irregularities. We can only make conjectures on the basis of the statistical data.

/At present, 380 foreign-Polonia enterprises are conducting economic activity in Poland. Another 365 are waiting to be granted concessions./ This year for the first time, Polonia firms have reached five voivodships--Plock, Gorzow, Koszalin, Sieradz and Tarnobrzeg. Twelve voivodships have no firms as yet. /By the end of the first half of 1983, foreign enterprises employed 19,631 people, with 13,771 directly in production./ The value of this year's production and services approaches 40 billion zlotys. Export income will exceed $40.3 million and the expected import of raw materials will amount to $17.9 million worth. Outlays for investments and the purchase of machinery reached 1.4 billion zlotys and $2 million during the first half of this year. This shows some progress in this field, but it is still unsatisfactory.

If we compare the six withdrawals of concessions with the 380 operative Polonia enterprises in Poland, we arrive at a dual conclusion.

Where Information Is Lacking, Myths Arise

Such myths arise as, for example, the one that the voivodship authorities show excessive tolerance toward the irregular activity of Polonia-type firms. Here it is not beside the point, however, to note that with regard to Polonia-type enterprises, a stiff selection process is conducted before rather than after the issuance of licenses, clearly a good practice. /In the course of 3 years, licenses were refused to 176 businessmen that requested them./ In just the first 6 months, 51 people went away empty-handed, having failed to inspire the confidence of the authorities. These are telling figures that show the great caution of voivodship governors.

Thus, a different conclusion is nearer the truth. That is, that the lack of familiarity with the facts leads to the greatest misunderstandings, /and the information blockade may be more damaging for the idea of Polonia-type firms than the truth, whatever it may be./ An insufficiency of general data leads to the generalization of individual cases and to the treating of extreme deviations as a rule of operation of the entire "foreign" sector. This in turn reinforces negative opinions about Polonia-type firms in society, at the same time evoking among foreign businessmen an errant notion of the danger of the authorities and of policy changes.

Foreign Polonia-type enterprises were set up to play the role of the pike stirring up the quiet waters of our economy. And the firms really do perform this task. /They uncover entire fields of economic activity that lie untilled; they reveal possibilities for resourceful and enterprising men./ At the same time, they also expose gaps in the existing regulations that allow operations to be conducted that are not always in the interest of society. But the work of Polonia-type firms has also proved (and this is rarely mentioned) that the qualifications of the official voivodship cadres that control the foreign sector are not always sufficient in the new complex situation, with regard to a partner that is as resourceful as he is ruthless. Meanwhile, it seems that the future of the Polonia initiative will depend largely upon the proper cooperation between the authorities and the enterprise, upon the observance in practice of the principles of supporting the honest and eliminating rascals.

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OFFICIAL GIVES MIXED REVIEW TO CREDIT, MONETARY POLICIES

Warsaw BANK I KREDYT in Polish No 10-11, Oct-Nov 83 pp 1-2

/Closing address by Stanislaw Majewski, president, National Bank of Poland, delivered at a scholarly conference (held from 24 to 26 October 1983 in Stara Wies-Wegrow) organized by a team of experts from the National Bank of Poland and devoted to a discussion of "The Contribution of Monetary and Credit Policy Levers to Economic Equilibrium"/

/Text/ Esteemed Comrades,

I would like, first of all, to share with you some thoughts on the economic situation of our country, in order to present against this background some problems connected with the functioning of the bank.

When evaluating our economy this year, we should consider as positive the undoubted progress as far as the increase in material production in comparison to last year is concerned and, on the other hand, as negative--the rate of inflation considerably higher than that called for in the plan. With the production increase currently estimated at about 8 percent, the rate of the increase in the output of manufacturing industries is higher this year than that in the mining industries, while last year the situation was the opposite. The changes in production structure called for in the Central Annual Plan /CPR/ have not materialized, and, in in particular, the dynamics of the increase of consumer goods production is now considerably lower than that assumed in the National Socioeconomic Plan /NPSG/ and the CPR. That is why the flow of consumer goods to the marketplace has not improved as predicted. This, of course, is not without influence on the financial and consumer goods situation.

As far as investment projects are concerned, on the one hand we still see an excessive investment front and, on the other, there is insufficient progress in carrying out investment projects of special importance to the national economy. But not only here: the rate of opening new projects for use is also considerably lower than called for in the CPR for the current year. We are also prepared for global spending on investment projects in the national economy to exceed the CPR assumptions, which maybe, by itself, would not be a disadvantage, if not for the fact that the increase in consumer goods output does not meet the CPR guidelines.

I would like to mention the situation in the sphere of enterprise investments, which is what my colleagues analyzed. The material collected by the bank was submitted to the government and, I would like to say openly, changed the current view on this phenomenon somewhat. The amount of spending on enterprise investments considerably exceeded the CPR assumptions, which was to be expected considering the underestimation of those CPR appropriations as well as the considerable amount of money which the enterprises were able to allocate to investments.

As a result of this evolution of material processes both in the sphere of production and in that of investment projects, we saw a financial and consumer goods situation characterized by a considerable exceeding of the inflation rate; it was assumed in the CPR that the price increases would stay within the 15-17 percent bracket, and instead we have to be prepared for about 25 percent. This happened mainly, but not only, because the increase in wages was considerably higher than that called for in the plan. And despite the fact that we have this year certain positive occurrences of increased productivity, the rate of paying for that increase is much higher that the one set forth in the plan, which may result in an increase in wages of as high as 28 percent. Together with the pay increases there is a process of a far-reaching diversification of pay levels among the employees of the national economy. As a result of the very high rate of wage increases in the production sphere, decisions were also made to raise salaries in the non-production sphere in order to reduce, at least partially, the gap between the sphere of material output and the whole sphere of economic activities outside of material production. As a consequence of those decisions, the inflationary gap, which was already built into the plan, will not only fail to be eliminated but will actually be exceeded. Its increase is now estimated at about 100 billion zlotys. The plan called for, as is well known, a 74 billion zloty gap between the population's income and spending. One has to stress here also the negative--from this point of view--impact of the increase of the prices the government pays farmers for agricultural products. This became effective last July and triggered an additional flow of cash to the marketplace without being coupled with a decision to increase food prices which was not made for social and political reasons. This caused a further increase in the food subsidies. On the whole, then, the cash and consumer goods situation, despite certain positive phenomena, has not only failed to follow the CPR assumptions but its development has not met expectations connected with the implementation of the anti-inflationary program. That is why the realization of this program and its effectiveness should be judged, if not negatively, then at least with some criticism.

In connection with all of this, there arises the crucial question if and to what extent the bank activities contributed to developing the economic processes in the desired direction of increasing economic effectiveness. I know that in the introduction to this conference's discussion the thesis of the "lost year" was put forward. This was a rhetorical expression, I understand. In this connection, however, I would like to mention those opinions in the discussion which questioned such a statement. In my opinion, one cannot say that the bank was passive during this year and merely watched the economic processes taking place in our country, just more or less successfully pointing out processes occurring in the national economy. On the other hand, it is also necessary to say openly that if we were to compare last year's results, achieved at the first stage of the implementation of the economic reform, with the results achieved this year, we would have to admit that the effectiveness was relatively greater last year than this year, or at least was felt more. Last year, thanks to the quite consistent implementation of the new credit system, especially at the outset, we were able to convince our customers that we would not continue to finance [their] losses any more and that the principle of self-financing is a fundamental assumption of the reform. This year, instead, we failed to counter decidedly the insufficient performance in the sphere of raising economic productiveness. One can, of course, say that the objective conditions of economic life as well as an insufficiently "tight" financial system were the reasons why possibilities for effective action on the part of our bank were limited, and that is undoubtedly true, but, on the other hand, our activity in countering the phenomena occurring in the economy, and especially those of insufficient economic effectiveness, cannot be considered plainly satisfying.

There is no doubt that among those to blame there is also, partly, both management of the bank and the bank's headquarters, and in particular the credit departments, which did not always provide our branches with comparative materials in a trade breakdown. That is why, for example, when at a recent meeting of the bank's board of directors we were analyzing a very interesting report by our Industry Department on the bank's influence and results of its credit policy, we came unanimously to the conclusion that there was a need for a stronger "trade orientation" of the information passed by the central offices down to the branches, in order to place in your hands a comparative weapon for our relations with partners.

The financial system within which our credit levers are used is not sufficiently hermetic, which sometimes causes our credit levers to miss their aim. I mean here, in particular, the possibility for the enterprises to make excessive profits by driving up prices instead of increasing their economic efficiency. As a result, we will see this year, generally speaking, a paradoxical situation, i.e., with our country's financial situation being still bad, we will have a relatively good situation in the enterprises. Consequently, our modifications of the monetary system are aimed at limiting the enterprises' possibilities of making profits and at forcing a higher increase of economic effectiveness, with a substantial slowing down, at the same time, of possibilities of raising the wage fund, because we cannot let the inflation rate next year reach the level we see this year. Should this year's situation repeat itself, we might then speak virtually of the economic reform's failure.

This is also, I believe, the main purpose of the changes in the credit system which we intend to introduce as of next January 1. They were a subject of discussion during this conference and were approved by my colleagues, if we put aside the differences in opinion on some details. The credit instruction must be considered inseparable from the guidelines for the cash and credit policy. The instruction is a tool, the guidelines are our line of action. Without implementing the guidelines for the cash and credit policy, it is impossible to achieve the goals which are to be achieved through that policy by means of the instruction alone. As the economic system develops next year, we will control credit activities during the year through complementary policy guidelines which will be passed by the Sejm, as we have to adjust our policy to the current development of the economic situation. The amount of credit should have a significant impact on the way the enterprises run their finances. We have to take a step forward in this area compared to this year, i.e., to relate the turnover credit policy and the enterprises' policy of investing profits in the development. It is unacceptable that an enterprise does not increase the share of its own funds in the turnover, using them instead to carry out, in an unjustified manner, its investment projects. The point is not only the distribution of funds but also the enterprise's credit rating, its long-term credit risk, from the point of view of the production's quality as well. Our impact from that point of view was, if any, minimal at the most.

Speaking of the enterprise's rating, I also want to emphasize the problem of bank-debtor or bank-customer relations. During the discussion on the final version of the instruction's draft, opinions were voiced that the elements of partnership in the bank-debtor relations were stressed too much. It seems to me that this is a misunderstanding, and quite a fundamental one. Partnership means a relationship of mutual explaining and justifying of one's positions, and does not at all mean being liberal towards the customers. One can be a very tough partner, effectively influencing the debtor, and, on the other hand, one can be a bad creditor acting from a position of power. I would like that matter to be clear and unequivocal. While implementing the economic reform we should do our best in trying to be a real partner for the enterprises we finance, and, at the same time, we should carry out firmly the government's credit policy.

This year we took a step forward in the realization of our credit policy, as reflected in the fact that in spite of all difficulties we still achieved, as a result of a certain pressure, a relatively significant increase in the involvement of enterprises' own funds in turnover or in investment projects, compared to the last year. Of course, one could discuss whether this increase is sufficient or not. One thing is sure, though: the increase was big enough to make it difficult for the enterprises to raise their wage funds to the level which was attained mainly due to the excessive price increases. In this connection, especially now at the end of the year, I would like to ask you, Comrades, to strictly adhere to the principle of not advancing money from the enterprises' award funds toward next year's paychecks.

Finally, I cannot help stressing one more crucial thing on which, from the point of view of the bank's activities, we should focus our attention, although to a limited extent. I mean here a pro-consumer goods and pro-export restructuring of our economy. In fact, we are at a standstill as far as this is concerned, and, what is even worse, by carrying into effect the investment inheritance of the last decade we are duplicating or preserving the bad structure which we now have and which in great part makes it difficult for us to bring under control the cash and consumer goods situation, by which, after all, people judge the effectiveness of running the national economy. That is why, also in the field of investment projects, including enterprises' investments, we should particularly pay attention to and give our highest credit priority to those actions which are aimed at developing consumer goods and export production.

Thank you for organizing this conference. I believe that we will continue this method of discussing matters concerning all of us. Thank you everyone for participating in the discussion. With this I close the conference, wishing its participants all the best and satisfaction in their jobs.

12471
CSO: 2600/555

MINISTER PRAISES PERFORMANCE OF MINING, POWER INDUSTRIES IN 1983

Warsaw TRYBUNA LUDU in Polish 31 Dec 83-1 Jan 84 pp 1,2

[Text] The mining and power industries are ending the year 1983 with a favorable balance. The fuel needs of the nation were fully met, deliveries for export were increased, and--for the first time in a long time--large, essential reserves of coal were set aside.

On 30 December 1983 a conference headed by the mining and power minister, Brig Gen Czeslaw Piotrowski, was held to sum up the production outcomes of these industries. As was stated, the results of the work of the mining and power personnel considerably exceed initial assumptions and also exceed the amount of production achieved in 1982.

The plan for 1983 established an output of 186 million tons of mineral coal and the production of 122 billion kilowatt hours of electrical energy. The miners delivered more than 191 million tons of mineral coal, the output of which increased by 1.7 million tons as compared to 1982.

Such a high output guaranteed a better supply of coal for the nation. For the first time we began to build a national reserve of coal in warehouses in various regions of the country. In general, the coal reserves in the nation are about 25 million tons, an amount which is the highest ever in the history of mining.

Quarry miners will finish 1983 with an output of 42.3 million tons of lignite, that is, 4.7 million tons more than in 1982. It is worth adding that this is the highest output of this fuel we have ever achived.

The nation's economy has received 14.3 billion cubic meters of gas, including 8.3 billion cubic meters of highly methanated gas. Imports from the Soviet Union were 5.6 billion cubic meters. The needs of individual consumers were completely satisfied, while insignificant limitations were applied to industry.

The power engineers finished a similarly favorably year. A total of 125.8 billion kilowatts of electric energy were produced, that is, 7 percent more than in 1982. Over 3.1 billion kilowatt hours of electric energy were sold abroad, mainly to Austria, Romania, and Hungary. The needs of industry and individual consumers have been fully satisfied for 23 months. No limitations are being applied.

