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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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21 February 1984

## EAST EUROPE REPORT

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MOUNTING DRIVE FOR SOVIET ECONOMIC REFORM VIEWED IN WARSAW WEEKLY

Warsaw POLITYKA in Polish No 1, 7 Jan 84 p 12.

[Article by Jerzy Kleer: "The Economic Reform Program"]

[Text] A careful analyst of the Soviet economic policy can notice without any effort that there exists an organic link between Yuriy Andropov's speech delivered at the November 1982 CPSU Central Committee plenum and the text presented to participants in this body's last conference. The link is both theoretical and pragmatic. Both statements and many previous speeches (I wrote about them in POLITYKA No 44/83) contain the main idea for reforming and improving the economic mechanism.

In his last speech the CPSU Central Committee general secretary presented a reform program that is much broader than the one formulated last year. The program's range is also broader than that of the measures that have already been taken in the Soviet Union. I am thinking here about the task of developing a comprehensive program of economic reform that would cover the whole national economy rather than its particular areas and branches. A large-scale economic experiment covering enterprises supervised by five ministries, two of them all-union and three republic ministries, became effective on 1 January 1984. The experiment is based on increased autonomy of enterprises and associations and, consequently, their responsibility for results of their activities.

Without waiting for results of the experiment, Yuriy Andropov stated that "the issue of developing a comprehensive program for improving the entire management mechanism is ready to be tackled. The management mechanism should be made fully compatible with the economy of developed socialism and the character of tasks that are being solved." This postulate deserves attention even more so since we still have to wait for results of the experiment. The experience of many countries, including the Soviet Union, shows that at least 3 years have to pass before a satisfactory evaluation can be conducted. It is even more important to remember that either positive or negative results of the experiment cannot be summed up in a satisfactory way since conditions in which enterprises function are either very favorable, or just the opposite--they are too much like those in which enterprises had to function in the past.

Such is the logic of economic functioning. This is shown by the results of the Shchokin method, introduced as a part of the experiment and giving economic units greater autonomy in making economic decisions concerning employment and wage funds. G. Grotsekskul, first secretary of the Shchokin CPSU city committee, stated in PRAVDA that although the method seems to have passed the test and many of its principles were officially adopted, "ministries still plan wage funds of enterprises based on the last year's average earnings and the work force's size. It is difficult to find a better 'cut down' for supporters of innovations." He adds that "obstacles created by ministries do not affect only results of the Shchokin method. The same goes for the Zlobin, Dynamo, Monin, and Orel methods, as well as the introduction of group rates to industry and agriculture."

While formulating the program principles, Yuriy Andropov stated that "such a program should strive to accomplish the following objectives:

"--improve the organizational structure of management at all levels and of all links of the national economy; this should include giving clear definitions of functions, rights, and responsibilities of management bodies and enterprises and uniting in an organic way interests of the state with those of work forces;

"--improve the national economy's planning system, taking as the point of departure the need for increasing socioeconomic production efficiency;

"--increase the effectiveness of the whole set of economic levers and stimulæ of the economic mechanism including price setting, the system of credits and financing, and methods of evaluating results of economic functioning."

The significance of the above suggestion is twofold. Firstly, the introduced experiment covers a broader area not only in the sense that it will be, in one form or another, stretched over the entire economy, but also because it opens the economy to new ideas that are advanced even as compared to those thrust upon enterprises and associations included in the experiment. Secondly, it takes time to reform economic mechanisms, especially for the Soviet economy because of its size, complex internal connections, and specific needs of particular branches and sectors, as well as because of difficulties caused by reclaiming eastern regions and the range of investments never before in history carried out in such a short time.

Up to now vertical lines dominated in the structure of the Soviet economy. They led from the political echelon down to all-union and republic ministries, all the way down to enterprises. This system of links is inadequate, as has been shown by many statements made by Soviet professional publications for some time already. This system isolates one enterprise from other similar enterprises. Balancing in the vertical ministerial system results in waste of the capacity and resources. Secretary Grotsekskul, who has been quoted above, wrote: "Specialists in this (Shchokin--J.K.) method currently introduced an idea of conducting the experiment 'horizontally,' i.e., within a specific region."

At present many examples of broader horizontal links exist in the food production area. This area required most urgent measures. It is commonly believed that the system of broader horizontal links should include other areas of the economy as well. Statements of the CPSU Central Committee general secretary concerning improvements in the management structure at all levels emphasize this. The statement that there should be an organic link between interests of enterprises (work forces) and those of the state points to the need for giving greater independence to basic management units in the area of decisionmaking and using the incentives system in their economic functioning to a greater degree than it is done at present.

The second issue, which is just as important, is that of increasing the use of the scientific-technological potential. In Yuriy Andropov's statement we read concerning this matter: "so far, our planning bodies, ministries, and central offices have not found solutions for full and efficient use of the existing production and scientific-technological potential." He continues: "A positive stimulus was created by new decisions adopted after the November plenum and the introduction of important experiments in the area of creating, implementing, and stimulating modern technology. However, the organization of the entire system of technological and scientific activities is still far from perfection. In many branches organizers seem to walk in place, plans concerning modern technology are not carried out, and even the range of those plans leaves much to be desired."

The above statements should be viewed in a broad context including both domestic and international aspects. At present the Soviet economy has at its disposal tremendous scientific research resources. Its potential is much greater than resources currently used by the economy. Thus, it is necessary to create an efficient coupling system between science and the economy. This needs to be done both to fulfill the country's autonomous needs and in response to phenomena taking place in the world economy. The world economy is experiencing tremendous changes caused on the one hand by the newly formed energy and raw materials market, which is a result of the necessity to give up energy- and raw material-intensive technologies, and, on the other hand, by the introduction of technological revolution resulting from the development of microelectronics and biophysics. The USSR holds the first place in the world in many areas of technology and engineering. However, according to many recent Soviet publications, much still needs to be done in some areas. Thus, the most important task consists in harnessing Soviet science and technology to serve a modern and efficient economy management system.

Careful reading of Yuriy Andropov's speeches and articles shows that the author constantly emphasizes the importance of grass roots initiative--the initiative of people, work force collectives, and enterprises. The set of these issues covers a very important problem of socialist initiative. At present the Soviet economy is already very complicated and connected by many links, therefore many decisions should be made only "at the bottom." Only the enterprise can decide how particular problems can be solved in the most productive way. No general model can present a satisfactory solution. However, even though the idea of "grass roots" corrections of general tasks



is accepted by everybody, we still have not, either in theory or in practice, come up with correct solutions concerning the entire system of functioning which is commonly known as socialist initiative. This is one of the most difficult problems concerning economy management, since during the initial period of building socialism the interest of the state was given more attention than that of enterprises and work forces. Thus, the creation of a system balancing public, group, and individual interests is a very difficult long-range task.

It seems that a particular situation in which a specific economy functions has to be taken into consideration when devising ways of accomplishing this task. A pragmatic rather than theoretical approach to this problem is advised. If we look at specific measures, such as work discipline, individual responsibility, and compulsory fulfillment of contracts and agreements, that were recently introduced to the Soviet economy from this point of view, we can see that they constitute one of the ways of developing socialist initiative.

9959

CSO: 2600/556

DECISION ON FURTHER DEVELOPMENT OF MACHINEBUILDING, ELECTRONICS

Sofia DURZHAVEN VESTNIK in Bulgarian 30 Dec 83 pp 1,265-1,267

[Text]

Ukase No 3869

In accordance with Article 84, Paragraph 1, and Article 93, Point 6, of the Constitution of the Bulgarian People's Republic, the State Council of the Bulgarian People's Republic

Decrees:

The publication in DURZHAVEN VESTNIK of the resolution based on the report submitted by the minister of machine building and electronics on the ministry's work.

Issued in Sofia on 22 December 1983 and sealed with the State Seal.

Chairman of the State Council of the Bulgarian People's Republic: T. Zhivkov

Secretary of the State Council of the Bulgarian People's Republic: N. Manolov

Resolution Based on the Report Submitted by the Minister of Machine Building and Electronics

At its 11th session, having heard the report submitted by the minister of machine building and electronics, and the core report submitted by the Permanent Commission on Socioeconomic Development, as well as the debates which followed, the 8th National Assembly resolved:

Bulgaria machine building and electronics are the offspring of the party's April policy. The accuracy of the strategy and liability of this policy are manifested most clearly through the development accomplishments of the machine-building industry and its importance to the country. A powerful material and technical base was established. Priority was given to the production of electric and motor cars, highly productive machines with digital programming controls, automated modules, robots, electronic, micro-processor and communications equipment, instrument manufacturing and automation facilities, electric-powered machinery and equipment, shipbuilding and heavy investment machine building. This created favorable prerequisites for the solution of a number of problems related to the country's socioeconomic development.

Machine building and electronics account for 17 percent of the country's national income, 22.4 percent of the volume of industrial output and 57 percent of the national exports. As the main exporter of technical progress, the sector creates progressive changes in the structure of the manpower and its educational standards and skills. The participation of our machine-building output in the development of the other economic sectors has increased significantly. The production of household equipment has improved. Prerequisites have been created for the further development of the sector in accordance with the latest global trends of comprehensive automation of production processes.

No one can imagine today the Bulgarian People's Republic without its machine building and electronics. No one can imagine this historical victory without the party's April course and without the personal contribution of its creator, inspirer and leader--Comrade Todor Zhivkov.

Along with the positive results achieved in the work of the ministry and the economic organizations, however, a number of weaknesses and shortcomings remain, the surmounting of which will enhance the sector's effectiveness.

The restructuring and direction of capital investments essentially into new vanguard technologies are being delayed. We are lagging in a number of progressive technological directions.

Insufficiently intensive and efficient use is being made of the existing equipment in terms of time and technological opportunities.

Reserves and possibilities exist for a more efficient utilization of raw materials, materials, fuels and energy through the application of lighter-weight structures and new technologies.

The quality and technical standards of a considerable share of the output are falling behind compared with the results achieved by the leading companies in the world.

The effectiveness and the returns on funds invested in scientific research and application are insufficient. The "development-application" process is taking place rather slowly. A large percentage of the topics worked upon by scientific research institutes fail to reach the production level and to find practical application.

In order to ensure the further accelerated development of machine building and electronics, in accordance with Article 78, Point 18 of the Constitution of the Bulgarian People's Republic and in connection with Articles 81 and 84, Paragraph 2, and Article 88, Paragraph 1, of the Regulation on the Work of the National Assembly, the National Assembly

Resolves:

1. Accepts the report submitted by the minister of machine building and electronics and assesses as positive the work done so far on the development of the sector.

2. The Ministry of Machine Building and Electronics and the economic organizations within its system must take the necessary steps for:

Enhancing the quality of structure-defining output to the level of the requirements of the international markets, reaching the level of the leading producers in terms of technical parameters, design, ergonomic indicators, reliability and suitability for repairs;

Accelerating the development of the rear support for items in which our country is specializing and, in this connection, concentrating investments on the technical retooling and comprehensive automation of the production of semi-finished parts, general machine parts, assemblies, modules, electronic elements, hydraulic and electrical engineering items, and others, which determine the technical standard and quality of the goods and create conditions for increasing variety;

Reducing the relative and absolute metal outlays through the extensive application of lighter-weight structures and progressive wasteless technologies;

Ensuring further improvements in the sectorial production structure by retaining the faster pace of development of computers, robotics, instrument manufacturing, production of automation facilities, heavy investment machine building, radio engineering and communications equipment;

Accelerating the "development-application" process for new technologies and items for the fuller utilization of leading experience, introduction of systems for the automation of engineering work and design, upgrading the quality of the material and technical base of engineering-application units and improving the organization of their work;

Observing technological discipline in production by increasing exigency, above all the one facing the individual economic managers;

Making the production of household equipment consistent with contemporary requirements in terms of quality, variety, spare parts and services;

Improving the use of production capacities by increasing the percentage of working time and the shift coefficient, reaching plant capacity and the level of technical and economic indicators as stipulated in the designs;

Ensuring the more efficient use of manpower resources by improving the organization of labor and rapidly eliminating the reasons which lead to idling and inefficient utilization of the working time.

3. The Ministries of Metallurgy and Mineral Resources, Chemical Industry and Forests and Forest Industry must ensure the implementation of the approved comprehensive programs for mastering the production of high-quality steels, rolled metals, chemicals and other materials for the needs of the machine-building and electronics industries.

4. The Ministry of Public Education and the Committee for Labor and Social Affairs must provide the necessary assistance for better meeting the needs of machine building and electronics for highly skilled performing and engineering and technical cadres.

5. The State Committee for Science and Technical Progress, the Bulgarian Academy of Sciences and the Higher Educational Institutions must concentrate highly skilled cadres and scientific workers on the solution of basic problems in the scientific research, design-engineering and application activities in machine building and electronics.

6. In the discussion of the annual plans by the National Assembly, the State Committee for Planning and the Ministry of Machine Building and Electronics must submit motivated suggestions on better resource availability and accelerating the development pace in machine building and electronics.

7. The Commission on Socioeconomic Development must systematically supervise and help the implementation of the present resolution. The minister of machine building and electronics must inform the commission of results before the end of 1984.

8. The National Assembly expresses its profound gratitude to the thousands of machine builders for their dedicated work and the results achieved in the development of Bulgarian machine building and electronics and the confidence that they will continue with new strength to work for the implementation of the resolutions of the 12th Party Congress and the instructions of Comrade Todor Zhivkov and firmly enhancing social labor productivity and the efficiency and quality of their output through the accelerated application of scientific and technical achievements.

The present resolution was adopted by the 8th National Assembly at its 11th Session, second sitting, held on 21 December 1983, and was sealed with the State Seal.

Chairman of the National Assembly of the Bulgarian People's Republic:  
St. Todorov

5003  
CSO: 2200/67

FUELS MINISTER SAYS JUST KNOWING PROBLEMS NO LONGER ENOUGH

Prague HOSPODARSKE NOVINY in Czech 23 Dec 83 pp 1, 6, 7

[Article by Ladislav Blazek, CSSR deputy minister for fuels and energy: "Just Knowing the Possibilities Is No Longer Enough--Effective Utilization and High Degree of Valorization of Own Sources in the Fuel and Energy Complex Depends Mainly on Quality of R&D"]

[Text] The fuel and energy base represents a mere 7.5 per cent (Kcs 75 billion in output) of CSSR industrial operations. However, it is of basic significance to the economy, because it sustains all production operations. Proportional development of the fuel and energy complex--in relation to the development of industry and of the tertiary sphere--is the neutral-gic point of economic development. Its cause is the current consumption of 7 tons of standard rated fuel per capita per year. Advanced European countries account for 5 tons.

Investments in fuel and energy represent today almost one-half of the entire volume of construction projects launched in our industry. Nevertheless, procurement of a large number of fuels and energy on foreign markets during the current period would be much more complicated for the Czechoslovak economy. The reasons are increases in the prices of crude oil and natural gas, but also (and primarily) the exacting standards on coming up with a suitable equivalent for payments.

The prospective development of Czechoslovak power engineering is understandably closely related to the CEMA program of integration and, particularly, to cooperation with the USSR. As nuclear power plants and other power-generation installations spring up and as power transmission systems keep multiplying, the significance of integration will increase.

The possibility of mining bituminous coal on Czechoslovak territory and adequate power supply led to the establishment of a large metallurgical base. Widely developed metallurgy shapes the profile of Czechoslovak industry so that the final and decisive sector is machine building. This calls for creating the prerequisites for meeting the needs of energy management either by expensive mining of domestic coal for power generation, or by imports (coal,

petroleum, gas or electric power) before Czechoslovak nuclear power engineering can provide its full contribution.

In addition, however, the fuel and energy problem can be prominently influenced by an efficiency drive which in the current situation is the only rational approach to the successful management of structural changes. The demand on procurement of fuels and energy, on the dynamism of the development of our fuel and energy base and imports, particularly of crude oil, must be reduced.

The role of science and technology in the development of the fuels and energy complex should now, in addition to becoming proficient in the management of nuclear energy, be squarely aligned with the creative application and massive flow of innovations of a lower order and utilization of product innovations. Hand in hand with it goes acceleration of microstructural changes with the objective of expediently improving the quality of the valorization process. However, nothing could help achieve valorization by new products or even prices without a reduction in the overall consumption of energy per product.

In laconic shortcut it can be said, using the words of docent Eng Valtr Komarek, CSc, of the Economic Institute of the Czechoslovak Academy of Sciences-(HOSPODAR-SKE NOVINY No 23/1982), that as long as the scientific and technological revolution progresses both through great scientific discoveries and radical technological changes and through dynamic releasing of a flow of lower order innovations, our economic conditions of the 1980's accelerate the extraordinary significance of this latter approach.

This will also provide leeway for large and strategic projects involving the fuel and energy base, such as construction of the nuclear program installations and giant transit gas pipelines on Czechoslovak territory and, through the latter, obtaining natural gas from Siberia.

#### Will Intensive Development Succeed?

Final consumption of fuels and types of energy constitutes in the CSSR only two-thirds of primary energy sources, while its worldwide range is 75-85 percent. This cannot be justified even by the high share of solid fuels consumption.

The Czechoslovak fuels and energy base is also more labor-intensive, while its capital effectiveness and overall profitability are lower than in advanced countries. Even though the objective of developing the fuels and energy base is expanded generation of electric power, heat, gas and presently also coal, transition of the national economy to intensive development will become manifested in these directions as well. It will lead to proliferation of those transformation forces that will make it possible to reduce relative consumption of physical resources and improve their societal effects. That means savings of fuels, manpower and labor costs, savings of materials, investments, accelerating the turnover of resources, etc.

It stands to reason that the relative diminishing of physical resources must be compensated for by inputs of other resources derived from R&D, from cooperation and combining of social labor, improvements in qualification and people's initiative.

Implementation of this change calls for orienting the R&D base toward the key goals which warrant improved effectiveness, but also toward providing convincing proof that utilization of the findings of scientific research and of technological development must lead toward savings of resources and not to increased demand for them.

The difference between what was submitted to the CSSR Ministry of Fuels and Energy by individual VHJ's [economic production units] and what must be achieved in the Eighth 5-Year Plan is quite considerable. In investments it is VHJ demands for Kcs 140 billion worth of the volume of projects and deliveries; launching of new construction projects in 1986 should exceed their total volume in industry. Concern enterprises obviously failed to take into consideration the rapidly deteriorating income earnings situation in the sector which was dealt with by adaptation of wholesale prices as of 1 January 1981 and again now as of 1 January 1984.

VHJ's are calling for an additional 2,607 personnel in excess of the manpower increment of 16,800 planned till 1990. Concern enterprises call for an extra 35,000 personnel by the year 2000. With relatively slow increases in total output--considerable growth is envisioned only in nuclear power engineering--in the Eighth 5-Year Plan, and particularly, after 1990, there should occur a conspicuous reduction in the productivity of labor and in effectiveness of production assets.

#### Analysis of Attained Standards

With regard to underground mines in the CSSR, effectiveness and overall profitability have been declining sharply since 1976. Among the causes, in addition to transition to greater depths and deterioration of geological and geotechnical conditions, belongs also reduced effectiveness of operational assets and relation of labor productivity growth to increases in long-term assets and reduced intensification of production.

Thus, e.g., the average daily yield per mechanized face decreased from 792 tons in 1975 to 459 tons in 1980. The average daily heading advance per mechanized working face front in meters dropped from 2.37 m per day to 1.83 m per day.

In strip mining of coal it did not become possible to achieve the planned concentration of production into integrated extraction units, nor the planned outputs of technological complexes of a high functional and operation reliability. The output of 50,000 cubic meters per day claimed for the TC 2 is achieved but rarely, and the TC 3 complex still has not attained the planned 100,000 cubic meters. Consequently, labor productivity of CSSR strip mines is three times lower than it is in the GDR.

A satisfactory technical level has been achieved in the gas distribution system in construction of long-distance gas pipelines progressing in smooth production flow using full mechanization and automation of welding, insulation and earth-moving operations showing high labor productivity.



The key features of transit gas pipelines in the CSSR are satisfactory (dimensions, pressure, material, etc.). Operational sets of compressor stations show a low standard (output, efficiency, demands on maintenance). The so-called general gas manufacture, its servicing and maintenance operations, has been lagging similarly.

Technology of crude oil extraction in the CSSR and rigging of exploratory boring for gas has been mastered to a depth of 2,200-2,800 m. Under simple conditions it is possible to extract from depths of 3,000-3,500 m. The CSSR is lagging behind world development in drilling operations, logging, bailing tests and in technological rigging of drilling sites. The same problem is faced in intensifying the feed of the deposit medium to gas and crude oil exploratory bore holes. Intensification methods are at a low level.

The level of efficiency of the combustion process and labor-intensiveness in power plants in the power engineering sector are lagging and reserves are enormously high (and often utterly unavailable). Ready availability of large blocks (150-500 megawatts) reached in the CSSR approximately 70 percent while comparable blocks worldwide constantly achieve 86 percent.

Among the key problems attendant to nuclear energy must be considered the constantly prolonging construction deadlines, sharp increases in investment costs, low labor productivity in construction operations, high numbers of personnel engaged in operation of nuclear power plants, etc. This is most conspicuously borne out by contemplations regarding the number of personnel planned for construction of 4 x 1,000 megawatt power plants. The Tremelin nuclear power plant calls for 13,000 personnel, while 5,500-6,500 personnel were concentrated in the USSR for completed power plants of the same type. The size of nuclear power plant machine rooms is smaller by 30-40 percent than in the CSSR. The USSR's chemical water treatment plants are structurally five-times smaller. That, even taking into consideration poorer water quality, cannot be justified.

If the costs of generating electric power in the V 1 nuclear power plant in Jaslovske Bohunice amount to Kcs 0.15 per kilowatt-hour, in 1990 it should be as much as Kcs 0.25 per kilowatt-hour. The effects of strategic innovation will be conspicuously undercut.

A serious lag in power engineering is constituted by inadequate measurement of heat consumption, limited application of mass remote control of electrical appliances, etc, significantly (by up to 30 percent) contributing to wasteful management of energy.

#### Facilities Up, Profitability Down

Among the basic features of the fuels and energy base are the following:

--high demands on capital assets (as the key object of the effects of development of science and technology)

<u>Indicator</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Average state of capital assets in procurement values (in billions of Kcs in current prices)	203.3	225.7	242.2

The share of the fuels and energy sector in the total inventory of capital assets in the national economy in 1981 was 8.27 percent, in the value of capital assets in industry it was 23.60 percent. By 1990 the inventory of capital assets ought to reach the value of Kcs 402.5 billion.

--availability of capital assets per worker

<u>Indicator</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Total equipment (in thousands of Kcs per worker)	715	783	820
of which: fuel industry	374	397	440
power engineering	1,373	1,494	1,573

Personnel in the power engineering industry are clearly best equipped with capital assets in the whole national economy. By 1990 availability of capital assets will reach Kcs 1,254,000 per worker but, according to extant estimates, labor productivity should drop by 9.7 percent.

The relation between increases in fixed assets and productivity of labor is never directly commensurate. The reduction coefficient is, among other things, the development of procurement costs. The latter has been very considerable lately and distinctly exceeds increases in the utilitarian value of capital assets and increases in output.

An example of the preceding are increases in the budgeted costs for nuclear power plants, mining technology for strip mines, etc, where the rate between years amounts to 5-7 percent.

The key item on the agenda under these conditions is the problem of overevaluation of fixed assets and, particularly, more effective management of the development of budgeted expenses and prices. The process of replacement of fixed assets calls for expedient improvement of its methodology. It is inadmissible for the future to accommodate subjective demands on increases in output and wages by increases in budgeted costs.

The state and development of economy of the fuel and energy base is comprehensively characterized by indicators (after exclusion of changes in the prices of fuels and energy)

<u>Indicator</u>	<u>1977</u>	<u>1980</u>	<u>1981</u>
Total demand on production costs (in Kcs per Kcs 100 of output)	83.74	90.73	96.28
Workers' Output (in thousands of Kcs per worker)	201.39	210.74	207.39

### Effectiveness of fixed assets

(in thousands of Kcs per Kcs 1,000  
of fixed assets)

604 535 489

### Return on investment in production assets

(in Kcs per Kcs 1,000 of production assets)

88 44 16.1

The indicator of the return on investment in production assets is a comprehensive characteristic of their valorization. It represents the sum of labor productivity, cost-intensiveness and utilization of production assets. However, it also includes other than objective increases in budgeted costs, which becomes manifested very conspicuously in a sector demanding on investments.

### Development of Consumption

If we use as a basis the consumption of fuel and energy resources in 1970 (100 percent = 81,183 million tons of standard fuel) then consumption by 1980 was up by 26.7 percent, i.e., an average between-years increase of 2.67 percent. It is envisioned that until 1990 consumption will increase between years by only 0.6 percent and until the year 2000 by 0.76 percent.

At the same time there will occur a twofold increase in the share of electricity and heat from nuclear sources. But even so, the share of solid fuels until 2000 will be 44 percent of consumption. The total domestic sources in 1990 are estimated at 72.8 million tons of standard fuel, meaning that 43 million tons of standard fuel (at exports of 4.1 million tons of standard fuel) would have to be covered by imports. The conspicuous increment in resources from imports should be covered by natural gas; the latter should amount to 12.1 million tons of standard fuel and importation of crude oil should stagnate.

The economic impacts of imports are serious. The average price, quoted as all charges paid, per ton of standard fuel in the case of fossil fuels and electricity was 2.7 times higher in comparison with 1970, and in 1985 it will be at least fivefold. Acquisition of fossil fuels and electricity through imports will call in 1985 for roughly ten times the amount in 1970. It can be expected that these expenditures will keep increasing after 1985 and, besides, these data do not include the costs for importation of fuel elements for nuclear power plants.

The decisive trend for changes in the structure of production and consumption of fuels and energy is the prognosis of electric power generation in nuclear power plants. It is envisioned to be as follows:

<u>Indicator</u>	<u>1985</u>	<u>1990</u>	<u>2000</u>
Total generation (in TWh)	78.9	82	105.4
of which nuclear power plants	13	27	60
percentual share of nuclear power plants	16.5	32.9	56.9

at 6,200 hours of annual utilization of power plants.

The program for cutting back on thermal power plants has still not been drawn up in comprehensive detail. It too must be seen as an integral part of intensification. It is planned to see a considerable part of thermal power plants for centralized distribution of heat and combined generation of heat and electric power. However, that will be feasible only where overhaul would prove more effective than new construction, particularly wherever it would reduce the demands on energy.

Heat consumption and generation is another decisive factor in development of the fuel and energy base. Even though the share of heat shows a moderate decrease in consumption until 2000, it will then amount to approximately 75 percent.

#### Coal and Other Resources

Heat generation will rely in the long term on fossil fuels, particularly coal. Nuclear energy will not enter into heat distribution until after 2000. For that reason it is envisioned to mine in 1990 95 million tons of lignite and 25 million tons of bituminous coal. While mining of bituminous coal is limited by the need for coke, the extent of lignite mining will be determined, apart from energy needs, also by economic, technical, ecological and other aspects. For the time being it is envisioned to cut down mining after 1990 till 2000 to 85 million tons. We are still faced with clarification of these impacts in all linkages. It must be accomplished, because if the gradual reduction of mining in the current century should be replaced after the year 2000 by resumption of an increasing trend, it could lead to extraordinary difficulties in start-up of coal basins, and to considerable impacts on the economy.

In addition to the problems of start-up and exploitation there is a need for an expedient solution to problems attendant to thermochemical processing of coal from the viewpoint of coking the maximum volume of bituminous coal, its gassification, improving the efficiency of transformation into electric power and heat.

This involves many serious and complex problems. What it involves is the best possible utilization of our own resources, and it is imperative to accelerate concentration of means and manpower for dealing with them, namely research institutes, planning/design and production organizations. This offers a specific opportunity for proving the success of dealing with projects by application of interdisciplinary work teams.

There will be a need for adding more and more supplementary sources to their basic structure, particularly improved utilization of the hydroelectric potential. This includes also increased extraction of natural gas in southern Moravia and southwestern Slovakia. Intensive prospecting made accessible reserves amounting to approximately 10.5 billion of cubic meters. It is envisioned to make an additional 23.9 billion cubic meters accessible by 1990. That would make it possible to increase domestic extraction to 6.05 million of cubic meters per day.

In addition to the above, there is a need for developing efforts toward utilization of geothermal energy (particularly in Slovakia), of small coal deposits

for local purposes as well as of solar energy, even though the contribution provided by these sources will not be very large.

### Approaches to Energy Savings

Our holding third place worldwide in per capita consumption of fuels and energy and a high share of coal consumption confronts us all with serious ecological problems. As is well known, tall smokestacks failed to solve the problems of pollutants and their dispersion. Pollutants emitted from densely populated low-lying locations to higher altitudes interfere with the biotic and abiotic components of the environment, particularly in sensitive mountainous localities and in concentrations that until recently were deemed to be admissible.

All of this indicates that modeling an energy-saving type of development of the national economy calls not only for clarification of the total extent of consumption, but for pointing out by systematic analysis the optimum development in the structure of fuels and energy. However, at the same time, qualitative analysis must be used to find solutions to improving the effectiveness of the fuels and energy base, specifically, lowering demands on investments and manpower. This involves complex prognostication which must be carried out under the leadership of the Research Institute of the Fuels and Energy Complex expeditiously--prior to compilation of the Eighth 5-Year Plan. The output of these efforts must contain a proposal for development of the fuels and energy base and transition of the national economy toward an energy saving type.

Of course, sectoral research institutes must suggest effective and expedient changes in existing technologies, operational processes and new products that would provide input for such a project. What is lacking for the time being is resolution and systematic approach by research institute and personnel in technological development and, most of all, orientation of planning and design organizations as well as of production personnel to implementing intensification. The economic mechanism's effectiveness in this direction has been very limited up to now.

At the same time it must be kept in mind that this will involve primarily the organization of small changes. But even the latter cannot do without certain inputs. These need not involve investments--often technical measurements, analyses of processes, fast determination of interlinkage points will suffice. Organization of microchanges en masse still appears difficult for the time being. It is impossible to do without more intensive motivation, intervention in favor of savings of fuels and energy and all that which is summarily referred to as the subjective factor of economy.

Development of the fuel and energy complex will rely on:

--continuing integration among CEMA countries;

--in the resource part of the fuel and energy complex on fast development of nuclear power engineering, accelerated dislodgement of liquid fuels from stationary power engineering and distinct improvements in the effectiveness of changes;

--in the consumption part of the fuel and energy complex;

--systematic implementation of utilization of the products of crude oil processing for chemical purposes and for individual automotive transport. Gradual transition to liquified natural gas or to electric traction in mass transportation of goods according to regional technical conditions;

--gradual transformation of the structure of energy consumers to solid fuels in the area of decentralized heat so as to eliminate the effects of the deteriorating quality of solid fuels. At the same time consideration must be given to the fact that extraction costs for all fuels will keep increasing and that, except for uranium, available reserves in the CSSR will keep on decreasing. For that reason the ministry is scheduling another increase in wholesale prices of fuels and energy for 1987;

--there is a need for creating with a lead in time conditions for maximum valorization of natural gas as a chemical raw material not only at the outset of the 21st century, but in the remaining 15 years of the 20th century;

--gradual substitution of natural gas used in the generation of decentralized heat (heating, hot water preparation, technological purposes) by heat from central sources in distribution areas of the sources of centralized heat under construction;

--launching gradual substitution of natural gas by electricity in high-heat processes and in households;

--creating conditions for more dynamic substitution of fossil fuels and decentralized generation of heat by electricity.

#### Role of R&D Base

The basic mission of the R&D base in our sector is applied research and development to ensure economic operation of the fuels and energy base, optimum structures of resources and of consumption in the national economy.

In conceptual research (to include research of an economic nature) there is a need for clarifying the development of key macroeconomic laws of inevitability from the viewpoint of the country's fuel and energy complex, dealing with development of expanded replacement of the sector's productive forces, examining the optimal proportions on the side of resources as well as consumption of fuels and energy.

The task of independent sectoral R&D organizations is to come up with new technologies, equipment and means toward implementation of prospective fuel and energy bases positively affecting implementation of the saving type throughout the complex. The nature of the sector's branches requires that implementation-al output from this area be oriented primarily toward capital construction. A total of 3,240 R&D personnel work in 8 independent organizations.

The role of the major part of the so-called dependent facilities of the R&D base, in which are engaged over 50 percent of personnel of the sector's R&D base, is meeting of direct needs of the economic sphere. These are the work teams that will have to prepare microchanges.

Increased effects of technological development on intensification of the fuel and energy base call for improving the quality of management of the entire process of research-development-production-utilization (to include the form of coordinated management, etc) to promote systematic activity in the area of prognoses and to provide for a wider application of goal-oriented approaches. Its substance is constituted by subjugating the proposed R&D tasks and distribution of resources for R&D to the hierarchy of objectives. Priorities are now being selected in accordance with the objectives for development of the production base with determination of the relative sequence of tasks for science and technology required for dealing with development of the fuel and energy complex. In so doing we are actually implementing a more systematic and thought-out management of both the R&D base and of personnel in the production sphere.

The first stage involved taking an inventory of all proposal offering solutions for the period 1986-1990 to include assessment of their contribution. It turned out that there was a fourfold increase in potential resources and capacities, without providing at least marginally for the needs of development of the fuels and energy base. Implementation of the role of science and technology as the axis of the plan is complicated, but cannot be avoided. In the fuel and energy sector it is envisioned that programs for technological development until 1990 will be completed by the end of the first quarter of 1984. Formulation of objectives and programs is participated in by all V&E's as well as R&D organizations.

One of the questions pertaining to the program and management of R&D is the problem of the duration of R&D tasks. We are for a maximum of 3 years also in technological research. The reason for this is accelerated return on expended means as well as the impossibility of precise formulation of tasks for periods in excess of 3 years due to the fast rate of changes in the world. We can no more afford the luxury of having tasks tailor-made to the interests of research without regard to the need of the national economy. That does not mean that the solution to some problems could not be pursued any further. On the contrary, either the task will be fully accomplished and closed after 3 years or, with a view to worldwide developments as well as R&D findings in other branches and in accordance with the needs of the national economy it will be possible to set up a new task in follow-up of the preceding task. This will also promote better planning of means and capacities, improved incorporation of worldwide findings and of development in other branches into operational solution of tasks.

In the case of many tasks there is no reason why programs for development of science and technology should be drawn up for a longer period. There is also no reason for a program to constantly keep increasing in volume. To the contrary, successes should lead to narrowing down the task of development of science and technology, including the fact that this will preclude difficulties with energy in the national economy. The increasing significance of

science and technology must not be confused with the significance of individual institutions and their position.

#### Large Institutions or Small Teams?

Discussions are also going on with regard to integration of the R&D base, interlinkage of R&D with production and effectiveness of the efforts of scattered R&D facilities. We deem it undesirable that large organizations burdened by excessive personnel staffs and equipment be established for dealing with partial tasks.

The axiom regarding the necessity for concentrating a "scientific army" applies to true R&D and not to staffs required for solution and application of minor projects. On the contrary, there is a need for maximum expansion of a network of teams that are flexible, independent and respond, so to say, to a mere "pull of the string" by an expedient solution, concentration of findings and of personnel.

Their effectiveness is constituted by the fact that they can be incorporated into the network of existing scientific institutes, institutions of higher learning and other organizations by selectively using their capacity for carrying out projects on their own according to need.

Establishment of large entities, often considerably bureaucratic, groping their way from one problem to another and offering obsolete solutions, is not our goal. What we need is flexible cooperation as well as flexible interdisciplinary interlinkage among R&D teams.

However, implementation of the goal-oriented approach also means determining a differentiated specification of the shares of sectors and branches in savings of fuels and energy and conspicuous improvement of valorization processes. Hand in hand with this goes the pressing need for expediently determining a more effective methodology for the determination and implementation of changes. This calls for cooperation of the R&D base with central institutions.