In 1983 new power station complexes with a force of 1,290 megawatts were turned over for use. The first stage of construction of the electric power plant Polaniec was completed. The construction of the electric power plant Belchatow, which regularly supplies an energy system with a force of 720 megawatts, is continuing, as is the construction of our first nuclear power plant in Zarnowiec. New thermal station complexes with a combined force of 959 gigacalories/meters have been turned over in, among others, Pruszkow, Jaworzno, Bydgoszcz, and Warsaw.

Much has also been done to improve the social, everyday life conditions of the personnel. Quite a few social and auxiliary buildings and baths have been turned over for use. Nearly 6,500 apartments for miners have been built.

The production outcomes of the work establishments in the mining and power ministries are the result of the regular and disciplined work of the personnel, of better organization and use of work time, and of increase in work productivity. In mining, for example, productivity increased by 38 kilograms a day per worker and has presently reached 2,070 kilograms.

The council spoke also of tasks for 1984, which should be no smaller than those for 1983.

9451
CSO: 2600/557

MINISTERIAL MEETING CALLS FOR IMPROVED COAL USE

AU301440 Warsaw TRYBUNA LUDU in Polish 25 Jan 84 pp 1, 2

[Report by Stanislaw Zielinski: "Managing Our Coal More Wisely"]

[Text] In Katowice on 24 January a discussion was held under the chairmanship of Deputy Premier Zbignew Szalajda between the ministers of several ministries and the directors of central offices responsible for the extraction of bituminous coal, its rational management within the country, and its export.

During the next few years, the extraction of coal will be maintained at the level of 190-191 million tons. In the meantime, the needs of the economy are constantly growing. Such a situation demands much foresight as well as an improvement of the efficiency of the transportation of coal away from the various mines and from Silesia in general, as well as the efficiency of building and extending already existing storage depots mainly at ports but also at power plants, within industries, and in the communal sphere. The foreign currency we earn from the export of coal is, therefore, quite important to our balance of payments. In addition, these problems are important enough that there is no way of preventing a clash with the ministry's parochialism while we are resolving them. The good of the whole economy must, however, be paramount.

The discussion also assessed the state of the implementation of the decisions that the same participants had made in October 1983. It was stated that an honest approach to many tasks will bring the full satisfaction of coal consumers, will reduce the size of the coal dumps around the coal mines, and will also increase our exports which by the end of last year had fallen by 35.2 million tons. A large contribution is made to these tasks by the miners, as well as by truck drivers, dockers, and foreign trade service staff.

However, difficulties continue to exist with the transportation, because despite the fact that 188,028,000 tons of coal was transported last year, and so 3.4 million tons more than was transported the year before--we still ran 1.7 million tons short of the planned target.

The transportation of coal from the mines will, therefore, be lower than it would have appeared to be from the needs of the mining industry. It was decided that on work days the railways will supply enough rail-cars for the loading of

468,000 tons of coal, while on holidays they will supply rail-cars to transport 275,000 tons. Both these amounts are higher than last year's output figures and they fluctuate according to the efficiency of the Polish State Railroads.

A regular extraction pattern as well as the present transportation situation make it necessary for us to enlarge our storage depots, above all, in the ports. There is a possibility of expanding our depot at Swinouscie to hold another 700,000 tons of coal even this year although it will also be essential for the port to be equipped with a dumping conveyor and a loading machine as well as with some transporters. The Northern Port also presents the potential of building an additional storage depot and is a place where one should be built.

The meeting's participants also pointed out the need to build more coal storage depots within the country, as this would allow us to stockpile about 11 million tons of coal, over 8 million of which would be from areas other than the Silisian mines.

Disciplinary measures aimed at improving the efficiency of coal transportation were also discussed. The minister of transportation proposed that the fines meted out to those who, despite the restrictions, illicitly load up the coal wagons with other raw materials, should be enforced for a whole year. He also proposed that the fines for holding onto these wagons for too long while loading and unloading between April and the end of August, should be five times higher.

It would not be right if the Polish State Railroads had to pay, by way of an example, fines for not supplying mines with wagons for coal transportation in time.

These issues will be expressed in the decision that the government presidium made on them, since, as Deputy Premier Zbigniew Szalajda said when he was summing up the discussion, coal occupies a permanent position in our fuel balance and we cannot be indifferent to the way in which it is managed today and in the future.

CSO: 2600/588

MINISTER CITES NEED FOR IMPROVEMENT IN AGRICULTURE

Bucharest ERVISTA ECONOMIC in Romanian No 1, 6 Jan 84 pp 11, 12, 20

[Article by Ion Tesu, minister of agriculture and the food industry: "1984 Must Lead to a Substantial Improvement of All Activities in Agriculture"]

[Text] Beginning with the general laws and the specific realities of our country, our party and its secretary general, comrade Nicolae Ceausescu, are consistently pursuing the concomitant and powerful development of both industry and agriculture as basic branches of the national economy. Agriculture has a growing role in satisfying the consumer requirements of the population, in supplying industry with raw crop and animal materials and in expanding exports. The development of modern agricultural production, which uses the advances of science and technology on a broad scale, has been included in the program which has as its objective the intensification of the process of transforming work in agriculture into a variation of high efficiency industrial work.

Comrade Nicolae Ceausescu has defined this innovative concept as follows: "We are proposing to achieve a true agrarian revolution with regards to production, labor productivity, the technical level, economic efficiency and the social and general activities in our villages."

On the basis of the directives approved at the 12th RCP Congress, the tasks for agriculture in the Sole National Economic-Social Development Plan for Romania During the 1981-1985 Period, and the ways and means approved by the Second Congress of the Leadership Councils for All of the Peasantry, the agricultural organs and units and the workers in the villages - broadly benefiting from the support of the state - have recorded significant progress during the first 3 years of the current five year plan in the powerful affirmation of the objectives of the new agrarian revolution. At the same time, however, it can be noted that because of the incomplete use of the scientific, technical and human potential in some sectors, counties and units, as well as the failure to ensure conditions that would guarantee a sure and stable production regardless of weather conditions, there also were some shortfalls.

The Experience of 1983: Where They Worked Well, Higher Production Was Obtained

As the secretary general of the party noted, in the year that just ended agriculture obtained a satisfactory production - under conditions of an extended drought - although not to the extent of the possibilities that we have available. There was work done for the better use of the land and the increase in the agricultural land area, especially the arable land area. The judicious use of the technical-material base and manpower, the carrying out of on-time and good quality projects while respecting agro-technical rules and the carrying out of the harvest during the optimum period and with care to avoid losses ensured the high production of grains in a series of counties and units.

The average per hectare yield in the case of wheat was 3,834 kilograms in Timis, 3,387 kg in Arad County, 3,006 kg in Covasna County; 57 state agricultural enterprises and 190 agricultural cooperatives exceeded 4,000 kg, while another 886 units were between 3,000 and 4,000 kg. Timis County (4,280 kg/ha) and Arad County (4,140 kg/ha) held first place as well for barley and two-rwo barley, followed by Constanta County (3,747 kg/ha). The average production for corn per hectare reached 4,675 kg in Olt County, 4,617 kg in Calarasi County and 4,608 kg in Braila County. Harvests of over 7,000 kg/ha were obtained in 142 units and another 145 were between 6,000 and 7,000 kg. True records of approximately 20 tons per hectare were recorded - for the most part on non-irrigated lands - in a series of units involved in the special program regarding the organization of intensive corn production in Olt County (for example, the Scornicesti Agricultural Production Cooperative produced an average of 24,310 kg/ha of corn on 700 ha), Timis County (the Topolovatu Mare Agricultural Production Cooperative - 20,150 kg/ha on 800 hectares), Constanta County and Alba County.

The significant gap which separates the record production levels from the average level (and even more the unjustifiably low yield in many of the grain-producing units) and the differences in the results between units having similar pedoclimatic conditions show, however, very clearly the insufficient use of the possibilities available. Thus, we cannot be satisfied with the average per-hectare production of corn at the state agricultural enterprises (4,587 kg) under conditions where these enterprises have, comparatively speaking, lands with a high production potential, a better technical-material supply for mechanization and chemicalization, and specialized cadres.

The differences in yield were also unjustifiably large for other crops, with averages which did not always reflect the possibilities that had been created and, in a net sense, were lower than the production from the outstanding units. This was the case of the technical crops: sunflowers - where these possibilities were demonstrated by the state agricultural enterprises in Buzau, Galati, Olt and Vrancea counties and in the Ilfov Agricultural Sector with over 1,800 kg/ha and by the agricultural cooperatives in Arges, Buzau and Olt counties and in the Ilfov Agricultural Sector with over 1,700 kg/ha; rape, soybean, flax for linseed oil and for fiber, castor-oil plants and hemp; sugar beets - where, although it was demonstrated that by the use of technologies for densities over 100,000 plants per hectare production levels could be attained exceeding 60 tons, the results were unsatisfactory because precisely of the failure to adhere to the established densities, a sometimes inappropriate quality in seedstocks and in crop maintenance work, and losses during the harvest, transport and siloing of crops. Forty-five units harvested more than 30 tons of fall potatoes per hectare, with high average production levels being obtained in Iasi County (27.2 t/ha) and Harghita and Brasov counties (over 24 t/ha) - but even for this crop the overall results did not correspond to the possibilities available.

I have given these examples, but one could add to them cases of disparities and disproportions in other sectors of crop production, in zootechny and in other activities specific to this branch. Two conclusions can be seen which actually summarize the lessons from the 1983 agricultural year:

- it was concretely proven that where there was an efficient management, a rigorous organization and effective actions, the judicious use of technical, material and human resources, the use of the results of scientific research and the adherence to technical norms and optimum periods for each type of work, where there was initiative and an administrative sense, and where all work was filled with the spirit of responsibility, order and discipline, the negative effects of the drought were minimized and good results were obtained in production and economic efficiency;

- raising the average level up to the levels of the top results can and must by achieved through the spread of the overall experiences and activities of the outstanding units, a spread carried out not in a formal, superficial manner, but through the study of the methods and measures that were used, the selection of those that can be replicated and their inclusion in obligatory rules and standards, with a sufficient degree of elasticity for adaptations to the specific conditions of each agricultural enterprise and collective.

The Powerful Expression of a New Quality in All the Sectors of Agricultural Production

At the November 1983 plenary session of the RCP Central Committee and at the recent Conference on the Problems of Agriculture at the RCP Central Committee, comrade Nicolae Ceausescu indicated the principal directions for action and the restructurings that must be made in the organization and achievement of agricultural production so that in 1984 it can achieve a substantial qualitative and quantitative leap. These directives and tasks and the special programs drawn up at the initiative of and under the guidance of the secretary general of the party constitute, for all the workers in agriculture, a clear and complete framework of the objectives which these workers must follow from day to day and must implement.

In this regard, the National Council of Agriculture and our ministry have established a series of immediate and future measures whose foreseeable effects were kept in mind in determining the dimensions of the agricultural plan for the year we are now beginning. These measures pursue a significant increase in the per-hectare yield in the crop sector and in the per-animal yield in the zootechnical sector, the broad promotion of technical progress in all fields of activity in the branch, the spread of advanced experiences and the better organization of work in each unit in agriculture.

The achievement of the 1984 plan requires the complete use of the land area with a maximum of efficiency, which means the full use of the agricultural land area, the increase of the arable land area and the strict limiting of withdrawing land from the agricultural cycle and the elimination of any form of waste, degradation or inefficient use of the land. The arable land area will be increased by 30,000 hectares, primarily through the management and planting of certain lands in the Danube Delta and in diked river meadows and through the management and improvement of lands containing an excessive amount of humidity, the fallowing of certain pasture lands, the restriction of agricultural roads to the strictly necessary amount and the clearing away of groups of trees and bushes that do not play a role in soil protection, as well as through the disestablishment of certain vineyards and orchards in the plains region that have completed their production cycle.

An especially important means for the efficient use of the land - the main resource for production in agriculture - is the extension of double and successive crops. On the basis of the directives of the party and state leadership, last fall rape crop for oil was planted on 134,000 ha which, after the harvest, in 1984 were to be planted with corn for seed. Similarly, there will be an increase up to more than two million hectares of land area having double crops where corn and vegetables will be grown. Double crop production will also be introduced for sunflowers, soybeans for seed, flax and hemp for fibers, and sugar beets and potatoes.

Grains continue to be the priority objective of agriculture. Great attention will be given to intensive crops: 500,000 ha with corn, where we foresee an average production of 20,000 kg of ears of corn per hectare, and 200,000 ha with wheat, with 8,000 kg per hectare.

The increase in grain production requires the strengthening of order and discipline and the adherence to all the technological elements specific to each crop: the mandatory carrying out of fall plowing, the preparation of the a seed bed of good quality through the achievement of a well broken up soil that is cleared of crop remains and has been leveled, the provision of seeds and seed material of superior biological categories that have been adapted to the pedological conditions in each region, the carrying out of seeding at the optimum time and in the densities established by law, the proper maintenance of crops, keeping the soil free of weeds throughout the entire growing period, and the harvest of crops during the optimum periods and within the established timeframes for each crop.

With regards to potatoes, measures have been taken for the placement of the crop in the most appropriate land areas, for the fertilization of the entire land area with natural fertilizers in the necessary amounts and for the strict adherence to the outlined technologies.

In viticulture, we will work for the modernization of existing plantations, the establishment of new plantations only on hillside lands in the hilly regions, the improvement of the structure of the viticultural stock by increasing the percentage of varieties for table grapes, varieties with multiple functions and high production varieties for wine, the thickening of the vine rows, the rigorous carrying out of all work for the maintenance of care for the crop and the gathering of the harvest without losses and full use of production.

In fruit growing, measures are being taken regarding the modernization and maintenance of the existing plantations, the concentration and specialization of fruit production in fruit-growing basins and plateaus through the establishment of new plantations in an intensive and superintensive system on sloping lands, and the improvement of the structure of the crop by species as well as by variety, in the sense of extending the valuable varieties.