One of the decisive factors for accelerating R&D in a socialist country is and will remain workers' initiative, in which an increasingly important role will be played by the development of the movements of inventors and improvement promoters. And the fact that the contribution of the latter two is not negligible is documented by last year's results. Social benefits of the movements of investors and improvement promoters reached in the sector an amount of almost Kcs 870 million, in which, e.g., savings of fuels and energy represent Kcs 106 million, those of materials Kcs 187 million and increased labor productivity Kcs 106 million. The average social benefit per one introduced invention represented Kcs 194,400 and Kcs 38,500 per applied improvement suggestions.

Projects oriented toward development of the fuels and energy complex are regarded worldwide as key starting points for the development of economies. Their conception and, particularly, their implementation is fraught with difficulties. The reason for this is constituted by rapidly changing global relations in the worldwide economy. It turned out that very well-conceived programs were rapidly



abandoned in capitalist countries due to the principles of management of their economy.

On the other hand, combination of the scientific and technological revolution with the advantages offered by planned management of the national economy provides an incentive for the adoption and implementation of a comprehensive project for fuels and energy complex. That is why CEMA countries agreed on working out a joint program as well as national programs.

This calls, first of all, for knowing one's own position, what resources and possibilities are available, what the worldwide development is, and selecting an optimum solution on that basis. It must be a program based on international scientific, technological and economic cooperation, primarily with CEMA countries.

Integration of power distribution systems, i.e., electric power networks and sources as well as the gas distribution system based on Soviet natural gas, provides a basis for development of such joint projects. National input consists primarily in participating with the use of our own resources in the most effective manner possible and by the highest possible measure of valorization on the part of consumption. And that depends, first of all, on successful management of R&D.

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CSO: 2400/175

MARKET-INDUSTRIAL KHOZRASCHOT EFFECTS EXAMINED

Prague FINANCE A UVER in Czech No 9, 10, 1983

[Article by Eng Jiri Durrer and Dr. Eng. Ladislav Pachl: "The Evolution of Some Opinions of Employees of the Khozraschot Sphere"]

[No 9, 1983 pp 627-638]

[Text] Toward the end of 1982, employees at the Research Institute of the Financial and Credit System carried out the second phase of a survey to determine the impact of the financial and economic mechanisms in the planned management system for agriculture.\* The questionnaire was circulated to an equivalent sample of organizations, so as to assure that the results would be comparable with those of phase 1. These included 12 general directorates (7 in the CSSR and 5 in the SSR) and their 18 enterprises (13 in the CSR and 5 in the SSR); in terms of sectors, it covered 5 general directorates and 8 enterprises of the machinery and consumer goods industries, and one general directorate and enterprise in each of the chemical and the food industries. There was a change, however, in the structure of the group of managers which we approached for answers. We eliminated managers from divisions of labor economics, while including in our assessment managers of production and investment divisions. Also, we divided employees of R&D divisions into employees engaged in product R&D and those engaged in technical R&D. This meant that the questionnaires were filled out by managers (or employees) of divisions of finance, information systems, planning, production, marketing, product R&D, technology R&D, and investment, and also meant an increase in the number of respondents from 180 to 240.

In terms of content, significantly more questions were asked in the fields of research and development and foreign economic relations.

There was something of an increase in the certainty of the opinions expressed by our respondents, clearly as a result of the longer time period which had elapsed since the introduction of the Set of Measures, as well

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\*The first phase was conducted in 1981--information concerning its results was published in quarterly supplement No 2 of the periodical FINANCE A UVER, No 5/82.

as in the level of preparedness of respondents over that when they participated in phase 1.

The questionnaire questions covered five problem areas. The answers were processed on Wang computers in three cross sections: organizational (together, general directorate, enterprises), territorial (CSSR, CSR, SSR) and professional specialization (based on specific functional divisions).

#### Indicators for Evaluating Activities

The objective of this set of questions was to evaluate the importance of the basic indicators for the motivation and management of khozraschot organizations, to determine the major barriers to the improved satisfaction of the requirements of domestic and foreign markets, and to document the evolution of views of managers of general directorates and enterprises on the impact of the Set of Measures.

In the first question, we asked our respondents to appraise the 12 basic indicators for evaluating the khozraschot activities of organizations, which they were to rank according to level of importance: important, less important, no impact and do not know. The indicators were: adjusted value added, delivery structure, total delivery volume production of goods or gross production, profit, return on production assets, losses due to low quality production, percentage of technically very sophisticated products, fixed labor units, fixed wage units (these two indicators were evaluated only in phase 1), labor productivity, shift-work coefficient, machinery and equipment effectiveness, and inventory turnover time.

The rankings of these indicators by specific levels are presented in Tables 1-4, which show the results of the survey in both phases for organizational groupings in the CSSR. The indicators are presented in their order of importance as established by the percentage shares of respondents. The order of the indicators which the respondents considered to be important (Table 1) saw no basic changes with the exception that the inventory turnover indicator moved ahead of the percentage of products with high technical sophistication indicator (i.e., from eighth position to seventh) and that the importance of the capital asset efficiency indicator declined in favor of the production of goods or gross production indicator (shifts to the 9th and 10th positions).

Table 1. Indicators Evaluated as Significant (CSSR)

Tabuľka č. 1 Ukazovatele hodnotené ako významné (ČSSR) (2)

	spolu (1)			generálne riaditeľstvá			podniky (3)		
	1. etapa	2. etapa	2-1	1. etapa	2. etapa	5-4	1. etapa	2. etapa	8-7
	1(4)	2(5)	3	4(6)	5(7)	6	7(8)	8(9)	9
(10) zisk	91,7	88,4	-3,3	91,7	90,6	-1,1	91,7	88,8	-4,9
(12) upravené vlastné výkony (11)	86,7	83,3	-3,4	90,3	83,3	-7,0	84,3	83,3	-1,0
(14) rentabilita k výrobným fondom	79,4	65,4	-14,0	77,8	61,5	-16,3	80,6	68,1	-12,5
(14) štruktúra dodávok (13)	73,3	63,0	-10,3	80,6	61,5	-19,1	68,5	67,4	-1,1
(15) produktivita práce	56,7	59,2	2,5	56,9	54,2	-2,7	56,5	62,5	6,0
(15) doba obratu zásob	40,0	50,4	10,4	41,7	49,0	7,3	38,9	51,4	12,5
(16) podiel výrobkov vysokej technickoekonomickej úrovne	51,1	40,4	-10,7	47,2	35,4	-11,8	53,7	43,8	-9,9
(17) straty z nekvalitnej výroby	33,9	38,3	4,4	30,6	33,3	2,7	36,1	41,7	5,6
(17) výroba tovaru alebo hrubá výroba	25,6	32,5	6,9	25,0	31,2	6,2	25,9	33,3	7,4
(19) výťažnosť (účinnosť) strojov a zariadení	29,4	24,2	-5,2	30,6	20,8	-9,8	28,7	26,4	-2,3
(21) objem dodávok spolu (20)	23,3	22,9	-0,4	20,8	12,5	-8,3	25,0	29,9	4,9
(21) koeficient smennosti	27,2	20,4	-6,8	23,6	11,5	-12,1	29,6	26,4	-3,2

Key:

1. Average
2. General directorates
3. Enterprises
4. Phase 1
5. Phase 2
6. Phase 1
7. Phase 2
8. Phase 1
9. Phase 2
10. Profit
11. Adjusted value added
12. Return on production assets
13. Structure of deliveries
14. Labor productivity
15. Inventory turnover period
16. Share of very technically sophisticated products
17. Losses from low quality production
18. Production of goods or gross production
19. Efficiency of machinery and equipment
20. Total delivery volume
21. Shift work coefficient

Table 2. Indicators Evaluated as Without Impact (CSSR)

Tabuľka č. 2 Ukazovatele hodnotené ako nepôsobiace (ČSSR)

	spolu (1)			generálne riaditeľstvá			podniky (3)		
	1. etapa	2. etapa	2-1	1. etapa	2. etapa	5-4	1. etapa	2. etapa	8-7
	1 (4)	2 (5)	3	4 (6)	5 (7)	6	7 (8)	8 (9)	9
(11) koeficient smennosti (10)	22,8	25,0	2,2	22,2	26,0	3,8	23,1	24,3	1,2
(11) výťažnosť (účinnosť) strojov a zariadení	16,1	20,0	3,9	16,7	26,0	9,3	15,7	16,0	0,3
(12) podiel výrobkov vysokej technickoekonomickej úrovne	12,8	14,2	1,4	9,7	13,5	3,8	14,8	14,6	-0,2
(13) straty z nekvalitnej výroby	6,7	12,5	5,8	6,9	10,4	3,5	6,5	13,9	7,4
(14) objem dodávok spolu (14)	15,0	11,7	-3,3	13,9	17,7	3,8	15,7	7,6	-8,1
(15) výroba tovaru alebo hrubá výroba	11,7	9,6	-2,1	11,1	11,5	0,4	12,0	8,3	-3,7
(16) doba obrátu zásob (16)	7,2	7,1	-0,1	11,1	9,4	-1,7	4,6	5,6	1,0
(17) produktivita práce	3,9	5,0	1,1	2,8	4,2	1,4	4,6	5,6	1,0
(18) štruktúra dodávok (18)	25,0	3,3	-21,7	19,4	3,1	-16,3	28,7	3,5	-25,2
(19) rentabilita k výrobným fondom	3,9	2,5	-1,4	5,6	3,1	-2,5	2,8	2,1	-0,7
(20) upravené vlastné výkony	0,6	1,7	1,1	1,4	3,1	1,7	—	0,7	0,7
(21) zisk	—	0,8	0,8	—	1,0	1,0	—	0,7	0,7

## Key:

1. Average
2. General directorates
3. Enterprises
4. Phase 1
5. Phase 2
6. Phase 1
7. Phase 2
8. Phase 1
9. Phase 2
10. Shift work coefficient
11. Efficiency of machinery and equipment
12. Share of very technically sophisticated products
13. Losses from low quality production
14. Total delivery volume
15. Production of goods or gross production
16. Inventory turnover period
17. Labor productivity
18. Delivery structure
19. Return on production assets
20. Adjusted value added
21. Profit

Table 3. Indicators Evaluated as Less Important (CSSR)

Tabuľka č. 3 Ukazovatele hodnotené ako menej významné (ČSSR)

	spolu (1)			generálne riaditeľstvá			podniky (3)		
	1. etapa	2. etapa	2-1	1. etapa	2. etapa	5-4	1. etapa	2. etapa	8-7
	1 (4)	2 (5)	3	4 (6)	5 (7)	6	7 (8)	8 (9)	9
(11) objem dodávok spolu (10)	58,3	59,6	1,3	59,7	64,6	4,9	57,4	56,2	-1,2
výroba tovaru alebo hrubá výroba	59,4	52,1	-7,3	59,7	51,0	-8,7	59,3	52,8	-6,5
koefficient smennosti (12)	40,6	47,9	7,3	45,8	57,3	11,5	37,0	41,7	4,7
(13) výťažnosť (účinnosť) strojov a zariadení	42,8	45,8	3,0	40,3	42,7	2,4	44,4	47,9	3,5
(14) straty z nekvalitnej výroby	54,4	41,7	-12,7	55,6	50,0	-5,6	53,7	36,1	-17,6
(15) podiel výrobkov vysokej technickoekonomickej úrovne	31,1	39,6	8,5	38,9	44,8	5,9	25,9	36,1	10,2
(16) doba obratu zásob	45,0	34,2	-10,8	36,1	33,3	-2,8	50,9	34,7	-16,2
(17) produktivita práce (17)	33,9	30,8	-3,1	38,9	35,4	-3,5	30,6	27,8	-2,8
(18) štruktúra dodávok	—	25,8	25,8	—	29,2	29,2	—	23,6	23,6
(19) rentabilita k výrobným fondom	14,4	25,4	11,0	13,9	28,1	14,2	14,8	23,6	8,8
(20) upravené vlastné výkony	9,4	10,0	0,6	5,6	6,2	0,6	12,0	12,5	0,5
(21) zisk (21)	6,1	6,7	0,6	6,9	3,1	-3,8	5,6	9,0	3,4

## Key:

1. Average
2. General directorates
3. Enterprises
4. Phase 1
5. Phase 2
6. Phase 1
7. Phase 2
8. Phase 1
9. Phase 2
10. Total delivery volume
11. Goods production or gross production
12. Shift work coefficient
13. Efficiency of machinery and equipment
14. Losses from low quality output
15. Share of very technically sophisticated products
16. Inventory turnover period
17. Labor productivity
18. Delivery structure
19. Return on production assets
20. Adjusted value added
21. Profit

Table 4. Indicators Concerning the Importance of Which Respondents Answered "Do Not Know"

Tabuľka č. 4 Ukazovatele, ku významnosti ktorých sa rešpondenti vyjadrili „neviem“ (ČSSR) (2)

	spolu (1)			generálne riaditeľstvá			podniky (3)		
	1. etapa	2. etapa	2-1	1. etapa	2. etapa	5-4	1. etapa	2. etapa	8-7
	(4)	(5)	3	(6)	(7)	6	(8)	8 (9)	9
(11) výťažnosť (účinnosť) (10)	11,7	10,0	-1,7	12,5	10,4	-2,1	11,1	9,7	-1,4
strojov a zariadení	11,7	10,0	-1,7	12,5	10,4	-2,1	11,1	9,7	-1,4
doba obratu zásob	2,8	3,3	0,5	11,4	8,3	-2,8	5,6	8,3	2,7
straty z nekvalitnej výroby	5,0	7,5	2,5	6,9	6,2	-0,7	3,7	8,3	4,6
(13) rentabilita k výrobným fondom	2,2	6,7	4,5	2,8	7,3	4,5	1,9	6,2	4,3
(15) koeficient smennosti (14)	9,4	6,7	-2,7	8,3	5,2	-3,1	10,2	7,6	-2,6
(15) štruktúra dodávok	1,7	5,8	4,1	—	6,2	6,2	2,8	5,6	2,8
(16) objem dodávok spolu (16)	3,3	5,8	2,5	5,6	5,2	-0,4	1,9	6,2	4,3
(17) výroba tovaru alebo hrubá výroba	3,3	5,8	2,5	4,2	6,2	2,0	2,8	5,6	2,8
(18) podiel výrobkov vysokoj technickoekonomickej	5,0	5,8	0,8	4,2	6,2	2,0	5,6	5,6	—
(19) úrovne	3,3	5,0	1,7	2,8	7,3	4,5	3,7	3,5	-0,2
(20) upravené vlastné výkony	5,6	5,0	-0,6	1,4	6,2	4,8	8,3	4,2	-4,1
(21) produktivita práce (20)	2,2	4,2	2,0	1,4	5,2	3,8	2,8	3,5	0,7
(21) zisk	2,2	4,2	2,0	1,4	5,2	3,8	2,8	3,5	0,7

Key:

1. Average
2. General directorates
3. Enterprises
4. Phase 1
5. Phase 2
6. Phase 1
7. Phase 2
8. Phase 1
9. Phase 2
10. Efficiency of machinery and equipment
11. Inventory turnover period
12. Losses from low quality production
13. Return on production assets
14. Losses from low quality production
15. Delivery structure
16. Total delivery volume
17. Production of goods or gross production
18. Share of very technically sophisticated products
19. Adjusted value added
20. Labor productivity
21. Profit

Here, just as in the first phase, the lead positions are occupied predominantly by those indicators which confirm that the strongest motivator of the behavior of economic organizations is the wages payable resources (primarily profit and adjusted value added), even though there was a more balanced distribution of the answers among the individual indicators. The greatest declines in importance were registered by the

first four indicators (profit, adjusted value added, return on production assets, and delivery structure) in favor of the remaining indicators. This attests to a "ripening" of a comprehensive understanding of the entire set of utilized measures in the course of the almost two years of functioning of the Set of Measures, this is without a doubt a positive sign.

The greatest decline in the estimation of importance occurred with the return on production assets indicator (by 14 points), which is clearly an outcome of its practical application, and stems mainly from its composition (the percentage of profit per unit of production assets) and the experience of the respondents with its greater sensitivity to profits (profit is a dynamically changing factor, with the result that the level of this indicator depends almost exclusively on it).

Despite the fact that the delivery structure indicator has become a severely limiting factor in wage regulation because of attempts to increase the exporting capabilities of our economy, this indicator also recorded a significant decline (of 10.3 points). The estimation of the importance of the share of the very technically sophisticated products indicator likewise showed a significant decline (10.7 points). Both of these indicators influence the formation of wages payable resources, but clearly their link to economic incentives is not strong enough.

Special attention is warranted by those indicators which express various aspects of component effectiveness--the efficiency of production assets; their evaluation during phase 2 is shown in Table 5:

Table 5.

<u>Indicator</u>	Ranking			
	<u>1</u> <u>Important</u>	<u>2</u> <u>Less</u> <u>Important</u>	<u>3</u> <u>No</u> <u>Impact</u>	<u>4</u> <u>Do not</u> <u>know</u>
Return on production assets	65.4	25.4	2.5	6.7
Inventory turnover period	50.4	34.2	7.1	8.3
Efficiency of machinery and equipment	24.2	45.8	20.0	10.0
Shift work coefficient	20.4	47.9	25.0	6.7

Despite its relative low ranking, during the second phase of the survey there was a significant increase in the importance of the inventory turnover period indicator (by 10.4 points), while less importance was attributed by respondents to the efficiency of machinery and equipment indicator (a decline of 5.2 points) and the shift work coefficient indicator (a decline of 6.8 points).



Evaluations provided by respondents from general directorates and enterprises adhere to the nationwide trends regarding the ordering of the indicators. For respondents from general directorates the most significant decline was noticeable in their evaluations of the "significant" indicators: adjusted value added, return on production assets, delivery structure, and share of technically very sophisticated products.

A greater percentage of respondents from the SSR than from the CSR evaluated the following indicators as "significant": profit (CSR, 86.3 percent; SSR, 92.5 percent), adjusted value added (CSR, 80.6 percent; SSR, 88.8 percent), return on production assets (CSR, 61.2 percent, representing the largest decline in comparison with the first phase, 17.9 points; SSR, 73.8 percent). On the other hand, a smaller percentage of the respondents from the SSR evaluated the following indicators as "significant": delivery structure (CSR, 70.6 percent; SSR, 53.8 percent, representing a substantial decline of 12.9 points from the first phase). There was a substantial decline among the respondents from the SSR in comparison with the first phase in their evaluation of the significance of the efficiency of machinery and equipment indicator (28.8 percent of respondents evaluated this as significant in phase 2, a decline of 16.2 points).