In the field of animal husbandry, where good results were recorded last year, as seen in the increase in both the numbers of animals and the production of meat, milk, eggs and other products, decision measures were taken for the purpose of improving reproduction and selection activities, reducing mortality and required slaughters to a minimum, achieving average weights at slaughter, improving health-veterinarian assistance, and so forth. The structure by species of animals will be improved by increasing the percentage of cattle and sheep, which better use the pastures, fodder and agricultural sub-products and by achieving the tasks established in the development programs for sericiculture, apiculture and the raising of rabbits and fur-bearing animals.

In the center of concerns for the development of zootechny will continue to be the provision of the fodder base, pursuing the maximally efficient use of the 4.5 million hectares of natural pastures and 3 million hectares of forests that can be used as pastureland. It is necessary to work intensely in order to increase the production and better use of lucerne, clover, peas, soybean and other plants for the purpose of having certain balanced fodder supplies in each farm and complex. At the same time, it is necessary to carry out a broader and more efficient collection, preserving and use in fodder of hay, cornstalks, chaff, remains of leguminous plants and other vegetal sub-products.

An increased contribution to increasing agricultural production is requested from the people's farms. They will be more intensely assisted in procuring seeds, seed materials, piglets, chicks, ducklings and so forth, breeding stock and farm items.

A Substantial Increase in the Technical-Material Base

The broad development program for agriculture will be supported by the achievement of an increased volume of investments - over 46 billion lei this year - slated primarily for the extension of land improvement projects, the supply of a diversifed range of agricultural tractors and machinery and the termination of projects started in previous years (primarily in zootechnical construction).

The national program for provide certain sure and stable levels of agricultural production, which is being applied beginning in 1984, calls for the accentuated extension of land improvement projects. In order to attain the level of four million irrigated hectares by the end of the five year plan, it will be necessary this year to bring under irrigation 385,000 ha, which will increase the land area set up for irrigation to 3,300,000 hectares. Work will also be carried out to drain 183,000 ha, to fight soil erosion on 342,000 ha, to complete agro-pedoimprovement projects on 273,000 ha, to scarify 193,000 ha and to deep plow 1,824,000 ha. The management of 1,000,000 ha of natural pasture lands and the carrying out of seeding and overseeding on 440,000 ha of pastureland will contribute substantially to increasing the fodder base. Land improvement projects will be achieved in a unified concept in correlation with those for the management of waters and hydro-energy projects in each hydrographic basin. The expansion of irrigation projects will be achieved on a priority basis in those regions with an accentuated shortage of soil humidity, pursuing the irrigation of the largest possible land areas by using sprinklers and flooding and rejecting wherever possible the use of costly systems based upon the metal and concrete pipes. In order to strictly limit the removal of lands from the agricultural cycle, accumulation lakes and hydroelectric projects will be built particularly in valleys inaccessible to agriculture and by way of modifying the courses of rivers.

In 1984, the technical base of agriculture will increase by 15,700 agricultural tractors, as well as by a significant number of grain harvesting combines, fodder harvesting combines, potato harvesting machinery and other agricultural machinery and equipment. This year agriculture will have 170,000 tractors, nearly 59,000 combines and 51,600 seed planters for grains and fodders, which will permit all the basic work on the soil, such as seeding, fertilizing, maintenance and harvesting - decisive actions in fulfilling planned production - to be accomplished during optimum agricultural periods. The average annual loading will reach 70 ha per 65 hp tractor, 53 ha per self-propelled combine for grain crops, 153 ha per grain seeder and 285 ha per seeder for fodder crops. Beginning this year, a series of new equipment will enter the inventory of agricultural units, for example, the 100 hp wheeled-tractor and the 80 hp tracked-tractor having the sets of afferent equipment, as well as power-equipment to prepare the seed bed (modulated and with a wider working surface), self-propelled combines to harvest corn on the stalks, collected concomitantly with the clearing of the land of any vegetal remains, and self-propelled combines for harvesting fodder.

We will build 38,000 complex pieces of power-equipment whose use will ensure the reduction of a settling of the soil caused by the repeated passing of equipment over the soil, the conservation of diesel fuel, the carrying out of a number of actions in a single pass, the appropriate use of the tractors' power and the increase of productivity. In this manner, with the available equipment we will be able to have multifunctional, standardized and modulated equipment capable of carrying out the entire range of agricultural work in the technology of cultivated plants.

It is forecast that in 1984 agriculture will use 35.5 million tons of chemical fertilizer, over 1.8 million tons of nitrogen, phosporus and potassium chemical fertilizers and 55,700 tons of pesticides (in active substances). We will move to the use of liquid chemical fertilizers and expand the integrated fight against pests, diseases and weeds.

For the judicious administration of natural and chemical fertilizers it is necessary to have a differentiated administration of them on the basis of agrochemical analyses and depending upon the requirements of the crops and the maximally efficient use of these fertilizers.

The Goals in the Agricultural Plan Reflect the Real Possibilities; They Must be Achieved in an Exemplary Manner

The main characteristic of the 1984 Development Plan for Agriculture and the Food Inudstry and the Management of Waters and Silviculture constitutes the powerful dynamics that mark agriculture. Agriculture is to increase its overall production compared to last year by 5.4 to 6 percent and net production by 8.9 percent. The more accentuated increase in net production will be possible by reducing substantially material costs and increasing social labor productivity in accordance with the directives towards the intensive, qualitative factors of development. Labor productivity in agriculture in the state units will increase by 5.6 percent and costs per 1,000 lei of goods-production will be reduced by 13.2 lei.

Under normal climatic conditions, the plan calls for the achievement of 29 million tons of grains (of which, 10 million tons of wheat-rye, 3.2 million tons of barley-two row barley and 15.5 million tons of corn), 16.6 million tons of sugar beets, 1.3 million tons of sunflowers, .8 million tons of soybeans, nearly 1 million tons of flax and hemp for fibers, .3 million tons of fall potatoes, .8 million tons of field vegetables and over 4.8 million tons of fruits and grapes.

The development of crop production will be based upon a continuing growth of average production for all crops through the firm application of agricultural science, the carrying out of work on-time and under proper conditions, the appropriate care and the collection of the harvest without losses.

Similarly, significant increases are to be recorded in the production of the zootechnical sector. Keeping in mind the levels outlined for this sector and the conditions brought about by a balanced, rational feeding of stock, the Program regarding the application of measures for self-management and self-supply in order to ensure a proper supply of agro-food products to the population, as well as a supply of industrial consumer goods, for the period 1 October 1983 to 30 September 1984, establishes an increase - compared to the previous 12 month period - in the quantity of products having a higher nutritional content that will be made available to the populace by 52,800 tons of butchered meats, 87,300 tons of canned meats, 802,00 hectoliters of milk, 729,000 tons of milk products and so forth.

The dynamics and efficiency of agricultural production will be seen in an even more accentuated increase in the standard of living of the peasantry. The real incomes of the peasantry, stemming from work in the agricultural production cooperatives and private farms, will increase per person by 11.3 percent at a rate higher than the average salary.

The provisions of the 1984 agricultural plan ensure the balanced development of this basic branch of the national economy. Passionately responding to the call of the secretary general of the party to see to it that 1984 leads to the radical improvement of all activities in agriculture and to the obtaining of certain corresponding harvests, the workers in the fields are mobilizing all their energy and ability to work in order to fulfill the plan goals and to increase our agriculture's contribution to raising the well-being of the people and to the uninterrupted progress of the country.

8724
CSO: 2700/112

NEW TECHNOLOGIES IN METALLURGICAL INDUSTRY DESCRIBED

Bucharest REVISTA ECONOMICA in Romanian No 1, 6 Jan 84 pp 17, 18

[Article by professor engineer Dr Doc Suzana Gadea: "Technological Openings in the Field of Metallurgy"]

[Text] The ever broader range of metallic materials and new metallurgical products slated to be produced in our country for the purpose of reducing imports and of satisfying domestic needs and foreign economic cooperation requires an immense creative and development effort in the field of metallurgy. This effort is part of the spirit of the party documents and the directives of comrade Nicolae Ceausescu for producing certain quality products from our own resources, with minimal levels of material and energy consumption and within the framework of the programs drawn up by the National Council of Science and Technology, in whose elaboration and coordination comrade academician engineer Dr Elena Ceausescu made her decisive contribution.

The National RCP Conference in December 1982, called to establish the strategic directions for advancing Romania on the path of progress and civilization and scientifically and realistically analyzing the evolution of our country's economic development, outlined a coherent group of directions for development under the conditions of the long-term crisis which is violently shaking the world economy. The Report to the National Conference given by the secretary general of the party, comrade Nicolae Ceausescu, presents a constructive program for economic and technical development based not on limiting economic growth under the conditions of the worldwide raw materials and energy crisis, but on essentially restructuring the industries of the national economy in the direction of accentuating the qualitative elements which will ensure the advantageous and complete use of the country's natural energy and material resources.

In this effort, a special role is played by the two large components of heavy industry - the metallurgical industry and the machine building industry - which have incorporated a giant human and financial effort made by our people during the years of building socialism.

Milestones in the Process of Development

The metallurgical industry has recorded spectacular growth in relationship to the highest levels of production during the pre-war years: the production of pig iron has increased 66 times over, the production of coke 37 times over, the production of gross steel 46 times over and the production of full-finished rolled steel 30 times over. In the field of non-ferrous metals, in addition to the development of the production of traditional metals in our country (zinc, lead, copper, precious metals and so forth), we created an aluminum industry and an uranium extraction industry and objectives are in the process of being achieved for the in-country production of two of the most important modern metals - titanium for the aeronautical construction industry and zirconium for the nuclear energy industry.

In the in-country achievement of the production of quality metallic materials, our metallurgical industry today has a modern technical base of sufficient production capacity to satisfy the metal requirements of the national economy and to actively participate in international trade and cooperation. Using modern technologies and a highly automated process, the iron and steel industry today produces a large variety of metallic products needed by the national economy. Among the products having a high degree of metallurgical processing that are produced in-country, we can mention: pipe for drilling and extracting crude oil, pipe for construction, tube for boilers, pipe for pipelines made of stainless and refractory steels, cold-rolled steel sheet and plate, galvinized plate and sheet steel, plate and special profile steels for ship construction and vehicles, silicon steel sheet for the electrotechnical industry, cold-drawn wire, steel for bearings, and stainless and refractory steels for chemical and thermo-power installations. From the point of view of the technologies that are used, in the production of steel the quick modern procedures are used in the majority of the cases (50 percent in oxygen converters and 16.3 percent in electric furnaces) and only 33.7 percent by way of the classic process in the Martin furnace. By varieties, the percent of quality steels today exceeds half of the annual production (30 percent high quality carbon steel, 18 percent low-alloy steel and 9.5 percent medium- and high-alloy steel).

Along the lines of the modernization of the steel production-casting technologies, we can mention: the production at Hunedoara of steel with a very low carbon content; at Galati, in the new argon environment converter, it is possible to decarbonize steel using oxygen, producing the steel necessary for reduced-carbon stainless steel plate and sheet for nuclear power plants and for the heavy water plant; at Cimpia Turzii, the start up of the Romanian-designed installation for the degasification of steel in a vacuum; at Galati, the extension of the continuous steel casting installation and the start up of one at Calarasi.

The New Technologies - Assistance for the Qualitative Improvement of Production

In the promotion of the in-country introduction of new metallurgical technologies and in the effort for the continuing improvement of production quality, we also take into consideration the priority directions in which worldwide metallurgical production has evolved and is evolving. In the last 3 decades, this production has been quantitatively multiplied by over five times. What is more important, however, is the fact that a qualitative diversification has taken place in the production of alloys on the basis of science, with fundamental metallurgical research making possible a creativity in what is called "the design" of the structure and properties of alloys that is gradually replacing a millenium-long empiricism in this field. Thus, the network defect theory today permits the achievement of an increase in the mechanical resistance of metallic materials through the use of hardening mechanisms, on the basis of deeper understandings, working through alloying and thermomechanical treating in the direction of delaying "the entrance of the material into plasticity" by putting into motion simultaneously and large numbers of dislocations and recesses. To the requirement for increasing mechanical resistence, which has dominated fundamental metallurgical research, as well as applied research, in the 1950-1970 period, today we can add the requirement for optimizing the grouping of certain very varied properties. Research is primarily directed towards obtaining metallic materials with a high degree of mechanical resistence, with chemical resistence to the environment and with an easy malleability and, more than any other time in the past, it is necessary to obtain these properties simultaneously. The users are asking metallurgy to find metallic materials with optimum properties for all types of requests. To this end, research of great scope was undertaken in the direction of:

- obtaining steels with a higher mechanical resistance and a higher resiliency through alloying and thermomechanical treatment;

- obtaining concomitantly a higher mechanical resistance and a greater ductility through a Martins transformation induced by plastic deformation (TRIP steels);

- obtaining alloys with form memory through Martins thermo-elastic transformation in ordered non-ferrous alloys; the return of materials to their form prior to plastic deformation can be achieved under the effect of a certain thermal cycle. The alloys have their applications in the space technologies, in electrical contacts and in mechanical assemblies produced by heating deformed memory alloys at cryogenic temperatures;

- obtaining superplastic alloys having a high residual resistency. Under conditions of superplasticity, provided by an ultrafine microstructure at high temperatures, processing by way of plastic deformation becomes a fluoformation process based on viscous flow which permits deformations of from 1,000 percent to 2,000 percent under pressures dozens of times less than those applied in classical procedures;

- obtaining simultaneously the form of the piece and a microstructure adequate for the use properties by way of a perfect control of the thermal solidification process. In this manner, in recent decades spectacular performance has been obtained in the geometry and structure of the cast pieces: the production of turbines having integrated blades for aviation engines and diesel motors poured by the lost mold method in a controled atmosphere; microcrystaline blades having a very high resistance to flexing and macrostructure blades that are controled to resist fatigue;

- optimizing mechanical resistance in the volume of material and its superficial resistance under current technical conditions where the increase in mechanical demands that have been imposed is accompanied by an increase in the chemical aggressiveness in the environment, with corrosion under use being a more and more frequent phenomenon. This optimization more and more requires the superficial treatment of parts and, especially, applying a metallic surface by difusion. Given the precision that is requested, very many of these treatments require the use of top technologies, such as plasma jet coverings, coverings using refractory metals applied through high temperature electrolysis, and so forth.

The application of coverings by spraying on liquid aluminum is shaping up as a replacement for painting steels in ship building. Layers of pure aluminum having extremely thin thicknesses, to which a layer of silicon is applied to close pores, are seen as anticorrosion protection for underwater metallic structures, pipes, helicopter landing pads and so forth. Aluminization through vapor application is useful for covering lightly alloyed chrome steel, providing the steel with a resistance to corrosion in decarburized and sulfur environments comparable to 12 percent chrome steel.

Another new means of anticorrosion protection for steel is galvanizing by spraying in an electric arc. Two jets of liquid zinc are simultaneously projected under pressure towards a convergent point on the part and are electrically charged, creating an arc. The heat from rolling steel plate can be used to melt the zinc which is turned into a spray and blown in a jet of compressed air onto the surface of the steel plate or sheet.

For cutting tools and parts subjected to wear, internationally there is an ever more marked tendency to apply a surface of titanium nitride through a physical application in vapors. The conventional procedure for vapor application of titanium nitrides, working at temperatures of 800-900° C, cannot be used on tools, with the temperatures being way above the tempering temperature of steel. A version of the process using a catalyzed plasma works at lower temperatures between 200 and 500° C, with it being possible to also apply this to tools without the risk of distortion brought about by the application of a thermal treatment after the thermo-chemical treatment. Means are also being studied for the physical application, using vapors, of certain multiple coverings having 3-13 layers (with a total thickness of 5-10 microns) composed on titanium carbides, titanium nitrides and aluminum oxide, with the top layer being in all cases composed of titanium nitride because of its attractive color, like gold.

Another area is obtaining materials specific to nuclear energy. It is not an exaggeration to state that in its practically achieved form nuclear energy represents a triumph in the science of materials. The transformation of the nuclear reactor into a spectacular physical device in a power plant capable of providing energy at a price competitive with classical electric power plants was possible to a great degree because of the work of metallurgists and material engineers. Many new technical materials were produced at the industrial scale to this end: uranium and uranium compounds, plutonium, pure graphite and so forth, as well as materials difficult to produce by way of classical procedures that contain complex crystaline structures and exacting mechanical properties and sometimes presenting risks in use because of their toxicity and radioactivity. These new materials, as well as conventional materials like steel, were subjected frequently to conditions in their use in the building of nuclear reactor equipment at the limits of possibilities for resistance to radiation, high temperatures and mechanical and corrosion factors stemming from the need to constantly raise temperatures and working pressures in nuclear energy reactors. Fundamental research in metallurgy and the science of materials, steered in a variety of directions, has led to the achievement of certain new metallic materials that are resistant to yield under radiation and thermal factors and resistant to the corrosive action of the cooling agents in nuclear energy reactors. As a result of the recent progress in metallurgy and the science of materials, from a scientific point of view there is no barrier in the way of the development of the greatest promise in energy in the future, reactors based on nuclear fusion. Certainly, in this field great scientific efforts will still be needed to bring about certain expensive technologies and, perhaps, even adventurous ones. For example, broad field superconductor materials are expected to be an essential component of these reactors.

New Fields of Use

Another category of new materials where currently a large amount of scientific effort is being invested is fiber-reinforced composites, where, because of a true synergetic effect, much superior or qualitatively extremely different properties are being achieved compared to the properties of the constitutive phases. Among the technologies for the production and incorporation of matrix fibers (mechanical methods, metallurgical methods of spraying and so forth), we can distinguish the technique whereby the creation of composites is achieved in a single stage through the concomitant growth of fibers and matrices from a liquid under conditions of a thermodynamic balance which ensures a stability of the structure at higher temperatures and a perfect coherence of the fibers with the matrix.

Eutectic oriented composites have a mechanical resistance (to deformation, breaking, fatigue) that is overall superior to the behaviors of eutectic alloys with the usual non-oriented structure. The mechanical properties are even more improved when one of the phases of the composite system is obtained in the form of monocrystaline filaments which have a diameter of several microns and are practically lacking any of the defects currently found in crystaline networks. The reinforcing of composites is based upon the use of the properties of plasticity in the matrix which, through the matrix-fiber interface, transmit to the incorporated fibers the strain applied to the composite system, while the fibers, because of their nature, have the property of supporting high loads. In this manner, the resistance of the composite material approaches that of the fibers. The structural stability of eutectic composites gives them superior mechanical properties at high temperatures, with the stress in their development being given by the exigencies of advanced technologies in the field of aerospace construction, high-temperature nuclear reactors, gas turbines and so forth.

There is an interesting variety of properties in eutectic composites where the matrix is composed of a semiconductor having a high mobility of electrons and the aligned phase is metallic. Such structures can serve as component elements in thermoelectric, thermo-energy and magneto-resistive devices.

A technology essentially different from the traditional metallurgical technologies, where remarkable progress is under way, is the hardening of alloys in the liquid state and the production of metallic glasses. Methods for the ultra-quick cooling of liquid alloys, with a solidification speed that exceeds one million degress per second, methods initiated in 1960, have evolved from the field of fundamental research into the field of applied research, becoming one of the most promising means for obtaining new alloys. A variety of methods, where the melt in the form of a thin film is solidified on a conductor stay cooled with water, liquid nitrogen or liquid helium (the shock-wave method, the melt-extraction method, the method of drawing fibers from a melt), today permits obtaining amorphous alloys or alloys having completely new phases and microstructures. Amorphous alloys or metallic glasses obtained at cooling speeds which suppress the crystalization process in the melt have completely unusual properties. Thus, some of the metallic glasses have a resistance to corrosion that exceeds that of platinum. The mechanical hardness and resistance are associated with an amazing magnetic permeability and with possibilities for suffering local plastic deformations. The principal application that is being outlined for metallic glasses is their use as materials having small magnetic losses for electric transformers, motors and generators. The promotion of these materials is assisted by the growing prices for electric energy and by their own decreasing prices. It is estimated that in the 1984-1986 period the price for amorphous alloy sheet for transformer cores could be only double the price of textured silicon steel plate and that its use in the place of silicon steel sheet could reduce by two-thirds the losses of energy in transformers. Even under conditions which do not lead to obtaining amorphous alloys, rapid solidification by hardening from a liquid state offers fascinating possibilities for the production of alloys, eliminating a series of the most maddening problems in metallurgy, such as segregations, the insolubility or immiscibility between those metals with large differences in density or melting temperatures, and so forth. The metallurgy of powders appears as the most promising means for the industrial use of alloys rapidly solidified by hardening from a liquid state, using either powders obtained directly by this method or powders resulting from the grinding of certain fragile filaments resulting from hardening from the bath. The immediate industrial applications for these new materials involve obtaining dies from basic iron alloys, structures for aircraft, parts for turbines and jet engines from super-alloys.

Certainly, what I have presented here does not exhaust the vast and continually expanding field of research in metallurgy. I believe it should be mentioned that technical inventiveness in the field of producing metallic materials - an inventiveness which I have illustrated by way of a limited number of examples - can have no other objective in its application in our metallurgical research than the priority objective listed by the National RCP Conference of creating quality products through the complete use of the domestic raw materials base, through the decrease of energy and material consumption and through the growth of the percentage of "incorporated intelligence."

8724
CSO: 2700/112

PLANS FOR INCREASING NATURAL GAS PRODUCTION

Bucharest SCINTEIA in Romanian 11 Jan 84 p 3

[Article by Nicolae Ionescu, deputy director in the Ministry of Petroleum: "In the Production of Natural Gas"]

[Text] In the first place I should specify that in order to increase the production of natural gases, a priority program for the realization of a supplementary production above the provisions of the 5-year plan of 10 billion cubic meters is in the process of being carried out. Powerfully motivated by the incentives of the secretary general of the party, Comrade Nicolae Ceausescu, utilizing the technical resources and the vast experience which they possess, the workers of this sector of the Ministry of Petroleum exceeded in 1983 the provisions of the plan by 722 million cubic meters for natural gas, 11,000 tons for gasoline and 12,700 tons for ethane, a fact which constitutes a guarantee that the priority program established by the party leadership will be carried out exactly.

In 1984, according to the provisions, 33.5 billion cubic meters of utilizable methane gas will be extracted, including free gas, and the production of natural gasoline and ethane gas will increase by 2.7 percent and 3.5 percent respectively, as compared with last year's plan.

For the realization of this volume of hydrocarbons, special attention is being given both to the research program with a view to increasing the degree of satisfying the expected consumption with sure reserves, and to exploratory drilling of both the old structures and the newly discovered ones scheduled to be introduced into the production circuit. In 1984 the gas-making structures in the western part of the country, Oltenia, northern Moldavia and the Transylvania basin will be put into production. At the same time large geological and technological projects have been scheduled for increasing the production from old wells. This year, too, we will work out the first program for increasing the final factor of recovering gases from deposits.

Concurrently, with the efforts to increase production, important projects have been scheduled in 1984 for improving the compression of field gases extending the national transportation and distribution system and modernizing it. New compression capacities in Taga, Noul Sasesc, Calacea, Abramut, Virteju, Stoina, Bulbuceni, will allow the increase in the gas production of the national system through the utilization of the existing potential in the deposits in the adjacent zones, whose pressure decreased or will decrease. Special attention is to be given to improving the quality of gas delivered through the elimination of defects that appear especially in cold weather, brought about by condensation in the transport system and various mechanical impurities.

The workers of the units extracting and producing the gases have been mobilized to the highest degree for the realization ahead of time of all the objectives scheduled in the program for the best possible utilization of gases for the 1981-1985 period, worked out on the initiative of the secretary general of the party, Comrade Nicolae Ceausescu. In order to increase the production of gasoline, in 1984 the first installation for recovering the volatile liquid fractions will go into production in Sat Chinez, Virteju, Bradesti and Ticleni, while at Piscu Stejaru the first Romanian installation for processing and utilizing in gasoline the condensate in the pipelines will be completed.

With a view to the realization of the established ethane yields action is being taken to ensure supplies of natural gases corresponding to the capacity of the installation at Pitesti and to exceed the projected specifications at Turburea.

In conclusion, in the sector for extraction and utilization of gases, 1984 constitutes a period of great efforts, made by workers in this field for the exemplary realization of tasks assigned to them.

CSO: 2700/122

STATUS OF PROPOSED CHANGES IN FOREIGN INVESTMENT LAW

Obstacles to Foreign Investment

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Dec 83 pp 14-15

[Text] Soon the draft of the law on amendments and supplements to the Law on Investments of Foreign Persons will again be before the delegates of the SFRY Assembly. Incidentally, this draft has been in the works since back in 1981, but its new version was adopted (and submitted to the Assembly) by the Federal Executive Council in April of last year. At the instance of Slovenia, however, the draft was returned to the proponent with the request that it be examined first of all in the federal social councils. Since the amendments (according to a report) have finally obtained the support of the two federal social councils, the entire matter is again entering the regular procedure.

But everything being offered in the amendments to this law, along with the package of accompanying materials which is the basis for examination and decision--does not offer a clear answer to the question of the extent to which we desire foreign capital to be represented in our economy. That is the context of the observation that if "a society does not first of all put a restriction on its own need in some segment of social reproduction, then it will not be able to adapt its legislation to that either" (Milos Krstic). But at the same time, since there is no dispute that we do need foreign capital, in this case to some extent it seems as though it is not sufficiently clear to us that we must pay for it in one way or another. After all, as has been noted, "there is no partner who will invest a cent in Yugoslavia or anywhere else unless at the same time he anticipates profit from his investment at least at the level of market rates of interest." There is no need in this connection to mention "that the terms and conditions" (conditions for the conduct of economic activity and legal regulations) "for joint investments in Yugoslavia are good only for the OUR's [organization of associated labor] in which the investments are being made, but they are not sufficiently attractive either for domestic or foreign investors" (Djordje Strizak, Social Council of Serbia).

Whereas, then, it is in this sector that a decision should first be made of how the evident interests of society is to be adapted to the motives of foreign capital to the mutual benefit, "in our country whenever any change is made in legislation the discussion and concern center mostly on how to avoid threatening the foundations of the system of self-management, even in places where it cannot be threatened in the least." So it is that this law, instead of offering certain foundations of "what we will not do in this area," elaborates in detail everything which OUR's must bear in mind when concluding a contract. And all that is in order to protect the system, while on the other hand, as we have heard in the competent Social Council of Serbia, in the legislation on foreign credit relations, say, we have gone to the point where the IMF is a partner in shaping policy.

It is precisely the acceptance of all that that has necessitated a more radical approach in the legal regulation of this subject matter, which was in fact envisaged by the Stabilization Program, but it was announced only for after 1986, in the second phase of the program's implementation.

Transitional Arrangements

The basic principles on which the Law on Foreign Investment is based have remained unchanged on this occasion. The amendments strive only to "define" somewhat "more precisely the foreign partner's position," mainly in view of the numerous objections that have been made to our legislation and also the drop in the number of contracts and the amount of capital invested in our country since adoption of the present 1978 law.

First of all, the amendments (Article 8) to the law now allow a contract on investment to provide that "the domestic OUR and the foreign person may by agreement obtain a portion of the funds necessary to finance the joint undertaking by taking credit," provided the credit is repaid solely by our own OUR or from the joint income (before division of the income with the other party to the contract). Actually foreign firms have not been motivated (those from the West) to finance joint ventures entirely with investments of their own capital, since these investments are not treated in our country as "direct investments" (though in the end that is what they are), so that in their own countries they thereby lose incentives on that basis.