The evaluations of division managers (see Table 6) basically adhere to nationwide trends, with a relatively lower rating given to the adjusted value added indicator by managers of capital investment divisions, and to the return on capital assets indicator by managers of technical R&D divisions, marketing departments and product R&D divisions, production and capital investment divisions. These ratings were clearly influenced by whether the respondent's professional focus was technical or economic.

In addition, respondents were to rate the importance of the indicators for long-range strategic decisionmaking, medium- and short-term management. Here there were no substantial changes in the overall average ratings.

Table 6. Indicators Rated as Significant by Division Managers

Tabuľka č. 6 Ukazovatele hodnotené ako významné (vedúcimi funkčnými útvarov)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	finančné	informačné systémy	plánovacie	výrobné	odbytové	technického rozvoja výrobnou	technického rozvoja technológií	investičné
	1	2	3	4	5	6	7	8
zisk (9)	96,7	96,7	86,7	83,4	90,0	90,0	83,3	80,0
upravené vlastné výkony (10)	96,7	93,3	93,3	83,3	76,7	76,7	76,7	70,0
rentabilita k výrobným fondom (11)	73,3	80,0	76,7	60,0	56,7	56,7	53,3	66,7
štruktúra dodávok (12)	76,7	63,4	70,0	70,0	83,3	60,0	60,0	36,7
produktivita práce (13)	63,3	53,3	50,0	56,7	63,3	56,7	66,7	63,3
dobu obratu zásob (14)	53,3	56,7	63,3	46,7	63,3	30,0	50,0	40,0
podiel výrobkov vysokej technickoekonomickej úrovne (15)	36,7	40,0	43,3	36,7	36,7	46,7	46,7	36,7
straty z nekvalitnej výroby (16)	33,3	36,7	46,7	43,4	43,3	40,0	33,3	30,0
výroba tovaru alebo hrubá výroba (17)	36,7	30,0	30,0	33,3	23,3	33,3	30,0	23,3
výťažnosť (účinnosť) strojov a zariadení (18)	13,3	26,7	23,3	20,0	30,0	23,3	26,7	30,0
objem dodávok spolu (19)	26,7	20,0	23,3	20,0	13,3	36,7	23,3	20,0
koefficient smennosti (20)	23,3	40,0	13,3	6,7	20,0	10,0	13,3	36,7

Key to Table 6:

1. Finance
2. Information systems
3. Planning
4. Production
5. Marketing
6. Product R&D
7. Technical R&D
8. Investment
9. Profit
10. Adjusted value added
11. Return on production assets
12. Structure of deliveries
13. Labor productivity
14. Inventory turnover period
15. Share of technically very sophisticated products
16. Losses from low quality products
17. Production of goods or gross output
18. Efficiency of machinery and equipment
19. Total delivery volume
20. Shift work coefficient

There was something of a change of opinion in the ratings of the importance of the indicators for decisionmaking in varying time frames (see Table 7).

For long-term decisionmaking there was no change in the order of the first two criteria, i.e., structure of deliveries and production of goods or gross output. The profit indicator, which was rated in the first phase of the survey as the third most important criterion, shifted in the second phase to fifth position due to an increase in the importance of the share of technically very sophisticated products indicator (now in third place) and the total delivery volume indicator. For long-range decisionmaking considerations of the volume and quality of output are currently almost totally predominant over management effectiveness criteria. This is so largely because over the long term it is of primary importance to assure the necessary production program of an enterprise, while projections and planning of profits or return on capital assets is still a very unreliable exercise over the long term.

In terms of an interest in production innovation, it is not without interest that while in enterprises 13.3 percent of the respondents considered the share of the technically very sophisticated products indicator to be important for long-range decisionmaking, thereby placing in third position, only 9.2 percent of the respondents from general directorates also thought so, thereby shifting it to fifth position.

For medium-term decisionmaking the first two positions of importance are occupied by the production of goods or gross output indicator and the structure of deliveries indicator. In comparison with the first phase of the survey there was a great increase in the importance of the production of goods or gross output indicator and a decline in the importance of the adjusted value added indicator, which is now in fourth position. The position of the profit indicator did not change.

Table 7. Relative Influence of Indicators for Long-Range Decisionmaking and Medium-Term and Short-Term Management (for all respondents--CSSR)

Tabuľka č. 7 Podiel vplyvu ukazovateľa pri dlhodobom rozhodovaní a strednodobom a krátkodobom riadení (za všetkých rešpondentov — ČSSR)

	dlhodobé (1)			strednodobé (2)			krátkodobé (3)		
	1. etapa	2. etapa	5—4	1. etapa	2. etapa	8—7	1. etapa	2. etapa	11—10
	4(4)	5(5)	6	7(6)	8(7)	9	10(8)	11(9)	12
Struktúra dodávok (10)	30,8	32,4	1,6	26,5	22,9	-3,6	20,5	15,9	-4,6
výroba tovaru alebo (11)									
brubá výroba (11)	23,6	25,3	1,7	15,3	23,7	8,4	10,7	14,0	3,3
zisk (12)	22,1	9,1	-3,0	17,9	15,0	-2,9	25,4	25,6	0,2
upravené vlastné výkony (13)	5,5	5,4	-0,1	18,9	14,2	-4,7	28,3	27,1	-1,2
objem dodávok spolu (14)	5,5	11,2	5,7	4,6	6,7	2,1	2,4	1,6	-0,8
podiel výrobkov vysokých (15)									
TEÚ (15)	5,5	11,6	6,1	2,0	3,6	1,6	1,5	3,1	1,6
rentabilita k výrobným (16)									
fondom (16)	9,3	2,9	-6,4	10,2	7,1	-3,1	9,3	7,8	-1,5
produktivita práce (17)	7,1	1,7	-5,4	3,1	4,7	1,6	2,0	3,5	1,5
výťažnosť (účinnosť) (17)									
strojov a zariadení (18)	—	0,4	0,4	—	1,2	1,2	—	0,8	0,8
koefficient smennosti (19)	—	—	—	—	0,8	0,8	—	0,4	0,4
doba obratu zásob (20)	—	—	—	0,5	—	-0,5	—	0,4	0,4
straty z nekvalitnej výroby (21)	—	—	—	—	—	—	—	—	—

Key:

1. Long range
2. Medium term
3. Short term
4. Phase 1
5. Phase 2
6. Phase 1
7. Phase 2
8. Phase 1
9. Phase 2
10. Structure of deliveries
11. Production of goods or gross output
12. Profit
13. Adjusted value added
14. Total delivery volume
15. Share of technically very sophisticated products
16. Return on production assets
17. Labor productivity
18. Efficiency of machinery and equipment
19. Shift work coefficient
20. Inventory turnover period
21. Losses from low quality production

Opinions regarding the criteria for decisionmaking over the short term did not change substantially. In order of importance these are: adjusted value added, profit, and structure of deliveries, the so-called critical indicators for wage regulation (as long as we bear in mind that the return on production assets indicator is assured almost exclusively through profits). A certain shift in opinions could be noted, however, in the increase in the percentage of responses in favor of the production of goods or gross output indicator at the expense of the structure of deliveries indicator, but this was not great enough to change the order of importance.

The opinions of the managers of specific divisions diverge significantly regarding the return on production assets and labor productivity indicators (see Table 8). While according to managers of financial, planning, production and investment divisions the role of the return on production assets indicator declines with progressively longer time frames, marketing division managers see it as increasing moderately. In the opinion of managers of information system and technical R&D divisions this role is greatest over the medium term, while managers of product R&D divisions consider its role to be equal for the short and medium term and that it plays no role over the long term. There is no common ground for the opinions concerning the role of the labor productivity indicator. A comparison of the views of the respondents in the first and second phases of the survey indicates that there were great changes by all the managers who participated in both surveys, and that the most profound changes were related to long-range decisionmaking.

Table 8. Relative Influence of Indicators for Long-Range, Medium-Term and Short-Term Decisionmaking, Based on Responses of Division Managers

Tabuľka č. 8 Podiel vplyvu ukazovateľa pri dlhodobom rozhodovaní a strednedobom a krátkodobom riadení (za vedúcich funkčných útvarov)

	finančné (1)			informačnej sústavy (2)			plánovacie (3)			výrobné (4)		
	D	S	K	D	S	K	D	S	K	D	S	K
	1	2	3	4	5	6	7	8	9	10	11	12
štruktúra dodávok (9)	32,3	18,8	14,3	29,0	18,8	14,7	32,3	25,7	13,9	30,0	28,1	17,3
výroba tovaru alebo hrubá výroba (10)	32,3	15,6	5,7	22,6	18,8	8,8	25,8	28,6	16,7	30,0	37,5	24,1
zisk (11)	22,6	28,2	28,6	9,7	18,8	38,2	9,7	11,4	25,0	3,3	6,2	20,7
upravené vlastné výkony (12)	—	9,4	28,6	9,7	12,5	23,5	6,4	20,0	33,3	10,0	9,4	27,6
objem dodávok spolu (13)	—	9,4	—	6,4	9,4	—	16,1	5,7	2,8	16,7	6,2	3,4
podiel výrobkov vysokej TEÚ (14)	9,7	—	—	9,7	—	—	3,2	—	—	10,0	3,1	—
rentabilita k výrobným (15)	—	9,4	17,1	9,7	18,8	8,8	3,2	5,7	8,3	—	3,1	6,9
fondom (16)	3,2	6,2	5,7	3,2	3,1	5,9	3,2	—	—	—	6,2	—
produktivita práce (17)	—	—	—	—	—	—	—	—	—	—	—	—
výťažnosť (účinnosť) strojov a zariadení (18)	—	3,1	—	—	—	—	—	2,9	—	—	—	—
koefficient smennosti (19)	—	—	—	—	—	—	—	—	—	—	—	—
dobu obratu zásob (20)	—	—	—	—	—	—	—	—	—	—	—	—
straty z nekvalitnej výroby	—	—	—	—	—	—	—	—	—	—	—	—

	odbytové (5)			technického rozvoja výrobkov (6)			technického rozvoja technológií (7)			investičné (8)		
	D	S	K	D	S	K	D	S	K	D	S	K
	1	2	3	4	5	6	7	8	9	10	11	12
štruktúra dodávok (21)	41,9	45,5	35,3	32,3	12,5	6,2	30,0	13,3	6,7	30,8	18,5	17,9
výroba tovaru alebo hrubá výroba (22)	16,2	12,1	8,8	25,8	21,9	15,6	23,3	33,4	23,3	26,9	22,2	10,7
zisk (23)	—	9,1	20,6	6,4	28,2	18,8	10,0	6,7	26,7	11,5	11,1	25,0
upravené vlastné výkony (24)	6,4	15,2	23,5	3,2	15,6	31,3	3,3	13,3	13,3	3,8	18,5	35,7
objem dodávok spolu (25)	16,1	9,1	—	12,9	—	3,1	13,3	6,7	—	7,7	7,4	3,6
podiel výrobkov vysokej technickoekonomickéj úrovne (26)	16,1	—	2,9	12,9	9,4	12,5	16,7	10,0	10,0	15,4	7,4	—
rentabilita k výrobným (27)	3,2	3,0	2,9	—	6,2	6,2	3,3	10,0	3,3	3,8	—	7,1
fondom (28)	—	6,1	5,9	3,2	3,1	3,1	—	6,7	6,7	—	7,4	—
produktivita práce (29)	—	—	—	3,2	3,1	3,1	—	—	3,3	—	7,4	—
výťažnosť (účinnosť) strojov a zariadení (30)	—	—	—	—	—	—	—	—	3,3	—	—	—
koefficient smennosti (31)	—	—	—	—	—	—	—	—	3,3	—	—	—
dobu obratu zásob (32)	—	—	—	—	—	—	—	—	3,3	—	—	—
straty z nekvalitnej výroby	—	—	—	—	—	—	—	—	—	—	—	—

Key to Table 8:

- D. long range
- S. medium term
- K. short term
- 1. Finance
- 2. Information systems
- 3. Planning
- 4. Production
- 5. Marketing
- 6. Product R&D
- 7. Technical R&D
- 8. Investment
- 9,21. Structure of deliveries
- 10,22. Production of goods or gross output
- 11,23. Profit
- 12,24. Adjusted value added
- 13,25. Total delivery volume
- 14,26. Share of very technically sophisticated products
- 15,27. Return on production assets
- 16,28. Labor productivity
- 17,29. Machinery and equipment efficiency
- 18,30. Shift work coefficient
- 19,31. Inventory turnover period
- 20,32. Losses from low quality production

Variations among the criteria for long-range, medium- and short-term decisionmaking became more pronounced than they were in phase 1. This may be deduced based on the fact that while in the first phase the structure of deliveries indicator and the profit indicator occupied the first and third positions respectively for both long-range and medium-term decisionmaking, in phase 2 not a single one of the significant indicators maintained its same position in the rankings.

For some indicators, opinions have been voiced to the effect that over ever longer time horizons their importance for the decisionmaking process either increases (structure of deliveries, total delivery volume, production of goods or gross output, and the share of technically very sophisticated products) or decreases (adjusted value added, profit, and return on production assets).

Another question on this issue was designed to determine the views of the respondents concerning the main barriers to the improved satisfaction of the needs of domestic and foreign markets. As Table 9 indicates, the main barrier remains shortcomings in the national industrial supply system, even though somewhat fewer respondents thought so in phase 2. There were changes in the ranking of the other barriers which reflected mainly the impact of the world economic situation. In particular, this caused inadequate knowledge of foreign markets to shift from fourth to second place. The importance of shortages of production workers declined by almost half. In phase 2 one of the barriers was the priority given to volume indicators, to which the respondents reacted very strongly.

Table 9. Main Barriers to Satisfaction of Market Requirements (CSSR)

Tabuľka č. 9 Hlavné bariéry uspokojovania potrieb trhu (ČSSR)

	spolu (1)			generálne riaditeľstvá (2)			podniky (3)		
	1. etapa	2. etapa	2-1	1. etapa	2. etapa	5-4	1. etapa	2. etapa	8-7
	(4)	2 (5)	3	4 (6)	5 (7)	6	7 (8)	8 (9)	9
(12) nezaistenosť MTZ (10)	18,7	17,4	-1,3	17,0	15,2	-1,8	19,8	18,8	-1,0
(12) nedostatočná znalosť zahraničných trhov (11)	9,9	13,7	3,8	9,6	13,3	3,7	10,2	14,0	3,8
(14) malá prispôsobivosť výroby chyba hmotné krytie investičnej výstavby (13)	11,5	11,8	0,3	16,0	14,4	-1,6	8,5	10,0	1,5
(14) nekomplexnosť a iné nedostatky v kvalite plánu priorit a objemových ukazovateľov (15)	9,3	9,8	0,5	8,9	9,3	0,4	9,7	10,1	0,4
(16) nezaistenosť kompletných dodávok (17)	6,8	9,4	2,6	4,6	10,7	6,1	8,2	8,5	0,3
(18) riziko so zavedením nových výrobkov je väčšie ako zvýhodnenie nedostatok výrobných robotníkov (19)	—	8,9	8,9	—	8,0	8,0	—	9,6	9,6
(20) nedostatočná znalosť domáceho trhu nezodpovedajúca úroveň riadenia (21)	10,1	8,8	-1,3	10,3	8,3	-2,0	9,9	9,2	-0,7
(20) percento respondentov, ktorí neodpovedali	4,3	6,2	1,9	4,6	6,4	1,8	4,1	6,1	2,0
	9,8	5,2	-4,6	8,9	4,5	-4,4	10,4	5,7	-4,7
	4,6	4,5	-0,1	4,6	5,3	0,7	4,6	3,9	-0,7
	2,2	4,3	2,1	1,1	4,5	3,4	2,9	4,1	1,2
	—	2,9	—	—	2,1	x	—	3,5	—

Key:

1. Average
2. General directorates
3. Enterprises
4. Phase 1
5. Phase 2
6. Phase 1
7. Phase 2
8. Phase 1
9. Phase 2
10. Inadequate national industrial supply system
11. Inadequate knowledge of foreign markets
12. Low product adaptability
13. Erroneous material allocations for capital investment
14. Lack of comprehensiveness and other shortcomings in plan quality
15. Priority given to volume indicators
16. Failure to assure subassembly delivery
17. Risk exceeds incentives for new product introduction
18. Shortage of production workers
19. Inadequate knowledge of domestic market
20. Inadequate managerial sophistication
21. Percentage of respondents not answering

In terms of the respondents from general directorates and enterprises, the former considered low product adaptability to be a serious barrier, while the latter thought inadequate knowledge of foreign markets was the more serious. Worthy of note are the views of respondents from general directorates regarding lack of comprehensiveness and other shortcomings

in plan quality, where the percentage of respondents more than doubled, and regarding lack of managerial sophistication, where the percentage of respondents increased by a factor of four. Likewise, the percentage of respondents who considered the risk involved in the introduction of a new product to exceed the incentives to do so also increased.

The views of specific groups of divisional managers (see Table 10) concerning the inadequate national industrial distribution system differ substantially and clearly reflect the biases of the divisions which they manage.