Since there have been quite a few objections by foreign investors to the effect that they should be freed from financing from their portion of income all the obligations of the domestic OUR as well as appropriations for expansion of plant and equipment, the amendments to the law which is now in the works leave it to the parties to the contract to state by agreement the standard costs that would be reimbursed from gross income and also the criteria for establishing funds for personal and community consumption (provided this is accepted by a majority of the workers in a referendum).

As for the share in income, under the present law the foreign person was subject to a maximum level of compensation for economic employment of his capital (relative to the average rate of accumulation achieved in the particular OUR or branch). If the business performance is good, and the income to which the foreign person is entitled exceeds the established level of compensation, the foreign partner's investment is reduced by the "positive difference." The objections, then, come down to this: "that even before the contract has expired you will be squeezed out of a venture which you entered into in order to gain profit from successful conduct of business." Yet the problems arise even when there is no profit at all or not enough profit. Under earlier regulations OUR's guaranteed the foreign investor a minimum profit and his investment. Under the present law, if there is no income, then there is neither profit nor recovery of capital. Incidentally, even the sharing in income was for many foreigners not a very comprehensible instrument of accounting in a joint venture. Thus they basically enter the objection that in Yugoslavia they are expected to invest for "altruistic reasons." But introduction of a service charge for economic employment of the capital invested, in their opinion, actually turns the investment into a loan. After all, establishment of that service charge amounts to fixing a rate of interest (and that only in the sense of a maximum) on the capital invested, while the foreign person is subject to the full business risk. At present deletion is being offered here (of Article 19 of the law, incidentally), and only the investors' obligation to stipulate in the contract the maximum charge for economic employment of the capital invested would still be retained.

The maximized profit of the foreign person is subject to republic profit taxes, which in our country range as high as 35 percent, which puts the domestic investor in a more favorable position. To be sure, this tax was introduced in 1967, at a time when domestic OUR's were paying the charge on business assets, which was later abolished, and the tax remained in place. The Federal Executive Council feels that "it would be in the social interest for the profit to be reinvested in production, and if the foreigner withdraws it from the country, then for that to be charged to the investment."

The provisions which regulate repatriation of the investment have been applied controversially. The main objection comes down to saying "that it is almost impossible today to find an investor who is willing to invest capital which he would get back in the nominal amount 10 years or more after the contract has expired or the OUR has ceased operations." That is why there is a request for recognition of at least that portion of income which has gone to pay interest on credit. To be sure, we cannot expect the foreign partner to take all the damage from inflation, and our own OUR's all the benefit. Yet foreign trading partners also request recognition of the augmented value of the capital in the joint venture. Our legislation has no relevant regulations on how the equity of a foreign person arises out of economic employment of social capital. It is felt (with reference to the provisions of Articles 26 and 27 of the constitution) that the requests of the foreigners cannot be honored, though according to the case made by the Federal Executive Council, we have learned, during the adaptation of the law these matters have to be resolved with special provisions concerning the rights of the parties to the contract concerning a claim to be met from income, but not equity in the assets (property) of the OUR.

Criticism Out in the Open

Since in the second round of talks on the draft of these amendments many discussions remained behind closed doors, of what we were able to hear from a few open meetings we have recorded above all the assertion that "this halfway effort will not bring any advance in this field," and that therefore "we should free ourselves of the illusion that after these amendments we will have any greater influx of foreign capital" (Miodrag Milojevic, Council for Affairs of the Social System of Serbia).

A fight actually has to be waged to create real conditions for foreign investment, Strizak said at the same meeting, conditions at least approximating those in countries with a similar level of development, "or abolish that institution if it serves us only as a front so that we can say we are an open country when in fact we are not." After all, according to certain views even of some federal bodies, so we have learned, the Law on Foreign Investments uncritically and almost "mechanically incorporated the apparatus of the Law on Associated Labor and the Law on Establishing and Distributing Gross Income and Income," which, it is said, is not necessary in order to express the constitutional commitment concerning identical relations for domestic OUR's and foreign persons. Certainly "there are limitations here both within the Law on Associated Labor and other laws, but if we judge that this is a matter that contributes to one of our objectives, then we should not treat anything as sacred" (Krsta Jovanovic, Economic Chamber of Serbia).

Foreign Investment Law Criticized

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Dec 83 pp 28-30

[Article by Milan Kovacevic: "An Invitation Accompanied by Barriers"]

[Text] Since the investment of foreign capital in our country was made possible 16 years ago the legislation regulating this investment has been amended very frequently. The Law on Investment of Capital by Foreign Persons in Domestic Organizations of Associated Labor, which is still in effect, was enacted back in 1978. The 5 years it has been in effect represent the longest period of unchanged regulation of foreign investment. However, it would be a mistake to conclude that this law has been more successful than those which preceded it. To the contrary.

Recently there has been a further slowdown of foreign investments, which were already inadequate both in their number and size. What is more, certain earlier ones have been liquidated. The causes of the stagnation undoubtedly include the statutes which regulate these investments in a way that stifles the economic interest in such investments.

Amendments of the Regulations

It has long been felt that regulations on foreign investment should be amended so as to encourage their influx. Several versions of amendments to the law have in fact been conceived, but along with certain improvements, they have always contained new strictures as well. A new round recently began in the proceedings for amendment of the Law on Investment of Capital of Foreign Persons in Domestic Organizations. The SFRY State Presidency supported the views of the Federal Executive Council concerning the need for the amendments. The Federal Council for Affairs of the Social System and the Council for Economic Development and Economic Policy have also come out in favor of encouraging an inflow of foreign investment. The debate of amendments of the statute is continuing.

The present level of the country's debt does not leave much space for obtaining additional capital from abroad through further borrowing. Foreign investments represent additional capital which does not increase the country's debt. Aside from that, those investments represent a qualitative difference. By contrast with fixed obligations arising out of credit, the investments have a variable price represented by a share in the results of business operation. The foreign investor shares the risk with the domestic organization. That is why foreign investments can also contribute to better selection of investment projects in our country.

Decisionmaking

If the foreign investor is to contribute to more successful business operation, he also has to be given an opportunity to participate in decisionmaking. Article 16 of the Law on Investment granted the right to the joint management body created for the joint venture, in which the foreign investor would also participate, to make decisions on matters concerning the organization of work, the business organization and raising productivity, as well as other matters which arise in the joint business venture, unless decisionmaking on these matters falls under the inalienable right of the workers on the basis of their right to work with social assets. However, it is not altogether clear even to those very familiar with our legislation what matters those are which do not fall within the inalienable right of the workers on the basis of their management of social assets, not to mention potential investors from abroad. If we want foreign investors to assume a part of the risk, they also need to be given the opportunity to participate in decisionmaking. This must also be clearly stated in the legislation. Foreigners are not interested in our concept of the inalienable rights of the workers. Everywhere in the world direct investments give the investor the right to participate in decisionmaking. If we want more foreign investments, it is obvious that we, too, must state specifically those matters in which the foreign investor can share in decisionmaking.

There is good reason to accord the right to manage to the person who is assuming the business risk so that the business would be conducted effectively. If management as a whole is an inalienable right of the workers, then their personal consumption and social service consumption must be very variable quantities in order to absorb the total risk. Likewise, if investors themselves are to assume the business risk in terms of the variable return on their investment, it would be justified to accord them clearly defined rights to make decisions on conduct of the business. The present solution, under which the personal consumption and social services of employees must be covered in an amount on which they themselves decide, and that funds are even to be left for expansion of plant and equipment before profit for the foreign investor is arrived at, certainly does not justify failing to furnish the foreign investor precise provisions concerning participation in decisionmaking concerning operation of the business.

An investment that is authentically a joint venture requires that the risk be distributed among the investors. This also implies that the result would be shared in the same manner. In our country, unfortunately, it is a widespread error to suppose that foreign investors do not always anticipate profit from an investment. The arguments are to be found in certain cases from practice, but the real reasons are not made clear. Usually the explanation in such cases lies in the abundant indirect profit which the foreign investor realizes by selling at a higher price or buying at a lower price than the joint venture or the domestic investor. This is to forget that quasi-joint ventures of this kind no longer have a single one of those attributes which we anticipate from authentic joint ventures with foreign firms. That is exactly why we need to create conditions for achievement of authentic joint ventures under the terms and conditions which are customary in the world so as to thwart the realization of indirect profit by foreign investors and quasi-joint ventures.

The Economic Conditions

Usually an investment in our country can be compared to an alternative investment in some other country. "If capital is sent abroad, this is not because there is absolutely no possibility for employing it within the country. It happens because it can be employed abroad at a higher rate of profit," Marx himself observed. If foreign capital is to reach us, we have to ensure it comparative conditions, which up to now has not been the case. What is more, we have neglected the competitiveness of terms and conditions and have attempted to preserve all the details of our economic system even in a case of foreign investment. Under those conditions, of course, we have not been sufficiently attractive to foreign investments.

Article 27 of the constitution set forth the rule that foreign investors would be entitled to "share in income" ... "within the limits and under the conditions" which apply to joint ventures among domestic organizations. That eliminated the possibility of the foreign investment threatening the social character of assets and self-management as the foundations of our socioeconomic system. However, there are also interpretations of this provision to the effect that all conditions are to be literally the same for domestic and foreign investors. Then the conditions for investors within the country would have to be competitive with those in the world at large. Since investment by one domestic organization in another is not particularly attractive in Yugoslavia because of the terms and conditions which can be offered it, it is then obvious that those same conditions are such as to be especially unattractive for a foreign investor. But the Law on Investment of the Capital of Foreign Persons in Domestic Organizations has prescribed for foreign investors conditions which are even less favorable than those for domestic organizations.

Article 26 of the SFRY Constitution has set forth that the workers of an organization in which an investment is being made shall be ensured "resources for expansion of plant and equipment according to their contribution to the income realized jointly." According to Article 19, that implies division of the remainder of income by the workers into consumption and augmentation of the capital used in proportion to the contribution which the workers "made through their own work and investment of social assets in the form of past labor." Aside, then, from its share in personal consumption and social service expenditure, the organization in which the investment is being made is also entitled to a share of the remainder of income in proportion to its investment.

However, Article 18 of the Law on Investment has prescribed that the portion of assets for expansion of the plant and equipment of the organization in which the investment is being made, regardless of its investment, must first be taken out of the foreigner's share of profit. Thus the domestic party by force of law is given a larger share in profit than would have followed from its share in the investment, which is, of course, to the detriment of the foreign investor. A paradox is created. Our country is the only one in the world where the workers themselves determine the portion of income earmarked for remuneration. In all other countries the investors themselves, as coowners of the organization, have a large, if not decisive, role in this. Nevertheless, only in our country does the law go on to take away a portion of the investor's remaining profit and leave it to the domestic organization. Thus the domestic party itself fixes the compensation for its work, thus determining the remainder of profit, and then out of that remainder it is left capital for expansion of plant and equipment. Then in what is left it again "equally" shares with the foreign investor.

Specific Features Which Are Unjustified

Our legislation persistently ignores extremely clear categories of profit or gain. Instead, it mistakenly talks about the investor's share in income. A portion of income, of course, goes for various expenditures, just as various costs are charged to revenues. The exaggerated reference to income affords an exaggerated sense of its size. This has probably contributed to creation of the mistaken idea, which in the whole world exists only in our country, that from income it is possible not only to pay the charge for use of the investment, but also to return the investment itself. The legislator has obviously confused a difference which has long been clear to accountants between return of money received and compensation for its use. The success of business operation is not affected at all either by the recruitment or the repayment of capital used to finance business operation. Finally, in practice there is no profit that could not only ensure a sufficient return on the investment, but also repay it.

A maximum amount of profit for use of the investment was introduced in order to make a distinction between the compensation for use of the investment and repayment of the investment. Article 19 of the Law on Investment prescribed the obligation of stipulating the maximum profit for the foreign investor in the contract. Thus the foreign investor is limited even in his possible contribution to improvement of business operation. Profit in excess of the maximum ejects the foreign investor from the venture. That turns him still more toward realizing indirect profit. To be sure, the possibility has been left open for the foreign investor to renounce withdrawal of the profit beyond the maximum and thus to preserve his investment unchanged. Then the portion of profit which is then withheld from the foreign investor is again left to the domestic party. Exactly like the resources for expansion of plant and equipment, this also, contrary to the constitutional principle, places the foreign investor in a less favorable position than the domestic party.

Contributions charged to personal incomes and taxes and contributions charged to income represent a large total tax burden for the domestic organization. Aside from that, the foreign investor's profit, which is established after obligatory appropriation of resources for expansion of plant and equipment and may be reduced by the portion which exceeds the stipulated maximum profit, is also subject to a special tax on a foreigner's profit. This tax is not paid by the domestic organization, so that once again the foreign and domestic investors are thereby put in an unequal position.

Reduction of the rate of the tax on the profit of foreigners, the solution resorted to by all the republics and provinces except Croatia, is not always the best solution unfortunately. In some countries it would be possible for investors in our country to be exempted from double taxation even from a tax paid at a higher rate than that which is paid in our country. In such a situation it would be far better to hold the rate of the tax on the profit of foreign persons to the percentage that prevails in most of the home countries of those who invest in our country, but at the same time the profit of foreigners would be omitted from the portion of the taxes and contributions charged to the domestic organization so as to diminish in this way the total tax burden.

The Value of the Investment

Article 34 of the Law on Expanded Reproduction and Past Labor, if nothing is stipulated in the contract, automatically assumes that the investment of the domestic organization is revaluated in a certain relation to inflation. The value of the investment of the domestic organization is thereby afforded unjustifiable protection. Under the present Law on Investment, the investment of the foreign person can also be revaluated under the contract "Depending on the Income Realized Through the Joint Conduct of Business." Several drafts of amendments of Article 32 of that law unfortunately envisage doing away with the very possibility of revaluating the foreign investment. Should that in fact be adopted, then on yet another basis the conditions would be made less favorable for foreign investors than for domestic investors.