Table 10. Main barriers to Satisfying Market Requirements (Views of Divisional Managers)

Tabuľka č. 10 Hlavné bariéry uspokojovania potrieb trhu (za vedúcich funkčných útvarov)

	(1) finančné	(2) informačné sústavy	(3) plánovacie	(4) výrobné	(5) odbytové	(6) technického rozvoja výrobných	(7) technického rozvoja technologických	(8) investičné
	1	2	3	4	5	6	7	8
(11) nezaistenosť MTZ (9)	17,7	17,7	20,9	17,5	15,5	19,0	14,0	16,7
(12) nedostatočná znalosť zahraničných trhov (10)	16,8	12,6	11,8	14,2	10,3	18,0	15,8	10,2
(13) malá prispôbitosť výroby	10,9	12,6	12,7	7,5	18,1	9,0	10,5	12,9
(14) chyba hmotné krytie investičnej výstavby	10,1	8,4	11,8	10,8	6,9	11,7	7,9	11,1
(15) nekomplexnosť a iné nedostatky v kvalite plánu	7,6	10,9	11,8	11,7	7,8	7,2	8,8	9,3
(16) priorita objemových ukazovateľov	5,9	9,2	7,3	7,5	17,2	5,4	8,8	10,2
(17) nezaistenosť kompletných dodávok (15)	9,2	5,9	6,4	8,3	6,9	11,7	11,4	11,1
(18) riziko so zavedením nových výrobkov je väčšie ako zvýhodnenie (16)	5,9	7,6	5,5	6,7	5,2	3,6	7,9	7,4
(19) nedostatok výrobných robotníkov	9,2	5,0	7,3	3,3	3,5	4,5	5,3	3,7
(20) nedostatočná znalosť domáceho trhu	4,2	4,2	1,8	8,3	2,6	4,5	6,1	3,7
nezodpovedajúca úroveň riadenia	2,5	3,9	2,7	4,2	6,0	5,4	3,5	3,7
procento respondentov, ktorí neodpovedali	—	—	3,3	—	3,3	3,3	6,7	6,7

Key:

1. Finance
2. Information systems
3. Planning
4. Production
5. Marketing
6. Product R&D
7. Technical R&D
8. Investment
9. Inadequate national industrial supply system
10. Inadequate knowledge of foreign markets
11. Low product adaptability
12. Erroneous allocations for capital investment
13. Lack of comprehensiveness and other shortcomings in plan quality
14. Priority of volume indicators
15. Failure to assure subassembly delivery
16. Risks exceed incentives for new product introduction
17. Lack of production workers
18. Inadequate knowledge of domestic market
19. Lack of management sophistication
20. Percentage not responding

## Research and Development

This set of questions was modified from the first phase of the survey, with more being included. Therefore we have not carried out any comparison between the two phases when interpreting the results.

First of all, respondents were requested to express themselves concerning the reasons which are preventing an increase in the technical-economic sophistication of the R&D base, a reduction in costs and in the time required to generate designs. The respondents considered the critical reasons to be (see Table 11) the inadequate technology available to the R&D base, problems in the operation of the national industrial distribution system for R&D, and the inadequate professional qualifications of R&D base employees.

Table 11. Reasons Preventing an Increase in Sophistication of R&D Base Designs

	CSSR		
	Average 1	General	Enterprises 3
		directorates 2	
Inadequate technology available to R&D base	23.3	22.4	23.8
Problems with national distribution system for R&D	22.5	16.8	26.2
Inadequate professional qualifications for R&D base employees	16.0	21.6	12.4
Inadequate investment resources	12.8	13.4	12.4
Lack of information regarding activities of other institutes	9.2	9.7	8.8
Failure to procure licenses	6.5	8.6	5.2
Lack of R&D base workers	5.7	4.1	6.7
Lack of resources in R&D fund	4.0	3.4	4.5
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Percentage not responding	5.0	6.2	4.2



The responses of divisional managers followed the nationwide trend, even though managers of product R&D divisions placed inadequate preparation of R&D base employees in third position. Managers of financial and production divisions placed greater emphasis on the failure to assure license procurement (11.9 percent and 10.2 percent of the respondents).

Table 12 indicates the reasons provided by our respondents for the slow introduction into production of R&D findings.

Table 12. Reasons for Slow Introduction Into Production of R&D Findings

	CSSR		
	Average	General	
		1	directorates 2
Lack of joint incentives for design and implementation	49.2	53.5	45.9
Lack of coordination among divisions of an organization	19.9	15.8	23.0
Lack of integration between plan of VHJ and of enterprise	19.1	16.8	20.7
Improper focus of R&D efforts	11.8	13.9	10.4
Total	100.0	100.0	100.0
Percentage not responding	5.0	4.2	5.6

Of the managers of individual divisions, managers of production divisions placed lack of integration between VHJ and enterprise plans in first place (32.3 percent of respondents), with managers of planning divisions (25.9 percent of respondents), technical R&D divisions (23.5 percent of the respondents) and investment divisions (28 percent of respondents) placing this in second place. Improper focusing of R&D efforts was placed in second position by managers of production divisions (19.3 percent of the respondents) and in third place by the managers of marketing and product R&D divisions (17.2 percent and 12.9 percent of respondents).

On the question of whether the planned outcomes from the implementation of completed tasks of the R&D plan are integrated into financial plans (as provided by the provisions of Section 9 of Decree 163/80, ZBIRKA), only 54.6 percent of the respondents replied positively (38.5 percent of those from general directorates and 65.2 percent of those from enterprises), with 9.2 percent responding negatively (18.8 percent of those from general directorates and 2.8 percent of the enterprise respondents); fully 36.2 percent of the respondents (42.7 percent from the general directorates and 31.9 percent from the enterprises) either did not answer at all or responded

"do not know". There was a great deal of differentiation in the professional structure of the respondents. Most of the positive answers came from managers of divisions of finance, information systems, planning, product and technology R&D. In contrast, a low level of awareness was evident for managers of marketing (30 percent of the respondents), investment and production.

The main reasons for not incorporating the outcomes of research projects in financial plans are presented in Table 13.

Table 13. Reasons for Not Incorporating Results of Completed Research Projects in Financial Plans

	CSSR		
	Average	General	
		1	directorates
		2	3
Calculation techniques do not correspond to needs of production divisions	53.3	57.1	47.1
Preconditions do not exist for making use of preliminary calculations	26.7	17.9	41.2
Technical-economic standards are not advantageous	20.0	25.0	11.7
Total	100.0	100.0	100.0
Percentage not responding	81.7	70.8	88.9

For the most part, the responses of divisional managers are in accordance with nationwide trends, with only managers of information systems and marketing divisions (50 and 75 percent, respectively, of the respondents) considering the main reason to be disadvantageous technical-economic standards. It should be noted that this question was to be answered only by those who answered the previous question negatively; this caused the high percentage of nonrespondents.

In the next question, the respondents were presented with eight indicators for expressing the contribution of R&D findings in the plan and for their practical evaluation. Respondents were supposed to indicate whether they considered these to be important or not for this purpose. The results are presented in Table 14.

Table 14.

Tabuľka č. 14

hodnotenie dôležitosti (1)	ukazovatele pre stanovenie prínosov VTR v pláne a pre hodnotenie v skutočnosti (2)	ČSSR (3)		
		spolu	generálne riaditeľstvá	podni- ky
		1 (4)	2 (5)	3 (6)
(7)	merná spotreba palív, energie, kovov a iných surovín (9)	65,8	59,4	70,1
	návratnosť nákladov na výskum, vývoj a investície (10)	65,4	66,7	64,6
	podiel výrobkov vysokej TEÚ (11)	59,6	62,5	57,6
	produktivita práce z upravených vlastných výkonov (12)	59,6	51,0	65,3
	zisk (straty) z veľkoobchodných cien (13)	59,2	63,5	56,2
	prírastok zisku (zníženie straty) z VC (14)	55,4	54,2	56,3
	zisk (strata) zo zahraničného obchodu (15)	44,2	52,1	38,9
	prírastok zisku (zníženie straty) zo ZO (16)	38,3	42,7	35,4
(8)	prírastok/zisku (zníženie straty) zo ZO (16)	38,8	30,2	44,4
	zisk (strata) zo zahraničného obchodu (15)	35,8	24,0	43,3
	prírastok zisku (zníženie straty) z VC (14)	24,2	21,9	25,7
	podiel výrobkov vysokej technickoekonomickej úrovne (11)	23,3	21,9	24,3
	návratnosť nákladov na výskum, vývoj a investície (10)	21,7	18,8	23,6
	produktivita z upravených vlastných výkonov (12)	21,2	29,2	16,0
	zisk (strata) z veľkoobchodných cien (13)	20,4	17,7	22,2
	merná spotreba palív, energie, kovov a iných surovín (9)	16,2	21,9	12,5

\* Reziiduálna hodnota súčtu pozitívnych a negatívnych hodnotení jednotlivých ukazovateľov je podiel respondentov, ktorí sa k danému ukazovateľu nevyjadrili.

## Key:

1. Rating of importance
2. Indicators for measuring the contribution of R&D in the plan and for practical evaluation purposes
3. CSSR
4. Average
5. General directorate
6. Enterprises
7. Rated as important
8. Not considered important (note a: the residual value of the sum of positive and negative appraisals of individual indicators equals the percentage of respondents which did not express themselves regarding a given indicator)
9. Mean consumption of fuels, energy, metals and other raw materials
10. Payback period for research, development and investment costs
11. Percentage of products with a high level of technical sophistication
12. Labor productivity based on adjusted values added
13. Profit or loss at wholesale prices
14. Increase in profit or decrease in loss at wholesale prices
15. Profit or loss from foreign trade
16. Increase in profits or decrease in losses from foreign trade

When comparing the appraisals of individual indicators, differences of opinion become evident between general directorate respondents and respondents from enterprises. In the view of the general directorate respondents the most important indicator is the payback period for research, development and investment costs, with profit or loss at wholesale prices in second position. Enterprise respondents placed labor productivity based on adjusted values added in second position. There is also a fairly wide discrepancy among the rankings provided by the managers of various divisions. Generally speaking, in all sectors respondents allocated the least weight to profits, and particularly increased profits or decreased losses from foreign trade (this was true even of employees in product R&D divisions). This indicates the lack of a sufficiently close relationship between R&D and product exports.

One of the important questions was the utilization of the possibility for adjusting the prices of research designs depending on their technical-economic sophistication. The data presented in Table 15 indicates the generally unsatisfactory utilization of these possibilities.

Table 15. Are Possibilities for Price Adjustments for Research Designs Being Utilized?

	CSSR		
	Average 1	General directorates 2	Enterprises 3
Yes	23.8	19.8	26.4
No	30.8	30.2	31.2
Do not know or no response	45.4	50.0	42.4
Total	100.0	100.0	100.0

The financial plans for economic organizations establish a limit for the maximum leftover balances in the R&D fund. The responses to the survey question of whether there is a need to increase the limit on maximum leftover balances in R&D funds are presented in Table 16.

Table 16. For the Financing of Research, Would It Be Desirable to Increase the Maximum Leftover Balance Limit of R&D Funds?

	CSSR		
	Average 1	General directorates 2	Enterprises 3
Yes	40.4	56.2	29.9
No	20.8	11.5	27.1
Do not know or no response	38.8	32.2	43.0
Total	100.0	100.0	100.0

These responses do not provide a clear picture, in part because the views of the general directorate and enterprise respondents are opposite. Managers of divisions of finance, information systems and product and technical R&D are in favor of increasing the limit, the planners are against doing this, and the marketing and production managers are indifferent.

On the question of whether the R&D fund should be formed on an incentive basis (that it would be formed from profits on the basis of a standard allocation or contingent on the fulfillment of conditioning indicators), our entire sample produced a very balanced outcome: 40 percent responded yes, 39.6 percent no, and 20.4 percent "do not know" or no response. General directorate respondents were more inclined to an incentive basis (47.9 percent), with enterprises in favor of retaining the current structure (44.5 percent of the respondents); the percentage of indifferent responses remained about the same. The inconclusiveness of these results is clearly due to the fact that the R&D fund is not of critical importance in today's environment. Financial managers adopted the sole clear cut position, with 70 percent of them answering "no."

Prices can also contribute more effectively to the efficient resolution of development assignments and the accelerated introduction into production of R&D findings. Table 17 presents respondent responses to some suggested price mechanisms.

Table 17. The Greatest Contributions to Strengthening the Active Role of Prices in Stimulating the Effective Resolution of R&D Tasks and the Accelerated Practical Application of the Results Will Be Made By:

	CSSR		
	Average 1	General directorates 2	Enterprises 3
<u>YES</u>			
Expanded application of price incentives	65.8	70.8	62.5
Setting price limits when assigning research tasks	52.9	52.1	53.5
Expanded application of price penalties	37.5	31.2	41.7
Wider application of price gradations	35.0	32.3	36.8
Dual pricing systems	32.1	27.1	35.4
<u>NO</u>			
Dual pricing systems	46.7	46.9	46.5
Wider application of price gradations	39.2	38.5	39.6
Wider application of price penalties	39.2	41.7	37.5

[continued on next page]

Setting of price limits when assigning research tasks	27.5	26.0	28.5
Wider application of price incentives	17.9	12.5	21.5

NO OPINION

Wider application of price gradations	25.8	29.2	23.6
Expanded application of price penalties	23.3	27.1	20.8
Dual pricing system	21.2	26.0	18.1
Setting price limits when assigning research tasks	19.6	21.9	18.0
Expanded application of price incentives	16.3	16.7	16.0

The larger percentage of respondents declared themselves in favor of the application of price incentives derived from realized export prices from among the price mechanisms suggested for the support of the efficient resolution and accelerated practical implementation of R&D progress. Second in importance was the setting of price limits when assigning R&D tasks. All divisional managers, without exception, agree on the priority importance of these two mechanisms.

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[Text] Investments

In this series we had only four questions for our respondents.

The Set of Measures provided for penalties for failure to meet construction schedules, budgeted cost targets and the design parameters of projects financed from the capital fund in the form of further financing for such projects from the development fund. Table 18 presents respondents views to the consequences suggested on the questionnaire of these measures.

The balanced distribution of the responses among all three groups makes it impossible to form an unambiguous conclusion. Since the highest percentage for four of the possible consequences was "do not know" and "no" for two more instances, this means that the resources will not be exhausted in the development fund and that penalty measures have a certain importance. In this regard, the views of investment division employees are interesting (see column 4, Table 18). In their view, penalty measures, to be sure, would not exhaust the resources of the development fund, but would make it impossible to complete necessary planned investment projects and would disrupt supplier-consumer relations.

Table 18.

Tabuľka č. 18

	Aký dopad má sankčné opatrenie o prevode prostriedkov z FR do FV za nedostatky v investičnej výstavbe s rozpočtovým nákladom nad 2 mil. Kčs? (1)	ČSSR (2)			
		spolu	generálne riaditeľstvá	podniky	investičné útvary
		1 (3)	2 (4)	3 (5)	4 (6)
	ANO (7)				
(8)	neumožňuje realizovať potrebné plánované investície	36,7	42,7	32,6	50,0
	narušuje odberateľsko-dodávateľské vzťahy (9)	35,4	40,6	31,9	50,0
	minimálny, resp. žiadny (10)	29,2	25,0	31,9	30,0
(11)	ovplyvňuje priebeh investičnej výstavby financovanej z FV	25,8	32,3	21,5	26,7
	znižuje prostriedky vo FR (12)	23,8	32,3	18,0	26,7
	vyčerpáva prostriedky vo FR (13)	11,7	17,7	7,6	10,0
	NIE (14)				
	vyčerpáva prostriedky vo FR (15)	47,1	41,7	50,7	53,3
	minimálny, resp. žiadny (16)	40,4	35,4	43,8	40,0
	znižuje prostriedky vo FR (17)	36,2	26,0	43,1	40,0
(18)	ovplyvňuje priebeh investičnej výstavby financovanej z FV	34,6	30,2	37,5	40,0
(19)	neumožňuje realizovať potrebné plánovanie investície	25,4	20,8	28,5	23,3
	narušuje odberateľsko-dodávateľské vzťahy (20)	24,6	19,8	27,8	23,3
	NEVIEM (21)				
	vyčerpáva prostriedky vo FR (22)	41,2	40,6	41,7	36,7
	znižuje prostriedky vo FR (23)	40,0	41,7	38,9	33,3
(24)	ovplyvňuje priebeh investičnej výstavby financovanej z FV	39,6	37,5	41,0	33,3
	minimálny, resp. žiadny (25)	30,4	39,6	24,3	30,0
(26)	narušuje odberateľsko-dodávateľské vzťahy	40,0	39,6	40,3	26,7
(27)	neumožňuje realizovať potrebné plánované investície	37,9	36,5	38,9	26,7

## Key:

1. What would be the consequences of penalties imposing a transfer of resources from the development fund to the capital fund for shortcomings in capital construction projects with budgeted costs of more than Kcs 2 million?
2. CSSR
3. Average
4. General directorates
5. Enterprises
6. Investment divisions
7. YES
- 8,19,27. It would be impossible to implement necessary planned investments
- 9,20,26. It would disrupt supplier-consumer relations
- 10,16,25. Minimal or no consequences
- 11,18,24. It would influence the course of capital construction projects financed from the capital fund
- 12,17,23. It would reduce the resources in the development fund
- 13,15,22. It would exhaust the resources in the development fund
14. NO
21. DO NOT KNOW

The development fund is the source of financing for projects with an upper limit on budgeted costs of Kcs 2 million. Respondents were asked to express their opinion as to whether this limit should be raised and if so to what level (see Table 19).

Table 19.

Tabuľka č. 19

(1) Na akú výšku požadujete zvýšiť hornú hranicu rozpočtových nákladov 2 mil. Kčs pre realizáciu jednej investičnej akcie financovanej z FR?	ČSSR (2)			
	spolu	generálne riaditeľstvá	podniky	investičné útvary
	1 (3)	2 (4)	3 (5)	4 (6)
(7) ponechať na súčasnej hranici 2 mil. Kčs	7,2	1,3	11,7	7,1
zvýšiť na 3 až 3,9 mil. Kčs (8)	12,2	11,7	12,6	14,3
4     4,9	12,2	11,7	12,6	7,1
5     5,9	41,7	40,2	42,7	50,0
6     6,9	3,3	1,3	4,8	—
7     7,9	1,7	2,6	1,0	—
10   10,9	18,4	27,3	11,7	17,9
zvýšiť na 20 mil. Kčs (9)	1,1	1,3	1,0	3,6
neobmedzovať (10)	2,2	2,6	1,9	—
spolu (11)	100,0	100,0	100,0	100,0
priemerná navrhovaná horná hranica <sup>a</sup> [mil. Kčs] (12)	5,9	6,6	5,4	5,9
percento respondentov, ktorí neodpovedali (13)	25,0	19,8	28,5	6,7

<sup>a</sup> neobmedzovať = 20 mil. Kčs

Key:

1. To what level would you want to raise the upper limit on budgeted costs above the Kcs 2 million level for the realization of a single investment project financed from the development fund?
2. CSSR
3. Average
4. General directorates
5. Enterprises
6. Investment divisions
7. Should be left at current level of Kcs 2 million
8. Increase to Kcs 3-3.9 million
9. Increase to Kcs 20 million
10. Impose no limits
11. Total
12. Average proposed upper limit (in millions of korunas) (note a: no limitations=Kcs 20 million)
13. Percentage of respondents who did not reply

The average upper limit proposed by our respondents for a single investment project financed from the development fund was Kcs 5.9 million. Respondents from general directorates proposed higher limits than those from enterprises. The large percentage of those who did not respond was due, primarily, to the large numbers of production managers (33.3 percent) and of marketing managers (43.3 percent) who did not respond.