In other countries an investment is terminated when the investment is sold. In that way one arrives at the real value of the investment. In our country there is no market on which to sell investments, but this has by no means eliminated the economic need for the foreign investment to be appraised at the end of the joint venture. As a matter of fact, this has indeed been the practice in our country from the very beginning, and it would be unreasonable, not just unjustified, to change this and to make the conditions more difficult for foreign investments in this manner as well.

The legislation envisages prompt payment of the profit of the domestic investor. Yet under the Law on Foreign Exchange Transactions payment of profit to a foreign investor is contingent upon achieving exports twice as great as the profit being transferred. In Kosovo even this condition does not exist. However, in the application of the legislation priority is given to meeting the fixed obligations under credits and to meeting general needs for foreign exchange. Thus as a practical matter there is no way left for obtaining the foreign exchange for exercise of the right of transfer of profit to the foreign investor which is set forth in the law. The right to foreign exchange has been nothing more than a dead letter.

Investments and Credits

From the very outset joint ventures have been financed not only from investments, but also with credit. In spite of that, the utter misunderstanding of the status of that kind of credit has been persistent. With respect to approval of certain contracts on a foreign investment, the very use of credit has even been contested. In order to create some cover for the practice of using credit to finance joint ventures, proceeding from the grotesque idea that everything not explicitly stated to be permitted is prohibited, amendments have been proposed to Article 8 of the Law on Investment. Up to now the contract has envisaged the total amount of the investment. It is now proposed that in future the contract contain the total amount of "necessary" investments, which is a very awkward phrase, one that could be interpreted even as unlimited responsibility of the investors to make new investments whenever there is an increased need for investment. That would again put the brakes on foreign investment. Another amendment of Article 8 sanctions credit as a source of financing for the joint venture. It provides that the investors would "by agreement take credit" as a portion of the capital to finance the joint investment. However, the credit may be taken by one or both investors in order to turn it into an investment in the joint venture, which does not require any specific regulation. Another possibility is for the organization in which the investment is being made to stand itself as the debtor with respect to the credit. In that case it is not likely that investors would "by agreement obtain" such credit, so that that phrasing is poor and confusing.

An extension to the amendment of that same article provides that the credit would be "repaid by the domestic organization" in which the joint investment is made "from the profit realized through joint business operation before its distribution to the parties to the contract." Again we are obviously dealing with an utter failure to understand the treatment of the repayment of credit in accounting, a matter which is not even specific to joint ventures. This kind of repayment only alters the "net worth," but it is neutral with respect to operating results. By no means can profit be reduced by the repayment of credit, just as taking credit cannot augment it. Credit is repaid from any liquid assets, so that it may be necessary to halt the payment of profit and to reinvest it. Finally, even income in our country is not so omnipotent that one can repay the investment from it, pay off the credit, and still have left a satisfactory profit for the investors. Only ignorance could puff it up to that size.

In the rest of the world the entire organization is always the framework for the investment. The organization is compact with respect to its environment, so that its result can be measured reliably. In our country, by contrast, we insist on "joint business operation," that is, the separate business operation of the organization, as the framework of the joint venture. The point of departure is that the organization or establishment of an organization is the inalienable right of the workers, who then within the framework of that same organization can also decide to organize other businesses. Not only does this not happen in practice, but the legislation in fact requires that a separate basic organization be organized whenever any result can be measured separately, which is obviously the case when there are two different businesses being operated. Fixing the organization of the joint venture throughout its entire life in the contract is also contested. All of this necessarily augments the risk for the foreign investor.

Foreign investments are one of the aspects of foreign economic relations of domestic organizations. Many indicators lead to the conclusion that joint ventures with foreign firms could greatly contribute to faster development of our economy. In order to attract them we must provide economically competitive conditions, which is not the case now. The upcoming amendments should be used to achieve that.

7045
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ANOMALIES OF AMENDED LAW ON FOREIGN EXCHANGE EXPLORED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1718, 4 Dec 83 pp 14-15

[Article by Scepan Rabrenovic]

[Text] Despite the extent of new changes in the law on foreign exchange, it is obvious that nearly everything will remain the same, because the law on payments using convertible currencies, which has not been changed, suspends the proposed changes.

Last Thursday in explaining to reporters the essence of the proposed changes in the law on foreign currencies, Mijat Sukovic, vice-president of the Federal Executive Council, apparently was not certain himself that all the proposed changes would be sufficient to make it possible for a unified foreign exchange market to function in Yugoslavia (which should be at the heart of the changes). Thus he said:

"If actual practice shows us that not even these changes can eliminate all of the problems, it will be unavoidable to change the entire foreign exchange system, to change the entire policy of economic relations with foreign countries."

When we study the proposed changes more closely, the conclusion quickly emerges that practice will rapidly provoke new changes. The law on the foreign exchange system will set a record: it will not only be the law with the most changes and additions, but also the one provoking the most arguments and the most praise. Six years have passed since its approval, and it has been given no peace in all that time.

Nor, certainly, will it be in the future. Apparently, quite a bit of time will pass before all interests related to the foreign exchange system are satisfied. We know that not even all those involved in preparing and proposing these most recent changes were in complete agreement, yet nevertheless they decided to transmit that composition to the Yugoslav Assembly delegates for consideration.

Muddled Accounts

In fact, these are the second changes to be made in the foreign exchange law. The first were carried out at the end of last year, but it was decided that in many ways they were unclear, so that they could be interpreted any way one wanted. Not only that: the foreign exchange law with those changes could not be applied in practice. That is nothing unusual, many laws cannot be applied, but it was a great surprise when a Serbian delegate in the Council of Republics and Provinces of the Yugoslav Assembly, Dr Borisav Jovic, asserted that the federal government itself had suspended certain provisions of this law by its decisions.

The most debatable point about the law is that it accepts the theory that foreign exchange belongs to those who earn it. That was easy to accept, but it was difficult to recognize each individual contribution to the export of a particular product. A final product such as an automobile or a ship, for example, is the product of the labor of hundreds of producers. In practice, the foreign exchange accrued to those engaged in the final assembly of an automobile or a ship, while everyone else who had participated in the production and who needed foreign exchange had to buy it on the open market, at a markedly higher exchange rate than the official one. Thus the final exporters obtained income that was not the product of their labor.

When in addition to all of this one knows that the foreign exchange law had provisions on the existence of payment and foreign exchange accounts in the republics and provinces (which had degenerated in the meantime into payment and foreign exchange balances), then it is not surprising that the flow of foreign exchange became closed into republic and province borders. Since we know that not all republics and provinces have the same number of final exporters (and from the standpoint of the national economy, it would be irrational to have the same number everywhere), the economics of certain republics and provinces enjoy more favorable positions, while others are in worse circumstances.

What ensued is called "the economy of natural barter," or the export of those raw materials or goods by republics or provinces that are needed by other ones, all in order to obtain the necessary foreign exchange to repay foreign debts or support normal production requirements. Thus began the export and import of wheat, the export and import of petroleum, sugar and other products. Economists estimate that Yugoslavia loses 700 million dollars annually because of this kind of foreign exchange policy.

In the current situation, even if it wanted to one republic or one province cannot pay another foreign exchange for goods, for in that case the one that sells the goods will not have those goods counted as exports and would not receive export incentives for their sale.

In this way all accounts were muddled, as were prices and parity values, while the dinar as legal tender within the country (the only one according to the Constitution) was partially forced out of circulation. It was natural after that that we received a double income, one in dinars and one in foreign exchange. Even foreign money had some value, because the basic organization of associated labor could have several foreign exchange accounts, but only one dinar account. Foreign exchange might be visible at one moment but invisible the next, but most often convertible currencies were kept in accounts abroad in order to avoid numerous obligations.

Undermining the Dinar

In December of last year, when the first changes in the foreign exchange law were made, it was suggested that all these inequities be eliminated, but the process was not carried to completion. Nor do the latest changes complete the process. It is true that Mijat Sukovic, and certain others who have participated in preparing these changes, assert that a unified foreign exchange market will be reestablished. Here is how: labor organizations will be obliged to take all the foreign exchange they have, after "socially accepted production needs" and "mutually recognized obligations" are met, to the market, where they will sell them at the official exchange rate. Sanctions have even been prescribed for those who fail to observe this regulation: they will not be granted export incentives.

Now the question is: Who is the one who can accurately determine the nature and magnitude of "socially accepted production needs" for every organization individually? Furthermore, will not their owners earn more by selling the foreign exchange than they would receive in export incentives (currently the black market price of the dollar in dealing between labor organizations is 3 times the official rate).

These are key questions that no one is prepared to answer now, but some sense of the answers can be discerned.

(For example, it has been suggested that Kosovo, in its current shortages, export power to acquire foreign exchange to buy spare parts for thermoelectric power plants. This is amazing, especially when we recall that in overall exports, electric power accounts for 16 percent, but since the electric power branch is not a final exporter, it does not have its own foreign exchange.)

It is a fundamental that foreign exchange continue to belong to those who earn it as final exporters, which means that they retain their foreign exchange monopoly.

The dinar as legal tender will continue to be threatened, for those with foreign exchange will try to devalue the dinar even further so that they can earn more by selling their foreign currencies. If they were forced to bring all their earned foreign exchange to the market and sell it at the official rate, and then to buy it as needed at prevailing rates, everything would contribute to making the dinar as stable as possible. And not only that, for then those who need foreign exchange would be able to get it, without the current practice of exporting at any cost.

There are many who assert that this sort of foreign exchange policy would contribute to increasing exports, for in such circumstances domestic production would increase and we would have something to export. That naturally presupposes a situation where such conditions would prevail in the country that exports would not be motivated by the drive to acquire foreign exchange, but by income motives. Yet all the factors that would help create such conditions are constantly being postponed.

"Circles" Remain

The obligatory sale of all foreign exchange on the market on the day it is earned is characterized by some as distribution in violation of self-management relationships. That which is presently proposed, however, can also be called distribution, but distribution that contains its own black market.

The most recent changes in the foreign exchange law also avoid admitting that, according to the Constitution, foreign exchange cannot be legal tender with which monetary commerce is carried on domestically, but only a means for making payments abroad. That is probably the source of the assertion that the new changes in the foreign exchange law are only cosmetic in nature.

Every creature becomes more beautiful after cosmetic treatment, but the real face can only be seen when the make-up is removed.

No matter how adroit the cosmetician, the new changes in the foreign exchange law will not change the essence of the foreign exchange system. This is borne out by the fact that the federal government does not want to annul the Law on Payments with Convertible Currencies, which is absolutely opposed to these new regulations as well as to the ones previously in effect. That law was approved in midyear at the session of the Council of Republics and Provinces of the Yugoslav Assembly that lasted all night. This law provides for paying debts abroad in a system involving certain so-called "circles."

Here is how those circles close: if a basic organization of associated labor does not have foreign exchange to pay its debts, the circle is closed in the labor organization to which that basic organization belongs; if the indicated labor organization does not have the foreign exchange, then the circle closes at the level of the comprehensive organization of associated labor; if not even that organization has the foreign exchange, then the circle closes with all the business partners of the commercial bank of that comprehensive organization of associated labor. If they do not have the foreign exchange, then the responsibility passes on to the level of the republic or province in which the debtor is located. Only after that does Yugoslav solidarity emerge.

In practical terms, that means that foreign exchange continues to be territorialized, and that in effect the circles have replaced the payment and foreign exchange positions of republics and provinces, so that everything stays as it was previously, regardless of the labor and adroitness of the cosmetician.

[Inset] Only Dinars for Citizens

Apparently the greatest effect of the proposed changes in the foreign exchange law is that goods will no longer be sold domestically using dinars of foreign exchange origin. Only foreigners and workers temporarily employed abroad will have that right.

This action is to eliminate the division of citizens into first class (those with foreign exchange) and second class (those who have only dinars). Yet that is not the only impact: labor organizations will no longer be able to sell their wares for foreign exchange in the country at markedly higher prices than they would have received for those same goods abroad. Nor was that their only benefit from that manner of sales: they were not obliged to set aside a percentage for importing petroleum or coking coal, financial reserves or federation finances from foreign exchange earned in that manner.

The sale of goods for dinars of foreign exchange origin was an unconstitutional act, but it was so legalized, so "normal," that no one reported it to the Yugoslav Constitutional Court. There were even defenses of such deals such as: "Let the lawyers determine whether or not it is constitutional." As if the Constitution were merely a matter for the lawyers!

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SKOPJE PROFESSOR CITES FAILURES IN ECONOMIC SYSTEM

Belgrade INTERVJU in Serbo-Croatian 28 Oct 83 pp 5-7

[Interview with Dr Nikola Uzunov, professor of applied Yugoslav economics at Skopje University and former member of the Executive Council of Macedonia, by Zoran Bojovic: "We Are Not Allowed Any More Mistakes"; date and place not specified]

[Text] In the multitude of differing opinions concerning the problems of society and the methods and directions of resolving them those reflections which approach a phenomenon from several angles are very rare. The problems and difficulties are much more frequently assessed from a single vantage point.

The indications that there was a need for critical examination of the practice in the economic system and the political system became evident almost simultaneously. However logical these indications are, the Long-Range Economic Stabilization Program was drafted first, and only recently did work begin on critical examination of the practice of the political system. There are quite a few people who say that if the economic and political problems had been taken up at the same time, this would have considerably influenced the quality of the solutions and the effectiveness of their application.

No doubt the 2-year lag of the change in political practice behind the changes in the economic system will not fail to have an impact on effectiveness in overcoming the difficulties which have so far resulted in a stagnation of production and self-management.

Although he says it himself that he is an economist, not a political scientist, Dr Nikola Uzunov, Skopje University professor for the subjects of Yugoslav Applied Economics and Modern Economic Systems and for a time a member of the Macedonian Executive Council, has related failures in the functioning of the economic system to certain forms of practice in the political system and has advocated changes in certain typically political patterns of behavior.

[Question] Do you feel that there is resistance to carrying out the stabilization program? Who is opposed, and why?