Respondents were also supposed to express their opinions as to whether they considered the categorization of investment projects financed from the capital and the development funds to be sufficiently effective and justified. Only 18.3 percent of the respondents considered the categorization to be effective, while 57.9 percent considered it to be ineffective (60.4 percent of the general directorate respondents and 56.2 percent of the enterprise respondents), with 23.8 percent of the respondents not replying (21.9 percent from the general directorates and 25 percent from the enterprises). Again, the position adopted by managers of investment divisions was interesting, since 33.3 percent of them considered the investment categorization to be effective and 66.7 percent of them ineffective (80 percent of the financial managers and 76.7 percent of the information systems managers considered it to be ineffective).

In conjunction with this question, 60.8 percent of the respondents considered it most effective and economically sensible to finance investments from a single investment fund, with only 4.6 percent of the respondents holding the opposing view (7.3 percent of the VHJ respondents and 2.8 percent of the enterprise respondents), while 34.6 percent of the respondents expressed no opinion.

#### Capital Asset Management

The questionnaire devoted five questions to the area of capital asset management. The first one asked whether machinery and equipment efficiency had been improved in the respondent's organization between 1980 and 1981. Some 48.8 percent of the respondents (28.1 percent of those from general directorates and 62.5 percent of those from enterprises) answered "yes," 30.4 percent (45.8 percent of those from general directorates and 20.1 percent of those from enterprises) answered "no," and 20.8 percent of the respondents did not express an opinion.

The reasons for improved machinery and equipment efficiency, as perceived by our respondents, are presented on Table 20.

Table 20. Reasons for Improved Machinery and Equipment Efficiency

	CSSR		
	Average 1	General	
		directorates 2	Enterprises 3
Increased shift work	49.4	55.6	47.6
More technically advanced machines	41.8	38.9	42.6
Improved age structure of machines and equipment	5.0	5.5	4.9

[continued on next page]

Application of return on production assets indicator	-	-	-
Improved supplier-consumer relations relations	3.8	-	-
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Percentage not responding	51.7	71.9	38.2

Respondents agreed that the greatest influence on improved utilization and efficiency of machinery and equipment came from increased shift utilization and improved technical quality of the machines themselves. This was also the feeling of the divisional managers.

At the same time the respondents gave the reasons why machinery and equipment efficiency declined in some instances (see Table 21).

Table 21. Reasons for Worsening Efficiency of Machinery and Equipment

	CSSR		
	Average 1	General directorates	Enterprises
		2	3
Increased prices of new capital equipment	38.8	44.4	26.9
Worsened age structure of machines and equipment	28.8	27.8	30.8
Worsened supplier-consumer relations	22.5	20.4	26.9
lower technical quality of machines	6.2	5.6	7.7
Reduced use in shifts	3.7	1.8	7.7
Application of return on production assets indicator	-	-	-
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Percentage not responding	14.2	15.6	13.2

It is, however, interesting that respondents from general directorates do not share the views of the enterprise respondents on this. The divisional managers differ in the rankings they give to these reasons. Managers of marketing divisions consider the main reason to be a worsening in the technical sophistication of the machinery (50 percent of the respondents), while managers of production divisions put worsened supplier-consumer relations in first place (37.5 percent of the respondents), and managers of technical R&D divisions see the main culprit in the worsening age structure of machinery and equipment (46.2 percent of the respondents).

A serious problem related to the management of capital assets is the utilization of already fully depreciated capital assets. One way to resolve this is to further depreciate them. On the question of whether it makes sense to depreciate these capital assets to more than 100 percent of their procurement value, 25 percent of respondents responded positively (28.1 percent from the general directorates and 22.9 percent from the enterprises), while 57.1 percent responded negatively (51 percent of the general directorate respondents and 61.8 percent of those from enterprises). A total of 17.9 percent did not reply. The responses of managers of individual divisions are in accordance with this general trend, with only marketing managers having a higher percentage of nonrespondents than the norm (36.6 percent).

Another question in this group concerned an appraisal of the return on production assets indicator for the formation of the incentive component of wages payable resources and the formation of the development fund (see Table 22).

Table 22. Do You Consider the Return on Production Assets Indicator To Be Effective for:

	CSSR		
	Average	General	Enterprises
	<u>1</u>	<u>2</u>	<u>3</u>
<u>The formation of the incentive component of wages payable resources</u>			
Leave as is	47.1	40.5	51.5
Replace with labor productivity indicator	29.4	34.8	25.8
Replace with adjusted values added indicator	23.5	24.7	22.7
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Percentage not responding	9.2	10.4	8.3
<u>The formation of the Development Fund</u>			
Leave as is	63.1	55.6	68.0
Replace with efficiency of machinery and equipment indicator	36.9	44.4	32.0
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Percentage not responding	14.2	15.6	13.2

A majority of the respondents, both from general directorates and from enterprises, agree in the view that this indicator should be left as the determining one for both the incentive component of wages payable resources and for the formation of the development fund. Managers of marketing divisions put in the second place a recommendation to replace the return on production assets indicator with the adjusted values added indicator (32 percent of the respondents) for the formation of the incentive component of wages payable resources, while managers of technical R&D divisions recommended the replacement of the return on production assets indicator with the efficiency of machinery and equipment indicator for the formation of the development fund (54.2 percent of the respondents).

#### Foreign Relations

This section of the questionnaire encompassed eight questions. The questionnaire results, however, are characterized by a substantial absence of respondent replies. This is appropriate only for a group of issues related to the results of foreign trade activities and which aggregates them into the overall economic performance of khozraschot entities and the method for integrating foreign trade activities with production.

The worsening conditions on foreign markets in recent years are being transferred to the domestic economy, but not directly to the khozraschot sphere. To the question of whether it makes sense to allow the results of foreign trade activity to have an impact on the overall economic performance of the respondent's organizations, 47.7 percent of our respondents replied that these results should be partially integrated into the economic results of the organization, while 27.9 percent of the respondents thought that they should not be reflected at all, and 24.4 percent asserted that they should not be reflected at all, and 24.4 percent asserted that they should be fully reflected in the economic performance of a khozraschot entity, with 12.5 percent (7.3 percent from general directorates and 16 percent from enterprises) not responding at all. The distribution of views is quite broad in terms of employees of general directorates and of enterprises. While only 18.8 percent of enterprise respondents thought that foreign trade results should be fully reflected in performance figures, 30.8 percent thought they should not be reflected at all, and 50.4 percent thought they should be partially reflected, at the general directorate level 23.8 percent were for full inclusion, 32.1 percent were for full exclusion and 44.1 percent thought the results should be partially reflected. The views of managers of finance and information systems divisions are not quite as clear cut, however. Of the total number of managers of finance divisions, 42.9 percent of the respondents were for full inclusion of foreign trade results in the economic performance figures for an organization, 39.3 percent were opposed, and 17.8 percent of the respondents were for partial inclusion. Of the managers of information system divisions, 25 percent were for full inclusion, 35.7 percent against any inclusion at all, and 39.3 percent for the partial inclusion of foreign trade results in the economic performance figures for organizations.

In conjunction with the rationalization of foreign trade transactions and increasing their effectiveness, questions have also been discussed concerning the organizational structure of foreign trade activity. Only 9.3 percent of the respondents were for the retention of the current organizational division of foreign trade activities, allowing for the possibility of choosing a foreign trade organization [OZO]. On the other hand, 70.1 percent of the respondents were in favor of the inclusion of the pertinent trade groups of an OZO under the general directorate of a VHJ, while 20.6 percent of the respondents favored the economic merger of pertinent trade groups of an OZO with production, organized as a commission. Only 4.2 percent of the respondents did not express themselves on this matter. The views of general directorate and enterprise employees were essentially balanced. Respondents from the CSR expressed a clear preference for the inclusion of the pertinent trade groupings of an OZO under the appropriate general directorate of a VHJ (83.7 percent of the respondents, as opposed to 43.9 percent of the respondents from the SSR, where 34.2 percent of the respondents were inclined to a merger organized as a commission).

According to the questionnaires of 60.8 percent of the respondents, their organizations are experiencing conflicts between their internal profitability included in wholesale prices and their foreign trade profitability included in f.o.b. prices. Favorable values of the differential indicator may be achieved even for products with a very low profit margin at wholesale costs (even sometimes when the wholesale price represents a loss), which means that there is a crossing of interests between production and the OZO. These conflicts were denied by 11.7 percent of the respondents, while 27.5 percent of the respondents expressed no opinion. It is interesting that the most highly differentiated views come from general directorate respondents in the CSR (71.4 percent as opposed to 52.9 percent of the enterprise respondents) and enterprise respondents in the SSR (70 percent as opposed to 57.5 percent of the general directorate respondents). Fully 60 percent of the managers of investment divisions did not express themselves on this.

A resolution of this conflict between domestic and foreign trade profitability by modifying profits or losses at wholesale prices was supported by 40 percent of the respondents, while 20 percent of the respondents do not see this as a solution and 40 percent expressed no opinion. General directorate respondents are more ready (47.9 percent of the responses) than enterprise respondents (34.7 percent of the replies) to adjust profits in wholesale prices, which is approximately in inverse proportion to the absence of replies. Managers of financial divisions are significant supporters of this strategy (63.3 percent of the answers). Managers of product R&D divisions (50 percent of the replies), technical R&D divisions (53.4 percent of the replies), and of investment divisions (66.7 percent of the replies) expressed no preference on this.

Three additional questions on this questionnaire survey related to price incentives and/or penalties depending on export effectiveness. The extent to which price incentives or penalties are applied at the VHJ of the respondents is indicated in Table 23. It is worth noting here the

substantial differences in enterprise respondent views, especially in the SSR. Of the divisional managers, only those in marketing held a different view, with 46.7 percent of their responses indicating that such incentives are not being implemented and 36.7 percent asserting that they are. No replies were received from 43.4 percent of technical R&D division managers and from 53.3 percent of investment division managers.

Table 23.

Tabuľka č. 23

(1) Je uplatňované cenové zvýhodnenie (znevýhodnenie) podľa efektívnosti vývozu?	ČSSR (2)			ČSR (3)			SSR (4)		
	(5)	Generálne riaditeľstvá (6)	podniky (7)	(8)	Generálne riaditeľstvá (9)	podniky (10)	(11)	Generálne riaditeľstvá (12)	podniky (13)
	spolu			spolu			spolu		
	1	2	3	4	5	6	7	8	9
áno (14)	43,3	34,4	49,3	40,6	37,5	42,3	48,8	30,0	67,5
nie (15)	31,3	35,4	28,5	34,4	41,4	30,8	25,0	27,5	22,5
neviem alebo bez odpovedi (16) spolu (17)	25,4	30,2	22,2	25,0	21,1	26,9	26,2	42,5	10,0
	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Key:

1. Are price incentives or penalties being applied according to export effectiveness?
2. ČSSR
3. ČSR
4. SSR
- 5,8,11. Average
- 6,9,12. General directorates
- 7,10,13. Enterprises
14. Yes
15. No
16. Do not know or no response
17. Total

Appraisals of the effectiveness of the applied price incentives and penalties are shown in Table 24. The difference is noteworthy here between the views of CSR respondents and SSR respondents, which clearly stem from specific differences in the organizations of these respondents. A total of 62.5 percent of finance division managers consider price incentives to be effective, while 54.6 percent of the marketing managers think so, as do 50 percent of the investment division managers.

Table 24.

Tabuľka č. 24

(1) uplatňované cenové zvýhodnenie (znevýhodnenie) podľa efektívnosti vývozu sa pokladá za:	ČSSR (2)			CSR (3)			SSR (4)		
	(5) spolu	(6) generálne riaditeľstvá	(7) podniky	(8) spolu	(9) generálne riaditeľstvá	(10) podniky	(11) spolu	(12) generálne riaditeľstvá	(13) podniky
	1	2	3	4	5	6	7	8	9
málo účinné (14)	55,3	63,3	52,1	69,8	88,9	62,2	32,5	25,0	35,7
dostatočne účinné (15)	40,8	36,7	42,4	23,8	11,1	23,9	67,5	75,0	64,3
neúčinné (16)	3,9	—	5,5	6,4	—	8,9	—	—	—
spolu (17)	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
percentá respondentov, ktorí neodpovedali (18)	57,1	68,8	49,3	60,6	67,9	56,7	50,0	70,0	30,0

## Key:

1. The application of price incentives and penalties depending on export efficiency is considered to be:
2. CSSR
3. CSR
4. SSR
- 5,8,11. Average
- 6,9,12. General directorates
- 7,10,13. Enterprises
14. Not very effective
15. Sufficiently effective
16. Ineffective
17. Total
18. Percentage not responding

Of the preconditions for increasing the effectiveness of price incentives, it was decided to monitor the issue of applying this mechanism to subcontractors as well—with the results presented in Table 25. Conflicting opinions on this issue were adopted by general directorate and enterprise employees in the CSR and the SSR. An above average absence of replies was noted especially for managers of technical R&D departments (53.4 percent) and investment department managers (60.0 percent).

Table 25.

Tabuľka č. 25

(1) Je nevyhnutným predpokladom účinnosti cenového zvýhodnenia (znevýhodnenia) podľa efektívnosti vývozu uplatniť rovnaké zásady aj u subdodávateľov?	ČSSR (2)			CSR (3)			SSR (4)		
	(5) spolu	(6) generálne riaditeľstvá	(7) podniky	(8) spolu	(9) generálne riaditeľstvá	(10) podniky	(11) spolu	(12) generálne riaditeľstvá	(13) podniky
	1	2	3	4	5	6	7	8	9
áno (14)	47,5	49,0	46,5	45,0	51,8	41,4	52,5	45,0	60,0
nie (15)	8,7	7,3	9,7	8,1	10,7	6,7	10,0	2,5	17,5
neviem alebo bez odpovedi (16)	43,8	43,7	43,8	46,9	37,5	51,9	37,5	52,5	22,5
spolu (17)	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Key:

1. Is it an essential precondition for the effectiveness of price incentives and penalties according to export effectiveness to apply like principles to subcontractors as well?
2. CSSR
3. CSR
4. SSR
- 5,8,11. Average
- 6,9,12. General directorates
- 7,10,13. Enterprises
14. Yes
15. No
16. Do not know or no response
17. Total

The final part of the questionnaire included questions regarding selected experiences related to the impact of developments on international financial and foreign currency markets on the magnitude of f.o.b. prices and the economic performance of organizations. They covered:

--the magnitude of the impact of changes in the exchange rates for freely exchangeable currencies.

--the inclusion of interest on exports of goods on credits of longer than 1 year.

In both instances we succeeded in amassing only a small amount of representative data because of an absence of replies (77.9 percent of respondents did not reply to the first question, and 70.4 percent did not reply to the second), meaning that these data have very little predictive capability.

The solicitation of the subjective opinions of managers of the "staff" divisions of the khozaschot sphere marks, after 1 year of the functioning of the Set of Measures, a more comprehensive approach to the evaluation of economic and financial-economic mechanisms than was the case in the first phase of the survey. In some instances, however, the complexity of economic relationships was evident in lack of unanimity of views, especially in the area of foreign economic relations, and to some extent as well in relation to research and development.

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CSO: 2400/168



## CONTINUING LOSSES FROM DROUGHT EXAMINED

Prague HOSPODARSKE NOVINY in Czech 23 Dec 83 p 13

[Text] On the basis of an analysis of several periods of dry and wet years, which for the most part fall into definite cycles, it was ascertained that after the first dry year, 1982, there was an increased probability of the repetition of a similar event. Just about a year ago (HOSPODARSKE NOVINY 51-52/1982) there appeared an article entitled "Are We Being Threatened By Drought?" Also, this year's weather anomalies, which reached their peak in July, with positively Saharan temperatures, once again raised the previously debated question of the increased number of atmospheric extremes in recent times.

It indicated that concern about prolonged drought was justified, for almost the whole of the CSSR was to some degree affected by sharp shortages of rainfall during some months of last year; this was disadvantageous to agriculture, especially in the area of water management. Throughout the year regulation of the water supply was implemented in more than 500 cities and municipalities, and it even proved necessary to introduce it in another 600 places. Many springs and wells simply dried up.

## The Lack of Precipitation Varies

At the present time almost the whole of Moravia and roughly the southeastern regions of Bohemia are suffering most from drought. This is best demonstrated by the following table of precipitation deficits and their figures as percentages of long-term norms for specific regions of the CSR. These figures were obtained over a 22-month period from the beginning of 1982 to October 1983.

## Precipitation Loss in Specific Regions of the CSR

<u>Regions</u>	<u>(in mm)</u>	<u>(percentage of the norm)</u>
Central Bohemia	147	13.6
Southern Bohemia	200	15.6
Western Bohemia	156	12.4
Northern Bohemia	190	14.7
Eastern Bohemia	200	14.4
Southern Moravia	273	22.6
Northern Moravia	234	15.4

From this table it is apparent that Southern Moravia shows the conspicuously largest loss with 273 mm; this represents 22.6 percent of the total amount of precipitation loss of 1207 mm, according to the corresponding long-term norm; meanwhile, Western and Central Bohemia show the smallest losses.

With regard to precipitation this year, the situation was worst in the southeastern parts of the CSR, a complete contrast to last year; with great difficulty they were able to fulfill their obligations in the western half of Bohemia.

Throughout the whole of Bohemia a loss of 182 mm was noted (14.3 percent), which ranks it in fifth place since the year 1876 (according to a sequence based on the greatness of the losses); the other examples are from the years 1942-43 (with a loss of 294 mm), 1972-73, 1933-34, and 1971-72. According to rough statistical estimates, therefore, the probability of an almost 2-year period of drought, such as the one we have just experienced, occurs about once in 20 years. It follows from this that we can consider this drought a striking example, though still not a disastrous one. For next year there unfortunately exists no long-term forecast, not even a general one, about the difference between this year and last year, when on the basis of fairly correctly corresponding cycles (of 10-12 years) dry and hot growing seasons were predicted on the whole correctly and on time. However, the prediction for the winter of 1982-83 was an utter failure, for this winter belonged on the contrary among the hottest of this century. However, the Czech hydro-meteorological institute does not publish forecasts for more than 1 month ahead.