[Answer] First, the resistance comes from the political structures because they do not accept the basic philosophy of the economic stabilization program, which is based on objective economic laws. And the action which society wants to undertake must be in conformity with those laws; by all means it must not neglect them. The second thing that is hindering implementation of the program which has been adopted is the inertia of certain government and public bodies which are responsible for preparing what is referred to as the operationalization of the program, which means the specific draft versions of supplements and amendments to existing laws or perhaps the rationale for adoption of new laws. Out of inertia they drag things out with proposals and ideas which are related to the legal regulations and solutions now in place. Third, there is resistance by a segment of the public which expects miraculous solutions, which supposes that the standard of living will rise and economic conditions will change overnight, but they also suppose that these solutions will not harm anyone.

[Question] Why have you demanded that the Resolution for 1984 contain certain stands which are not only economic but also political?

[Answer] First of all, I am an economist, not a political scientist. A few years ago I blamed some of my colleagues for having presented the argument that the stabilization program could not be carried out without prior reform of the political system. As an economist I cannot take a position on that. Nevertheless, this does not mean that we cannot discuss the political system as well.

There is a certain type of practice in the political system which hinders proper functioning of the economic system. I have objections to make concerning the behavior of protagonists in the political system only from the standpoint of the economic system. I feel that we have a need even now, perhaps even this year--but also to make provision in the resolution for next year to carry out certain corrections in the political system which would assist more successful functioning of the economic system.

[Question] What are those patterns of political behavior which are having an adverse effect on economic life?

[Answer] The first thing is the meddling of the bodies and agencies of sociopolitical communities and certain officeholders in the making of investment decisions. This has been criticized for a long time now, stands have been taken, but this practice has not altogether ceased; that is, there is a danger of its resurgence. It is not enough to issue an appeal to the bankers saying that they should not listen to the suggestions of political officials, that is, the representatives of sociopolitical communities. That is, one must address the bodies and agencies of the sociopolitical communities and the officials themselves so that they stop making visits to the bankers or summoning the bankers. After all, the technology and the economic justifiability of a new plant must be studied in detail when investment decisions are made. On the other hand, it is equally important that the person making the investment decision bear economic liability for his act. Our economic system provides, not only because of self-management, that the bodies of self-management within organizations of associated labor shall have the right to make investment decisions. That right specifically exists because of the economic responsibility of the producers. The bodies and agencies of sociopolitical communities and individual officials cannot take upon themselves nor feel that economic responsibility.

Second, the formation of work organizations and complex organizations and large systems, that is, the entry of the workers into association, should truly be left to the workers and to their collectives, and should not be carried out according to schemes prepared in certain government bodies and agencies, not even in the economic chambers. Those schemes seem quite logical at first glance, but after a few years they prove themselves to be inappropriate in practice. Collectives can have greater confidence in their sense of what organizational forms can be of greater benefit both to them and to the broader community, and in what cases they can be satisfied with regular business ties.

The third domain of the economic system which I consider important to normal economic flows is personnel policy, especially selection of managerial personnel in the economy, those people popularly referred to as the directors. At this point the professional managers in economic organizations are de facto appointed by sociopolitical communities. So that these people are more oriented in their work toward sociopolitical organizations than toward their own work collectives, within which the elections of the workers' councils are also often a formality. The directors are less concerned about studying production costs, business conditions, trading partners, and so on. In short, the directors are turned more to the committees and less to their customers. I have also been relating this to the stabilization program, and I feel that the situation in work organizations cannot be changed if managerial personnel in organizations of associated labor in the economic sector are not turned toward work collectives and toward the problems of production.

Fourth, the domain of social welfare policy is unjustifiably dragged into the domain of economic reproduction, instead of being conducted outside the sphere of the economic system, that is, solely within the sphere of the social services. We might even have a very intensive social welfare policy if we achieved and preserved smaller spreads in social differences, but all this should be maintained outside the sphere of production and trade, i.e., solely in the sphere of distribution or, put better, redistribution of the national income and consumption. Motives having to do with social welfare cannot be the basis for setting prices, nor interest rates, nor rents, nor other economic categories, not even personal incomes. Nor can these motives be the basis for the awarding of credit, the covering of losses, and so on. Social welfare policy should be conducted by using taxes, by collecting resources and by distributing them. The entire sphere of the social services, health care, education, culture, and so on, serves that policy. Even the creation of jobs for the unemployed should be done productively--according to the needs of the economy, and not as a measure of social welfare policy. The Long-Range Economic Stabilization Program envisages important measures even for the domain of the creation of new jobs in the context of economic criteria, not as a part of social welfare policy. Those measures should be applied.

[Question] It is obvious that there will be changes, not only in the practice of the economic system, but amendment of sections of certain laws is also on the agenda. Even yet almost every such proposal is described as an attack on basic social and political commitments, yet it is well known that we have often amended the constitution and laws regulating the life of the economy and society.

[Answer] I can guess that the phenomenon you refer to arises perhaps from a fear that under the conditions of economic instability something that would appear like political instability might be created. I cannot speak about political instability, since I am not qualified for that. But economic instability does actually exist and it certainly has connections to political instability as well. This fear drives one to carefully evaluate from the political standpoint the proposals and criticisms having to do with the questions of the economic system proper. I think that in this way we cannot carry discussions to the end concerning the basic premises of the stabilization program and its application. It is a normal thing for there to be disagreements and critical objections to the economic system, to the solutions, to decisions and laws, and so on. I think that one should first evaluate the content of the criticism and proposals instead of looking up on every criticism a priori as an attack on self-management or as a danger to the political system.

[Question] The time frame for carrying out the first phase of the stabilization program (end of 1985) has been described by certain members of the Federal Economics Council as a "political shock" in view of the need for radical changes. At the same time it has been said that "we are not allowed any more mistakes." Still others feel that we must leave such steps for "better times...."

[Answer] I feel that we cannot wait for "better times," that we should carry out the stabilization program as it has been conceived and adopted. And it has been supported by the forums of all sociopolitical organizations and by the bodies of sociopolitical communities. Any delay in applying the stabilization program would signify a new step toward uncertainty. I cannot take a position concerning the need for a "shock." The "shock" would signify that major changes in economic life and relations would be carried out in a short time, some sort of exceptional measures and emergency situation. I feel that that is not necessary. But it is necessary that the stabilization program be carried out as a whole. Some parts of it have already been applied in practice during this year. The beginning of next year has been set as the deadline for introduction of all measures and the entire content of the Long-Range Economic Stabilization Program in economic life, and that in the order proposed by its authors.

[Question] Would you like to take a position concerning that part of the question which states that "we are not allowed any more mistakes"?

[Answer] I think that the question of success or failure of this stabilization program has vital importance and far-reaching significance to our entire economic system. I even feel that if we do not manage to adapt our self-managing economic system to objective economic laws, to enrich it with the demands of economics, I fear that this failure will necessitate changes in our economic system which cannot even be foreseen at this point. In any case this would have to be an altogether new system. I am frightened about what would happen to self-management if it does not free itself of its present orientation, which smacks a good deal of the administrative approach, if it does not equip itself to take its own direction in accordance with economic laws.

As a matter of fact, because of the disrupted conditions in the domain of economic developments, we now have a very inconsistent economic system. I think that the proper term would be a self-managing administrative system or an administrative self-managing system. That kind of system cannot function even if economic developments are in good order, even if we assume that there is no overindebtedness, that the economy is developing normally. Even under such conditions, then, the economic system must be consistent, it may not be a hybrid of two systems. The self-management system and the administrative system cannot be combined. So, unless our self-management system is perfected, unless it is allowed to remain self-managing, but also functions with economic efficiency, it will have to be turned into some kind of administrative system, which would be going backward, a retreat which we must not allow.

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GROWING BURDEN OF BUREAUCRACY DISCUSSED

Belgrade INTERVJU in Serbo-Croatian 28 Oct 83 pp 19-22

[Article by Dragos Ivanovic: "Immense, Expensive and ... Dangerous"]

[Text] Some time ago the sociologist Slaven Letica, out of a desire to assess the real power of the bureaucracy in our society, declared a bit provocatively: "I say that the high government debt and high prices are not the basic problem of our society, nor is it even the threatening stagnation and shortages in everyday life. The basic problem today is the immense, expensive, inefficient, ineffective, corrupted and dangerous (to the freedom and interests of individuals, the economy and the people) bureaucracy."

At this point it is secondary whether the order and degree of importance of our problems is exactly the one given, but it cannot be disputed that the danger of the bureaucracy is expressed very effectively in this declaration. Certainly it is well founded.

The bureaucracy is the inevitable refrain of all our public discussions. It sometimes seems that we talk about nothing so much as about the bureaucracy. It is discussed at length in forums and at scholarly symposiums, in newspaper columns and in theoretical essays. Someone once aptly noted: "The most attractive image in our public expression is the verbal campaign against bureaucracy."

But the more extensively and fashionably we speak about the bureaucracy, we know less and less who that bureaucrat actually is. It might even be said that many discussions actually enwrap these widely used terms with an ever more opaque fog. For many "knights" of public speech and of the struggle against bureaucracy that old rule seems to be implicitly valid: the bureaucracy is always the other guy!

Various Ways of Getting By in the Crisis

Yet there is one thing the majority agrees on. And that is that there are at least two unavoidable features that can be used to reliably identify bureaucrats: those who have seized the highest social influence without authorization and who in the distribution of the social income break off the largest pieces of this our common national cake.

Under the constitution income is to go to those who create it. In actual life it is the other way around. The percentage of income which is left at the disposition of economic organizations has been declining year after year. A disturbing warning was issued a few days ago in the Economic Chamber of Yugoslavia:

"It had been agreed that the assessments on the economy would be reduced this year by at least 2 percent, but the opposite happened. In the first 8 months the economy's share in the distribution of gross income dropped all of 2.4 points--from 61.4 to 59 percent, and that is the critical point below which the economy is smothered."

The map of our economic conditions and social relations is shaded with ever more profound differences. On the one hand the economy is becoming dramatically impoverished--mutual debt in the economy has already reached the sum of more than 2,000 billion dinars. On the other hand, while the economy is suffering from a lack of money, social service expenditures in the budgets of sociopolitical communities are growing constantly and piling up surpluses.

All of this is rounded out with yet another convincing datum: for 4 years in a row now real personal incomes have been falling off considerably, and those who gain the most from that so-called nominal increase are not the direct producers, but those employed in banks, other financial institutions and work communities of associated labor.

Here is how people get by in this crisis of ours! Those who are working are forced to do without, but the privileges of undeserved consumption are still left untouched in spite of the verbal commitments for years now.

The Centers Which Wield the Power

How did this come about? Djordje Golubovic, who works at the motor industry in Rakovica, recently said in a section of the Socialist Alliance:

"The opportunistic attitude of sociopolitical organizations, of the LC and the Socialist Alliance as well as of the trade unions, has done everything to facilitate the strengthening of certain centers which are now ruling even the economy, and thereby politics in our society as well. Thus sociopolitical communities have actually become a surrogate of the state and of its conception of socialist development and attitude toward the workers.

"After all, how otherwise can we understand the steady drop in the economy's share in distribution of the national income. It is constantly being recorded in the news media that the economy is overindebted, that it owes a great deal, and that it is unable to pay its debts. This causes quite a bit of confusion and opens up certain new issues. How is it possible that the one who is creating material goods is in debt to the one who performs the administrative function. Unfortunately, this feudal logic is quite readily taken up and promoted even by certain of our highest leaders. Only in the feudal system did the peasant constantly work and always stay in debt to the one for whom he worked," Djordje Golubovic said.

Our so-called social superstructure is truly exorbitant in its demands. According to certain calculations, it takes 100 workers in material production to create the income for another 102 persons employed in the noneconomic sphere. If we add to this the repayment of debts and credit, then that number climbs to 110 nonproduction workers outside the economy who are being supported. The tax, contributions and other assessments take away 44-45 percent of the economy's income, while in the advanced European countries, although their productivity is twice as high, those assessments range from 28 to 38 percent.

The Monstrous Scale of the Communities of Interest

The example of the self-managing communities of interest [SIZ's], of which it is said that they have actually become little ministries already, provides the best illustration of how far things have gone with these extremes in distribution. Today the SIZ's employ about 25,000 people (some say even more!), which is 10,000 more than in all the bodies and agencies of the Federation, which for a long time now has been said to have too many civil servants. A datum was recently presented in the Assembly--and no one denied it--that it cost 500 billion dinars to support the SIZ's.

But the sum of the costs is not everything. Where the money goes, that is where the power is. Moreover, that long nurtured and bureaucratically refined power of prestigious institutions and the influential officialdom which remain in the shadow while everything goes their way, but they know how to make a fuss when some of their vested rights are disputed. The role left to those employed in the economy is to go on paying, divested of all influence and left to the feeling that they are in a labyrinth of alienated decision-making from which it is difficult to get out. Many things have been built to monstrous proportions, especially in the institutional sense, in the name of the development of self-management. Now to some extent we are all acting like prisoners of these exaggerations. We can neither tolerate them anymore, nor can we get rid of them all that easily.

The Power of Executive Bodies and Administrative Agencies

But perhaps all this would not have occurred if the system of delegate decisionmaking had proven more effective. Why and how has that social organism involving so many people (it is said that they number about 3 million) been shunted onto a sidetrack of our political life?

Whenever this topic comes up, a finger is first pointed at the administration. So much power is attributed to it that all life in our country, some say, follows the patterns devised by the administrative agencies.

Some of the statistics seem to support such assertions. Someone, for example, calculated that federal bodies and agencies alone have issued about 5,000 different sublegal acts. And then what if we take into account similar enactments by the republics and provinces? This boundless forest of statutes often hampers the economy and the individual citizen, nor does it overlook the bodies of self-management.

The autonomous life of the commune, say, is seriously undermined for this reason. Hardly anything is left of its self-management freedom and independence when it is compelled to enforce about 2,000 laws and other enactments which come "from above." Today it exhausts all its strength in this "enforcement."

To all this we should also add that the Federal Executive Council possesses about 11,000 authorizations! One can only assume how great is the power to intervene and meddle in the everyday life of the economy and society imparted in such expanded powers of executive bodies and administrative agencies.