Among the examples of long-term prognoses from recent times it is possible to judge their success rate, which proves to be only 60 to 70 percent. This means that roughly two out of three predictions will turn out right and the other will not.

The aforementioned 10-year cycle used prognostically for the years 1982-1983 showed relatively sharp losses of precipitation in Bohemia in the following 2-year periods: 1932-33, 1942-43, 1952-53, 1962-63 and 1972-73. Among these the individual years without exception had amounts of precipitation that were below normal (and the deficits in the years ending in "3" were computed only in October).

From older scientific publications it is possible to ascertain that in almost all the cases mentioned (among which some continued for three and more years) the meteorological drought produced quite disadvantageous results. Perhaps the worst long-term period of persistent drought plagued our land in the 1930's (1932-1935). However, the biggest and most disastrous drought of the century, in the ill-fated year of 1947, lasted for only one growing season (from April to September).

Other cycles introduced for prognostic use, including those of 12-year duration, being connected roughly with synchronic changes of activity on the sun, since the beginning of this century have always manifested a lack of precipitation and definite aberrations of heat during the growing seasons.

The exception to this rule was the year 1923; however, these conditions prevailed in the following years: 1911, 1923, 1935, 1947(!), 1959, 1971 and 1983. Together with this the average deficit in all 7 cases was 88 mm, which is 21.5 percent of the long-term norm. In all these years, therefore, an average of less than four-fifths of the normal amount of rain fell.

Simultaneously, the average definite deviation of heat for all the months of those growing periods according to Prague-Klementin was a figure of 0.7°C. For this reason also in these years our land suffered from above normal heat conditions almost always as a result of the drought.

Despite these confirmed time regularities, the repetition of dry years can at anytime in future periods be "discrepant"; no one is able to assert the reason for this and so the occurrence of this dangerous hydro-meteorological phenomenon in central Europe remains irregular and fortuitous.

#### Heat Records of the Century

In addition to the shortage of rain, in the last 2 years there was also added persistently above normal heat in the 8-month period from March to October (with the exception only of April 1982), which significantly increased the amount of evaporation and in this way understandably worsened the effects of the loss of precipitation.

According to the Klementin series of heat data since the year 1775, which we can consider for our purposes as representative, there emerged an analogous 8-month sequence of definite anomalies in 1826 and 1827. Likewise, the average definite aberration of 1.4°C last year and this year in each of the 16 months that were examined also does not have any analogy for more than 150 years (!). This aberration has only been approximated twice this century, in the years 1934-35 (with a deviation of 1.2°C) and in 1947-48 (0.9°C), which were at the same time also periods of below normal precipitation.

In connection with the numerous and high definite anomalies of temperature over the past 2 years there has appeared in foreign scientific publications conjectures that this almost "Riviera-like" weather, especially in the summer months in central Europe, is caused by a rapid increase of carbon dioxide in the atmosphere from human activity, which produces the so-called greenhouse effect. From the Klementin entries, however, we can determine that apart from the already mentioned example from the years 1826-27 it was still hotter than last year or this year in the years 1810-11 and 1797-98. An era of relatively numerous hot years at the end of the 18th and the beginning of the 19th centuries testifies to the fact that it truly fits in with long-term climatic fluctuations, for throughout the entire remainder of the last century a similar example of such heat was not found.

This change, however, indubitably began at the time when man began to encroach upon nature in a relatively injurious way.

Apart from the analogy that has already been mentioned, above normal variations persisted from March to October in this year's hot "climatic

optimum," chiefly in the month of January, with an average temperature of 5.0°C with a deviation of 6.2°C, which became even 1.1°C hotter than the long-term average in March. This heat was ranked in third place (in all probability repeated once in 70 years) among examples of the warmest Januaries from the years 1796 and 1921. For this reason even in mountainous regions the temperature rarely fell below zero, so that the snow held out with difficulty only in the highest elevations above sea level. For this reason also coal undisturbedly traversed the Elbe waterways.

Also, the two spring months of March and April without more conspicuous frosts and with positive deviations of 2.3°C and 2.4°C made for an early start in agricultural work, which proceeded advantageously for the most part. What also added to the fast pace of growth in the first half of the year, apart from the definite anomalies of heat (with the exception of a colder February), was chiefly the above normal amount of precipitation in all regions of the CSR. In addition, some agricultural produce (clovers and grasses) ripened much earlier and the hay harvest then on the whole went quite smoothly. Therefore, it seemed that after such extraordinarily favorable conditions, which in the spring months and at the beginning of the year had not been present for a long time, the harvest would be exceedingly good. For this reason also the effects of the later drought on agricultural production were not nearly as disadvantageous as should have been expected from the following analysis of the almost extreme precipitation and heat conditions which prevailed this year.

However, a remarkably dry and at the same time hot July and later also further months with a rapidly growing loss of precipitation, especially in Moravia, did much harm. In Bohemia there was only 28 mm of precipitation, which is precisely one-third of the normal amount. This figure, in all likelihood repeated perhaps once in 30 years, placed the month of July, since the period from 1876, in the third out of five places together with the years 1911 and 1952 in relation to the truly driest Julys of 1904 (23 mm) and 1971 (25 mm).

Concurrently with heat deviations of 3.6 percent, corresponding to an average temperature of 23.3°C (as is normal for this month on the Yugoslavian coast), it became the third out of the four hottest months ever (coincidentally with the year 1788) in comparison with August 1807 and July 1834.

This combination of lack of rainfall and heat caused a rapid decline of moisture in the soil, and because of this some places had a severely limited supply of water for agricultural produce. This July was classified as an isolated phenomenon; evidently there had not been analogous weather conditions since 1834.

On 27 July the persistent and wearisomely oppressive heat reached its peak: the Klementin quoted the highest temperature reading in the whole history of observations that had been recorded since the year 1775(!); it outdid by 0.2°C the record held until then by 7 July 1957. At some weather stations Saharan temperatures were reached with 40°C (at Sedlcany, Plzen-Bolevec and Klatovy). The highest temperature (40.2°C) was measured in Prague-Uhrinevsi, which is the new heat record of this century in Bohemia (until now "only"

38.6°C had been read on 29 July 1947 in Teplice-Trnovany). For Moravia the record stands at 41.8°C on 27 July 1921, observed in Najedly (in the district of Gottwaldov).

#### After the Hot Weather Windstorms and Rain

The first day of August, when once again the maximum temperature at the Klementin was outdone with a reading of 34.7°C, suddenly ended for many of us the already unbearably long period of wearisome hot weather. In the evening across the whole of Bohemia there rushed a swiftly advancing cold front with storms, heavy rain and unusually severe lashing winds. Almost out of a dead calm within only a few seconds the wind changed into a hurricane. Gusts of wind with a speed of 120 km and more, which arose at 9:30 in the evening, will certainly not be forgotten by the female visitors at the camp grounds of Trhovka near the Orlicky Dam on the Vltava, where during the destructive windstorm they sustained numerous injuries. Also, tornadoes passed over some regions of southwestern Bohemia. Testifying to this is the uprooting and smashing of huge trees, which lay jumbled together in the direction of the whirling air currents (consequently not in any one single direction, but according to the vagaries of the wind). This destructive force mainly struck forests on the borderline of central and southern Bohemia (in the neighborhood of Milevsk), where within a couple of minutes, 6,000 cubic meters of wood was toppled.

A sudden change of weather occurred in the days from 2 to 5 August; torrential rains fell at the last moment, when some plants had finally begun to wither from dryness. In the western half of Bohemia during those days there fell roughly 100 to 150 mm, which in many cases outdid the August norm by a great deal. In some stations on 2 August within a 24-hour period a record total for this century was set (for example, in Brandyse on the Elbe--84 mm).

Unfortunately, in Moravia this salutary rainfall did not occur, and for this reason here on the contrary the lack of rain during August increased sharply. To make a comparison: in August there fell in Bohemia 114 mm (which is 146 percent of the norm), while in Moravia only 30 mm (35 percent of the norm). This marked difference then clearly shows in the table mentioned above for rainfall deficits in individual regions up to the end of October.

The continually increasing shortage in the fall months manifested itself most in agricultural production in lowered yields of tubers, especially in southern Moravia and eastern Bohemia. The crop of vegetable leaves, just as the production of the volume of fodder, suffered significantly, and so their planned production quotas were not filled. Similarly, water transport could not fulfill its plan for the very low lying areas of the Elbe and Danube.

In the generally low-lying canals throughout the territory of Bohemia more numerous examples of high concentrations of contaminating substances were found.

Hydrologically the drought in the meantime showed itself most conspicuously in the decline of ice in the fall months and the drying up of springs, where at the end of October there were observed in many places even lower figures than the absolute minimums that had been known up until then. Again in agreement with the aforementioned table the largest number of these cases was noted in the southern Moravian region (in the river basins of central Moravia, of the Svatka, of the upper Sazava and the Jihlava), in the northern Moravian region (in the river basins of the Olse, Opava, Osoblaha and Becva) and in eastern Bohemia (in the river basins of the upper Elbe, Loucne, Chrudimka and Doubrava). In other river basins these minimum readings were found only in isolated cases.

This year the further growth of the lack of rainfall continued, especially in the southeastern CSR and in the western half of Slovakia; this became noticeable at the beginning of last year. At the same time the drought was intensified by the tremendous evaporation from the soil and the vegetation as a result of the unusually high and significantly above normal heat during the growing seasons of the past 2 years. This year's very dry and extremely hot July was ranked among cases that were quite exceptional. Just as last year it has been necessary to use water most sparingly. In the case of a continuation of months with below normal rainfall the serious inconveniences already experienced by water dependent industries would undoubtedly worsen. When, as now, there is an increased number of large weather fluctuations, it is impossible to rule out, even in the following year, unfavorable weather patterns for some sectors of the national economy.

12312

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## FOREIGN TRADE PERFORMANCE DURING FIRST THREE QUARTERS

Budapest HETI VILAGGAZDASAG in Hungarian No 43, 22 Oct 83 pp 4-5

[Article by Gyorgyi Kocsis: "Balance Worries, Foreign Trade Situation Report"]

[Text] Foreign trade plays an irreplaceable role in meeting our international payment responsibilities. Commodity trade volumes for the first two-thirds of this year allow one to conclude that in spite of all hardships our efforts must be redoubled.

It is not easy today for someone who would like to introduce the reader to the mysteries of Hungarian foreign trade. While it is worth staying on the rough road of reality, one is well-advised to avoid the trap of unfounded optimism as well as the one of creating a panic. Whether we like it or not, we have to come to terms with not only the fact that this year has been one of the most careworn in many for the Hungarian economy, but also with the one that we cannot even hope to take a deep breath on New Year's Eve. It is true that there are still a good 2 months left until then, but experienced economists can already see that the efforts of those working to re-establish economic balance must not wane even for a minute for many-many months to come.

Before we start calculating the numbers for the future, first we must look at the present situation and the newest facts and figures. The results of the first eight months of foreign trade are presented in the most recent publications of the Central Statistical Office (KSH). According to their documents, the value of non-ruble based export between January and August 1983 brought in a total of 120 billion forints of currency (taking the transportation costs into account), while the non-ruble based import over the same period cost 108 billion forints.

If we compare these data with last year's numbers for the same period, the picture does not appear to be particularly dark, since the export calculated in convertible currency at current prices, i.e. without accounting for price changes, grew by more than 21 percent and the import by 11 percent. However, many years of economic experience shows that results should not be compared to those of the previous year, but rather to those results that are

desired. From this point of view, the difference between export and import, that is the balance of foreign trade for the first 8 months in convertible currency, specifically 332 million dollars, must be compared to the 700-800 million dollar projected excess that had been assigned as a goal to foreign trade for the year by the people's economic plan.

In order to be able to judge whether this plan can be executed, we must first remember the practice which has been condemned for many decades but still has not been changed enough, the one according to which the export activities of companies fluctuates appreciably in the course of a year. At the beginning it is mild, it picks up at the end of the first quarter and the first half of the year, while intensive work characterizes the last period. The intermediate data for this year reinforce that of previous years, although they suggest a somewhat more even pace. The companies have "delivered" 25 percent of their planned assets by the end of May, one third by the end of July, and roughly 40 percent by the end of August.

Thus the major portion is still outstanding, and the traders, respectively the producers will not be working under any more favorable foreign and domestic market conditions than before. Those conditions, on which they counted at the beginning of the year, have conspired against them, and hopes for their improvement have turned out to be vain. The international political atmosphere burdened by tensions is an increasingly unreceptive environment for the intensive development of economic and financial relations. The international economic upturn, in spite of all projections and estimates, does not want to begin, and the revival has avoided especially those Western European markets which are most important for us. The oil producing countries which earlier had bought goods generously, now as a result of the fall in oil prices consider their expenditures much more carefully, while the markets shrink in other developing countries as well, and the competition between the sellers is swelling to giant proportions.

At the time of the first half year evaluation of our foreign trade, it was possible to raise even larger hopes for agricultural and food industry exports. Today however, we unfortunately know that decreasing activity has enormously taxed the commodity base of the food industry, even though exactly because of the swift decrease in world market prices there is a greater need for exportable products. Even the goods that come plentiful supply are harder and harder to sell. As a result of the strengthened protectionistic tendencies in capitalist countries and the swollen supply of products, some of our most successful ones like wine, poultry, pork and salami are getting into trouble.

In the past, there have been many occasions, most recently last year, on which the failure of certain branches of industry to export was compensated for by substituting agricultural export. Unfortunately, it is not probable that this year, faced with the opposite situation, industry will be able to make the payments, that is "to jump into" the place left open by the agrarian sector.



We must own up to the fact that industrial production and export are burdened with a number of obstacles which can hardly be avoided, if at all. Sales channels which had earlier been well tried and true are now being closed, and items which up to now have been important sources of currency, like for example smelting products, medical instruments, machine tools, and textile products, have a hard time finding buyers in the competition for foreign markets which is sharper than ever before. Production is slowed by the limited amount of--and in cases interrupted--capitalist import, and in certain places in industry, the shortage of workers is alarming. The hardships are reflected in a number of comprehensive data. For example in the one that at the moment companies are using only 75 percent of industrial productive capacity, and in that this year as far as it can be seen, industrial production will be closer to the lower limit of the planned 1 to 2 percent growth. Out of the smaller than planned production less will be available for export, because domestic buying has again taken more away from export than had been calculated.

In the first 8 months Hungarian companies suffered a nearly 300 million dollar export-price loss. It is true that changing the essence of export and import price structure is a long-range task, but industrial companies could cut some of their losses over the short range by faster and more flexible production development and the modernization of the production mechanism. Thus the producers could create substitute import possibilities which could help expand not only export but also domestic supply.

The market provides profitable business even now to those producers and businessmen who have a sense for recognizing saleable products and who "respond" in time to favorable opportunities. In the first half of the year, for example, Hungarian carbohydrate products, insecticides and pesticides, truck tires and quick frozen foods were in demand. It is by no means immaterial if the assets of the foreign trade balance in convertible currency are produced alongside lower or higher productive levels and export-import amounts. Today the situation seems to indicate that the first of the two possibilities will happen.

Even if there were many things that caused producers and traders headaches this year, they could be glad about one development, that is, that they could buy more and faster than usual in the CEMA countries. While in our convertible currency based foreign trade the older tendencies were continued or strengthened in our commodity exchange with the socialist countries, in contrast to Hungary's delivery surplus in the balances for the end of last year, this year our partners will be able to register surpluses. Our imports from socialist countries are expected to be a few percentage points higher than those fixed in the inter-state agreements at the end of last year and the beginning of this one, while our export to socialist countries will be smaller by about the same amount. (We can calculate this based on the mid-year data, according to which there was a 665 million ruble Hungarian import excess in our ruble-based commodity trade by the end of August.)

Specialists trace these developments in the foreign trade with socialist countries to a number of cases. On the one hand, in many socialist countries, there is a greater emphasis on the domestic manufacture of products previously bought from foreign sources. In general, investments are kept low nowadays because of the lack of balance. For the time being, Hungarian companies have not always found those exportable products with which they could replace the ones eliminated from their export and which their partners are willing to buy. A role was also played in the increase of Hungarian imports by the fact that in the DDR, in Poland and in Czechoslovakia, a number of investment plans have been completed, making possible the purchase of important products missing earlier, of parts and of partial units. This is how some items arrived above the originally planned quota, as for example furniture, locks, mopeds, agricultural implements and electronic parts. On the other hand some earlier sought-after Hungarian machines, instruments and industrial installations were not exported.

In our foreign trade the time needed for closing an average business transaction is a good number of months. It follows that the foreign trade results and failures for the rest of the year will be rooted to a large extent in the work of closing business deals in the preceding months. This does not by any means imply that it is not possible to improve the situation with quickly acquired new orders. The agreements of the next couple of weeks, however, whether they are signed or allowed to slip out of our hands, will be easing or increasing the balance worries of the next year, which does not promise to be the slightest bit better than this one.

Table 1. Foreign Trade Balance According to Currency Groups

(1) Év, hónap	(4) Rubel elszámolások		(6) Nem rubel elszámolások		(8) Összesen, millió forint
	(5) millió rubel	millió forint	(7) millió dollár	millió forint	
(2) Egyenleg szerződéses áron*					
1979	-372,6	-12 197,2	- 91,2	- 3 562,9	-15 760,1
1980	-506,0	-14 331,0	+221,9	+ 6 755,7	- 7 575,3
1981	-362,9	-10 245,3	+258,6	+ 8 519,8	- 1 725,5
1982	-567,5	-15 053,7	+733,4	+27 654,4	+12 600,7
1982 január—augusztus	-535,2	-14 092,1	+226,8	+ 7 931,8	- 6 160,3
1983 január—augusztus	-571,0	-15 042,5	+458,6	+18 664,8	+ 3 622,3
(3) Egyenleg a tényleges fuvarfizetések figyelembevételével**					
1979	-451,4	-14 719,5	-280,0	-10 278,3	-24 997,8
1980	-611,8	-17 262,3	- 14,6	- 913,5	-18 175,8
1981	-501,3	-13 952,2	+ 42,2	+ 1 075,2	-12 877,0
1982	-692,4	-18 300,7	+516,8	+19 681,2	+ 1 380,5
1982 január—augusztus	-618,6	-16 260,8	+105,9	+ 3 657,0	-12 603,8
1983 január—augusztus	-665,0	-17 485,5	+332,1	+13 391,4	- 4 094,1

\* Azaz a szerződés szerinti külföldi vételi, illetve eladási helynek megfelelő értéken.