What, then, is left of the great ambition of our constitution that relations in society and the economy shall be regulated more and more by autonomous self-management legislation?

When there are so many enactments, there must also be a great deal of administration. One out of every four members of the employed labor force in Yugoslavia, the statistics say, has a job in the administration.

Since it is so large, is this sizable army of civil servants at least good?

No, the competent people reply, and they give a number of convincing reasons. The administration, they say, mainly writes up piles of material from which there is no real benefit. Recently Milka Planinc complained that the Federal Executive Council was holding marathon meetings and that there was a good deal of running in place in the work of the government. "Unless an end is put to this practice," she warned, "I don't know how we will endure physically. We might all be put in some sanatorium, but the work has to be done."

The most serious criticism of the administration is that it has fallen into a crisis of creativity. In other words, that it is a professional staff service with very little professional competence. But the point is not merely that its judgment is considerably limited. The worst thing is that its elementary data, which have vital interest to the country, are often not reliable at all. More than once it has turned out that the figures of international financial institutions concerning our foreign debt or concerning the status of our balance of payments were more accurate than our own. When these examples were reported recently at a high-level gathering, they caused some shock and dismay. As well they might. How far gone are we, and what kind of other major troubles could we fall into because of this kind of incompetence?

Is this degradation of professional competence only a sign of the bureaucratic nonchalance of the administration, or is something else also involved?

Some feel that the condition of the administration is not the cause, but the consequence of another, much more powerful bureaucracy. It is said, for example, that the professional competence of the administration is actually destroyed by political structures which do not appoint able people to the key posts in the administration, but people who are obedient, so that they might carry out their will more easily.

The Spirit of Bureaucratic Routine

Be that as it may, it now turns out that many self-management bodies, especially the delegate assemblies, are to a large degree captives of the administration. To be sure, the assemblies do affirm the policy and enact the laws, but the inspirers of all those documents are as a rule the administrative agencies. Which is why we have so many laws enacted by emergency procedure, laws whose unexpected appearance can cause a real tumult in economic flows.

Emergency procedure signifies the a priori elimination of the influence of the assembly and society on the preparation and content of the law. These laws are usually justified by inevitable economic and social circumstances which do not afford postponement. But if there is truth in this, it cannot be an alibi for the inferiority of the legislator, whose high integrity the people are counting on so much. After all, by giving in to the arguments of the administration, the legislator himself is sometimes succumbing to the spirit of bureaucratic routine.

The important law on expanded reproduction and past labor, one of the building blocks of the system on which so many hopes were pinned, was enacted 2 years ago, and now it is evident that it can hardly be applied. A surprise? Not at all. Even at the time when it was enacted, we were told a few days ago by Dr Boro Petkovski, a delegate, it was clearly evident that this law was 50 percent unforceable. Why, then, was such a law adopted? Out of opportunism, Petkovski replies, since it was felt that it would be politically awkward if the assembly did not pass it.

Such improvisations, which bear the imprint of haste and bureaucratic nonchalance, are unfortunately not rare.

Following the new customs regulations, last fall, many Yugoslavs employed abroad found themselves in a difficult situation when they were forced to leave piles of their things at the border, since they had not been informed about the changes. There was a public scandal and excitement! But it soon died down without it being made clear who was actually supposed to inform our workers abroad and spare them these difficulties.

The Command Mentality Is Spreading

The citizen and the legislator! This is an eternal topic which is now taking on new overtones in our country. Exaggerated normativism, which aspires to prescribe everything in detail for the citizen and employed person, has given one of our theorists occasion to put the question: Are we not sliding in the direction of the repressive society?

Over the last 12 years 234 laws and other enactments have been passed envisaging 3,000 different punishable acts. They are full of endless prohibitions and restrictions which hinder normal behavior in the world of economic activity. When the legislator spreads such a dense net of penalties, then even the most honorable business executive is not certain what trap he might come upon tomorrow when he launches into business undertakings with the best motives.

This mentality of commanding without back talk is spreading dangerously in society. Every individual knows from his own experience how deep-rooted this style already is, say, in various municipal service organizations. Every day the newspapers are full of complaints from people who have had all sorts of experience with housing enterprises, power companies and other municipal service institutions. Although they pay for their services regularly, many are compelled to take abuse and to prove in court that they are correct. Just one single organization of this kind can simultaneously file 100,000 suits against the guilty and innocent alike. But 100,000 individuals cannot stand in the way of a single organization of this kind. How, then, is the principle of fairness to be defended when various organizations have become an actual menace to our civil tranquillity?

Self-Reproduction of the Managerial Stratum

It is generally believed that the delegate mechanism is moving more and more into the shadows in the face of the obtrusive and exclusive decisionmaking on essential matters at the top level of the Federation and the republics and opstinas. There is more and more talk to the effect that changes over the last 10 years or so have mainly come down to our now having decentralized to the lower levels the statism we previously had at the national level. We have unprecedented autarchy and voluntarism as a result of the very firmly rooted bureaucratic structures in the republics and provinces.

It is now all clear as the palm of one's hand: the country is divided into eight national economies involved in serious mutual disagreements. Over the last 10 years or so the foreign debt has grown ninefold, and it is still not really known who borrowed all this and for what. Industrial and other products are crossing the border of the republic in which they were produced in ever smaller quantities. It is easier for us to conclude business transactions with foreign countries than with the neighboring republic in the same country.

A great scramble has broken out among the republics concerning the division of income. Each of them is trying with higher prices to come by as much money as possible for its own economy. The consequences are the highest inflation since the Liberation and enormous investment projects without real backing.

Of course, all of that would not have been possible if precisely in recent years, when there was so much talk about deprofessionalization of political functions, a rather numerous and very influential professional political and managerial stratum had not been created. Indeed a true system of functionaries has been created, as the distinguished jurist Dr Leon Gerskovic recently noted.

Dr Najdan Pasic, the outstanding political scientist, has this to say on this subject:

"There are increasingly obvious tendencies for this stratum to 'reproduce itself,' in various ways regardless of all formal democratic procedures. It is favored in this by the confidential 'personnel lists' and consultations, indeed even by precise agreements on the assignment of personnel concluded behind 'closed doors' in coordinating bodies and before that in still smaller informal groups. When the broader consultations begin in the Socialist Alliance, the basic distribution of personnel has by and large already been made. Introduction of the delegate system has not brought about the anticipated democratic turnaround in this respect, nor has it sufficiently speeded up the deprofessionalization of political life. In this area, then, the appropriate democratic solutions have yet to be found."

The Society of the Hierarchical Structure

The bureaucratic stratum, which is already stable, is accompanied by the inevitable earmarks of social prestige. Luxury cars are one of them. The datum was recently presented in the Yugoslav Assembly that 200,000 people in our country are employed servicing 150,000 so-called public automobiles. This is an entire peacetime army, it was said on that occasion.

Are we really rich enough for that kind of luxury? More precise accounting would certainly reveal that these expenditures for automobiles at a high level considerably exceed the budgets of many public institutions and organizations, and indeed even entire national services.

If it is true that "an entire army" is engaged in maintaining so-called public cars, then the only thing this can mean is that we are a society with a pronounced hierarchical structure regardless of what is written in the constitution and what we would like to think of ourselves. And the bureaucratic hierarchy has its own laws, rituals and priorities. It began in the Federation and, after the pattern of spreading concentric circles, now every opstina, even the poorest, also has luxury cars. It started with captured jeeps, but it has ended with the most modern Mercedes. No one who possessed any sort of power, be it even in an SIZ, could any longer do without that bit of showing off.

How is this looked upon at the base of society, consisting of producers?

This remark by Djordje Golubovic, the worker already quoted, is characteristic in this respect:

"High prices in trade force us to obtain food for canning directly from producers. And now comes an obstacle set up by that same structure which now is supposedly so concerned. Although we have our trucks with which we would be able to carry supplies for canning, we do not have the fuel.... At the same time you will see a column of Mercedes automobiles with escort when an official is visiting a farm or one can see in the press how helicopters are being used to go to sporting events or to carry refrigerators. It seems that the restriction does not apply here...."

While we have been competing with one another in luxury, other countries richer than us have begun to adopt more modest styles in official transportation. In our country that kind of restraint would tend to be interpreted more as cheap demagogy, which is also typical of the state of our domestic bureaucratic spirit, which is inclined rather to solidarity in the gaining of prestige than toward a readiness to make sacrifices.

Bureaucratic perquisites have become so entrenched in our country that they persist even beyond the term of office. We are one of the rare countries in which an official leaving some post receives for years his very high salary for doing nothing while he is waiting for assignment to a new post.

How many such lucky people are there reaping such a windfall? Every community naturally strives to play down this problem as much as possible before the public, citing figures which usually range from 20 to 40. Certainly there are no complete statistics on this, but if we total up all the well-paid people who are on a "waiting status" in the opstinas, republics, provinces and the Federation, the result would be a number that would take away the breath of many people.

There is now under way a large-scale social action to abolish this law as unconstitutional and objectionable. However, in order to get that started many public organizations have had to issue a vigorous appeal to the conscience of society. The constitutional courts have also come out in favor of this action, and now the last word is awaited from the delegate assemblies.

Privileges Even After Leaving Office

Nowhere are these bureaucratic privileges so striking as in the allocation of housing, probably because they are the most accessible to the everyday experience of the ordinary man. It has long become the rule that dwellings for officials are larger than the rest, that they are not built to the same specifications, which is to say that they are much better equipped, and ... they are allocated without any reliable criterion. Very often these dwellings are concentrated in special sections of the city, in actual settlements set aside for officials.

The worst thing in all this is the fact that bureaucratic power has even here seen to it that the right to housing survives the leaving of office. A major scandal recently broke out concerning housing in the Federation which officials had unlawfully left to their children after leaving office. This was discussed with considerable excitement in meetings in work collectives as well, and debate was also initiated in the bodies of the assembly. Some people said that it involved 4,000 housing units which were "lost," others mentioned only 200 or 300, depending on the sources of the data.

We do not, to be sure, know everything about the Federation, but what we do know is still much more than is known about the republics and opstinas, where the true state of affairs is concealed with much more cleverness and zeal. It is only certain recent scandals in the opstinas that have revealed how much misfeasance involving housing is an inevitable part of the arbitrariness of certain officials.

Prior Right to Information

All of this, however, falls in those material and mainly tangible privileges of the bureaucracy. There are also others which are not measured in money values, but which are equally important to strengthening undeserved social prestige. For instance, modern bureaucratic power is unthinkable without a priority right to information. As a matter of fact, we are all today divided into those few in various structures who are well informed about everything and those, which is to say all the rest, who know little or almost nothing at all. That is why the style of private information gathering is so highly developed in our country, from ear to ear, accompanied by the perpetual refrain "Have you heard ...," "It is being said ...," "Someone told me...."

But things of that kind might also be our private affair, while the consequences of our divisions with respect to the right to information are felt far more seriously as a threat to self-management and democracy. When, for example, the professional management team in a work organization keeps key information solely in its own hands, then the workers are hardly able to make worthwhile decisions even about the most vital matters, even though their powers have been raised to the level of inalienable rights.

One is simply amazed at how far the lack of information goes in our country. Numerous delegate questions, which are a characteristic of our assemblies at all levels, are usually regarded as proof of great activity and interest on the part of delegates in the performance of public business. Those who are well informed, however, say that delegates are compelled to put delegate questions to officials responsible for certain areas in order to provoke them to speak in public about what they are discussing secretly in the closed circles of the executive bodies and agencies.

When the real figures about our debt and the conditions for obtaining foreign credit were reported at that famous meeting on the night of 3 July in the Yugoslav Assembly, both the delegates and the public suffered a real minor shock. People did by and large know the size of our debt and that the negotiations concerning new credits were not going smoothly, but that was the first time that the public learned of the true scale of the crisis we had fallen into.

Or take the case with Kosovo. The Irredenta had to flare up dramatically before it was openly admitted that for years figures on the true state of affairs in the province had been carefully concealed from the public. The possession of information is obviously not merely a matter of being informed, it is above all power to influence the course of events in society. It is for that reason that differences in the access to information signify above all a profound social discrimination.

The Bureaucracy's Wooden Language

And finally, we cannot overlook the bureaucracy's language as in a way its spiritual hallmark. This is that hard and pregnant mode of speech that is incomprehensible to the people. For some people this is a trait that is not of the least importance and is almost a formality, while others on the other hand attribute to it great importance, since the entire being of the bureaucracy is synthesized within it. In that wooden language there is something of Kafkian alienation--when some officials speak, one cannot escape the impression that they are not addressing the people, but are sending coded messages and warnings to one another.

Only the person able to receive those codes also fulfills the decisive conditions for the more restricted personnel selection. Once he has entered that labyrinth, there are several different methods of advancement. Usually one climbs the steps created by the favor of those higher up.

Those below, in the base, are more concerned--at present still unsuccessfully--with finding a radical way out of this.

[Box, p 22]

When the Office Force Is on the March

There has been quite a hue and cry about the noneconomic sector when it comes to administration. However, the economy is nevertheless in first place with the size of its office force, which numbers 580,000. Its most typical representatives are the accountants, the cashiers, and staff personnel in all categories. We need to add to them 110,000 specialists, economists, and lawyers with resounding titles--analysts or advisers. We can also add to the army of "sedentary personnel" in the economy about 100,000 security personnel, such as doormen, inspectors and watchmen.

The noneconomic administration has an office force of about 500,000, while the government apparatus, best known as the administration, employs 178,439 administrative personnel, as follows: legislative bodies, above all the assemblies--26,925, administrative agencies--103,096, state judicial bodies--25,227, and the Social Accounting Service--23,191.

It is interesting that the federal administration has 13,356 officials, the republic and provincial administrations 16,005, opstina administrations 67,936, and municipal administrations 5,799.

Most frequently under attack is the administration of SIZ's, which have 43,438 people, insurance companies 14,998, while trade associations have a work force of 8,371.

The political-ideological sphere employs 27,310 fulltime officials in party, trade union and youth forums.

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