\*\* A fizetési mérleg összes fuvarfizetéseinek (szállítási díj, átrakási és kikötői díj, biztosítás stb.), valamint a javunkra átutalt fuvarozási visszatérítések egyenlege.

(9) Forrás: KSH

Key:

1. Year, month
2. Balance at contract prices\*  
(\* That is, according to the foreign buying or selling value)

[Key continued on following page]

3. Balance, taking the real transportation costs into account\*\*  
(\*\* The balance of payments of all transportation costs: transport, loading, unloading, harbor costs and insurance, etc., as well as the payments made to us.)
4. Ruble payments
5. Million rubles
6. Non-ruble payments
7. Million dollars
8. Total
9. Source: KSH [Central Statistical Office]

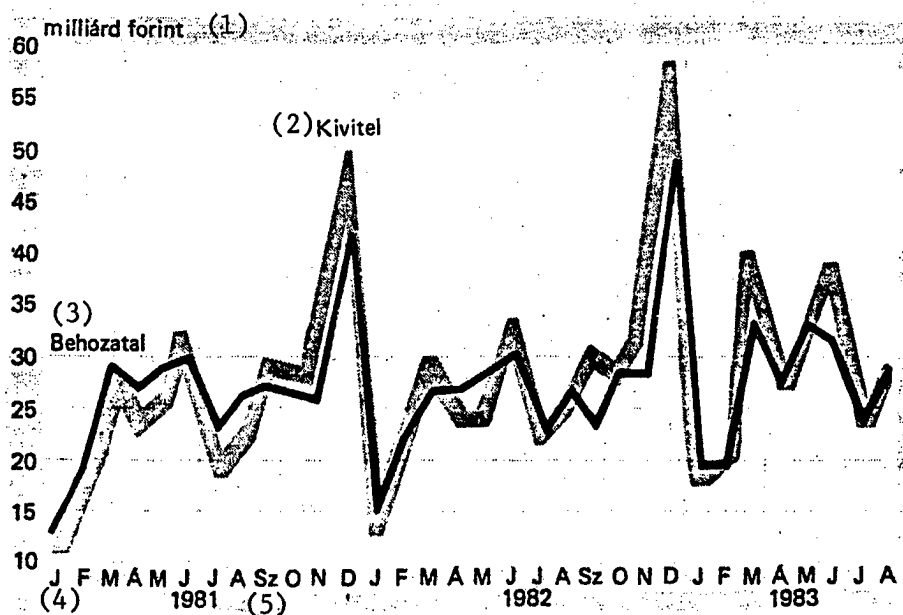
(2) Ev vége	(1) Összes kivitel=100%	
december	15,1	17,3
november	8,4	9,4
október	8,2	
(3) Három-negyedév		8,6
szeptember	9,1	9,0
augusztus	7,2	
július	6,2	7,4
(4) Félév		6,3
június	10,3	9,7
május	8,3	
április	7,6	7,1
(5) Negyedév		7,1
(6) március	9,7	8,6
február	6,2	5,9
január	3,7	3,6
	1981	1982

Table 2. Export Results Month to Month  
8.3 percent would be the average monthly rate.

Key:

1. Total export = 100%
2. Year's end
3. 3/4 year
4. 1/2 year
5. 1/4 year
6. March

Table 3. Monthly Variations of Foreign Trade



Key:

1. Billion forints
2. Export
3. Import
4. January
5. September

12489

CSO: 2500/84

## MAJOR CHANGES IN '84 REGULATIONS SUMMARIZED

Budapest OTLET in Hungarian 5 Jan 84 pp 4-5

[Article by A.D.: "New Year, New Statutory Regulations. Amended Sections"]

[Text] When the clock struck midnight on New Year's Eve, probably few people stopped to think that, figuratively speaking, a host of regulations would be transferred to the inactive file during the first minute of the new year, and that many new sections would become effective.

The most significant change is the law amending the constitution, which the National Assembly enacted during its December session. The law specifies that in 1984 the National Assembly will elect a Council on Constitutional Law, the task of which will be to determine whether the various statutory regulations and legal directives are in accord with the constitution of the Hungarian People's Republic. According to another constitutional amendment, as of 1 January the chairman of the Central People's Control Committee, too, will be a full-fledged member of the Council of Ministers. Another constitutional change of great importance is that also the state secretaries who head national organs (for example, the Offices of Wages and Labor Affairs, Office of Water Conservation, Office of Environmental Protection, etc.) may issue regulations that are binding for citizens as well. This authority, which previously the constitution did not provide, is essential to the performance of such state secretaries' tasks. And finally we wish to note that the constitutional amendment deleted from the constitution the provision that the megyes may be subdivided into jarases. It is common knowledge that, within the framework of local public administration's further development, a policy decision has been adopted to abolish as of 1 January the jarases and the various state organs at the jaras level.

Many new statutory regulations became effective as of 1 January that directly affect primarily the enterprises and cooperatives, and through them also their workers of course. The government decrees concerning income regulation and wage regulation at enterprises, and the system of income regulation in agriculture, have been amended. There are new provisions that apply, among other things, to the taxation of profit and to the formation and use of the incentive funds.

What affects the workers directly is that their 290-forint monthly allowance over wages proper has been replaced by a wage subsidy of 310 forints a month

as of 1 January, at enterprises, nonagricultural cooperatives and state institutions. The members and employees of agricultural cooperatives are getting a wage subsidy of 210 forints a month, instead of the former 200-forint monthly allowance over wages proper. It is important to know that the wage supplement, unlike the allowance over wages, must be included in the average earnings on which the pension contribution is levied. As a result of this new measure, many workers would have found themselves in income brackets that are taxed more progressively. To remedy this, the upper limits of the monthly earnings in the individual brackets for levying the pension contribution have been increased by 300 forints:

<u>Upper limit (forints)</u>	<u>Rate (percent)</u>
2,100	3
2,600	4
3,300	5
4,300	6
5,300	7
6,300	8
7,300	9
8,300	11
10,300	12
12,300	13
14,300	14
Over 14,300	15

The government decree on social security contains also several other new provisions. For example, the managers of businesses operated under contract are entitled to sick pay after the seventh successive day of illness. The general rule is that income from the viewpoint of calculating sick pay includes the benefits in cash and in kind on which the insured pays pension contribution or general income tax. But the loyalty bonus, for example, may not be regarded as earnings.

New income tax regulations also have been introduced as of 1 January. The essence of the modification is that the previous distinctions have ceased, and now private artisans, private retailers, self-employed professionals, and members of business work partnerships will be paying income tax at uniform rates. The same tax rates apply to the capital gain on real estate held less than 10 years, to landlords who sublet rooms or weekend cottages, to members of attorneys' cooperatives, to doctors maintaining private practice, and even to royalties from patents and innovations. The new, uniform tax schedule is as follows:

<u>Annual taxable income</u> <u>(forints)</u>	<u>Tax</u>		
	<u>(forints)</u>	<u>+</u>	<u>(percent)</u>
		<u>x</u>	<u>(forints over)</u>
- 20,000	2 percent		
20,001 - 40,000	400	6	20,000
40,001 - 60,000	1,600	10	40,000
60,001 - 100,000	3,600	20	60,000
100,001 - 200,000	11,600	38	100,000
200,001 - 400,000	49,600	50	200,000
400,001 - 600,000	149,000	60	400,000
600,000 -	269,600	65	600,000

A comparison of the new income tax schedule with the old one shows that in general the tax rates are lower, and the taxable income higher. For example, the highest tax rate is now 65 instead of 75 percent, and it is payable on income exceeding 600,000 instead of 200,000 forints. Thus the earlier situation will foreseeably cease that toward the end of the year private artisans and retailers preferred not to work legally, because of the highly progressive income tax rates. Another essential change is that different types of income can be lumped together and taxed jointly as of 1 January, specifically because of the unified tax rates. But royalties from patents and innovations, capital gain on real estate, and income from abroad will continue to be taxed separately.

An entirely different subject, but again of interest to many persons, is that a new decree of the minister of the interior has changed as of 1 January the regulations governing the registration of residents. Instead of the eight different types of forms earlier, each consisting of several parts, there is now only one single-page form that requires only 10 entries, instead of more than 100 entries previously. The new form may be used to register permanent or temporary residents of any age. Moreover, citizens who move now register their departure from their old address together with their new address, at the local council of their new place of residence. The regulations governing the registration of temporary residents also have changed: a temporary resident must register only if his stay exceeds 30 days, instead of 15 days previously.

Another decree simplifies the issuance of new passports. Instead of the eight different kinds of passports up to now, only four kinds will be issued in the future. The nonofficial passport will be uniform and valid for travel to any country. Naturally, the present red and the blue passports will remain valid until they expire. The passport application form also has changed as of 1 January. It must be submitted always at the central police station in whose territory the applicant resides. In 1984, however, the old passport application forms purchased earlier may still be used. An important change is that the many different passport fees have been replaced as of 1 January by a uniform fee of 350 forints for the new official and nonofficial passports.

Speaking of administration, we must not fail to mention the new schedule for receiving clients at the Budapest councils. Although the 40-hour week will be introduced for public administration workers only on 5 March, the schedule for receiving clients has changed already as of 1 January. Budapest councils now receive clients from 14:00 to 18:30 on Mondays, from 8:00 to 16:30 on Wednesdays, and from 8:00 to 11:30 on Fridays. Thus the only change is that the reception hours on Mondays have been extended by a half hour, so that also clients who work until 5 or 5:30 pm may get there conveniently.

As before, the offices that provide services for clients will be open every day to the public, during the councils' regular office hours as well as during the extended hours for receiving clients. The councils' schedule for receiving clients after work applies to the Familia Institute for Holding Family and Social Ceremonies (Familia Csaladi es Tarsadalmi Unnepsegetek Rendezo Intezet), the Budapest Municipal Employment Counseling Service (Fovarosi Munkavallalasi Tanacsado), the expropriation and indemnification section of FOBER [Budapest Construction Industry Investment Enterprise], and the Budapest Information and Service Bureau for Private Housing Construction (Budapesti Maganlakasepitesi Informacios es Szolgaltato Iroda).

The public utilities and the enterprises providing services for the population are open until 7 pm on Wednesdays, for complaints and orders. On Saturdays these firms must maintain duty from 8:00 to 13:00 at least at one central location.

New regulations have become effective also on providing building lots for the population. In 1983, the proportion of privately financed housing construction already reached 80 percent and can hardly be expected to increase further. The supply of building lots by the state must therefore be expanded, and the management of building lots must be modernized. In the future the councils may finance the development of new building lots not only from their own resources and with OTP [National Savings Bank], but also with the participation of employers, enterprises and institutions that want to help their employees acquire homes of their own. It will remain the local council's task to transfer a building lot for permanent use but, within the limits of the concluded agreement, the contracting organization may determine the amount of the user's fee and designate the future users.

The councils' development fund will remain the basic source of financing the development of building lots, but a proportion of the costs of installing public utilities and of building roads and sidewalks, may be recovered in the form of a one-time utilities and road-construction contribution payable by the owners or users of the lots in question. In the case of building paved roads and laying water mains, for example, the maximum contribution that may be levied on the user of a building lot is 8,600 forints, and the maximum contribution is 3,000 forints when paved sidewalks are built. Thus the contribution covers the development cost only partially in the case of lots for housing construction, but the owners can be required to bear the entire cost in the case of weekend cottages.

The new statutory regulations enable families to obtain 10-year OTP loans at 6 percent interest, for up to 70 percent of the user's fee, to acquire a building lot. To have more resources on hand with which to finance the development of building lots, the councils may require future users of the lots to pay an advance on the user's fee, but this advance may not exceed 30 percent of the total user's fee. With due consideration for the applicant's social circumstances, the district councils in Budapest may provide aid to facilitate the purchasing of building lots. The upper limit of this aid, which might be a loan or a nonrepayable grant, is again 30 percent of the user's fee.

Incidentally, it is important to know that in Budapest, as of 1 January 1984, the district councils have authority to transfer building lots for permanent use. Previously this authority was exercised by the council of the third district, on the entire territory of the capital. The list of available lots is posted on the bulletin board of every district council, and a Budapest resident may apply for a lot in any district.

There probably are many people who no longer have to bother with acquiring a lot and building a home, and are even able to use a part of their homes to produce income, by accepting paying guests, for example. New rules apply also to them as of 1 January. The pertinent government decree defines the acceptance



of paying guests as the renting of all or a part of a residence or vacation home for a fixed period of time, as accommodations. Travel agencies, tourist bureaus, and legal entities or persons licensed by the minister of domestic trade may act as agents in finding accommodations for paying guests. The landlord may rent to paying guests an entire residence (or vacation home), a suite (part of a vacation home) or at most six rooms. It is important to know that as of 1 January a landlord wishing to accept paying guests must be licensed by the trade administration organ of the local council in whose territory the rented accommodations lie. An application for a license can be denied only when granting it is prohibited by law. A license may not be issued to an applicant who has been sentenced to at least one year's imprisonment for a willful offense in conjunction with providing accommodations for paying guests and his supplementary punishment has not expired as yet. The council may revoke the license if within two years the landlord has been fined three times for violating the regulations governing the acceptance of paying guests, or if a punitive tax rate has been applied to him. It is also important to know that the landlord or the enterprise, if it acted as the agent, may immediately terminate the contract if the paying guest fails to pay.

In conjunction with the constitutional amendments we have already mentioned that there will be significant changes in public administration. These changes will involve not only the abolition of *jarases*, but also the creation of new towns and even of villages. Pursuant to a resolution of the Presidential Council, 12 large communities have been declared towns as of 1 January. These are Szeghalom in Békés Megye; Encs and Szerencs in Borsod-Abaúj-Zemplén Megye; Mór in Fejér Megye; Heves in Heves Megye; Dorog in Komárom Megye; Pásztó in Nógrád Megye; Tiszafüred in Szolnok Megye; Tamási in Tolna Megye; Sümeg and Zirc in Veszprém Megye; and Zalaszántó in Zala Megye. Thereby the number of towns has increased to 108. Under the new administrative subdivision the country is divided into 139 districts, including 34 whose centers for the time being are still only large communities with town status. In the coming years, however, the Presidential Council can be expected to make also these settlements towns. So far as the new villages are concerned, two populated areas were found in Hungary whose recognition as villages was warranted. One is Satorhely in Baranya Megye, and the other is Szarliget in Fejér Megye. Effective 1 January, the Presidential Council also merged several villages and decided to establish several joint village councils.

1014  
CSO: 2500/182

## HUNGARY

### MEAT PRODUCTION FOR HOME, EXPORT USE EVALUATED

Budapest NEPSZABADSAG in Hungarian 14 Jan 84 p 5

[Interview with Miklos Villanyi, State Secretary, Ministry of Agriculture and Food Industry by Ferenc Cserkuti: "On Meat Production, Consumption and Exports"]

[Text] There is no use denying it, Hungarians like meat. Fried, cooked, made into sausage or salami, we eat plenty of it. This is understandable, for meat plays a vital role in our diet. Our most valuable nutriments are proteins--milk, eggs, meat and other products made from them--of animal origin. Their production costs, however, are several times the cost of vegetable nutriments and, therefore, their market price is also higher than that of others. It was about the production, consumption and export of this essential nutriment called meat that we went to talk with Miklos Villanyi, State Secretary of the Ministry of Agriculture and Food Industry.

[Question] According to international data, our country's animal husbandry and, therefore, its meat production occupies a distinguished position in the world. Knowing this, how are we to assess the rate of development and production of our animal husbandry?

[Answer] Our country's agricultural production is characterized by diversity. Given our natural resources we are able to produce every type of foodstuff we need to supply our population, with the exception of tropical fruits and some non-basic consumer goods--i.e. coffee, tea, cocoa and spices--, right here at home.

Although vegetables, fruits, grapes and wine as well as several industrial crops all play a very important role in the structural make-up of our agriculture, it is still the development of our two largest branches, our grain and meat production which has earned us favorable international recognition. For next to grain production it is our meat production that has shown the most dynamic development during the past one and a half decades.

As far as the course of this development is concerned, it is worthwhile to point out that in the last peaceful prewar year, in 1938, our country's slaughter animal production had barely risen above 750,000 tons. It took more than 3 decades, until 1970, for it to reach 1,360,000 tons. By 1983, however, our slaughter animal production has reached 2,300,000 tons.

While during the past one and a half decades the world's meat production has increased by 3.1 percent a year, Hungarian agriculture has increased its meat production at an even better average rate of 4.1 percent. Although Hungary only produces 1 percent of the world's meat production, its volume per capita is four times that of the world average. This is because our country's per capita meat production is over 140 kg. With this level Hungary ranks fifth in the world after New Zealand, the United Kingdom, Australia and Argentina.

#### Commendable Achievement

This commendable achievement is the result of a consistent and well-established development. In accordance with our government program aimed at promoting the development of animal husbandry, our producer cooperatives and state farms have built hundreds of large animal breeding farms within a relatively short period of time. Dynamic steps have been taken toward revitalizing and expanding our meat processing industry. Slaughter houses and processing plants have been built which can be considered modern even by international standards. The projects that have been completed include the new Szeged salami factory, the integrated meat production works of Miskolc, Gyula, Kaposvar and Szekszard and several new processing plants in our producer cooperatives and state farms. The development of our meat production branch reflects the efforts of our entire society and economy.

[Question] So we have reached a commendable level in meat production. How about the development of supplies during this period?

[Answer] If we accept as true the otherwise internationally recognized fact according to which the most reliable measure of adequate nutrition is the level of meat consumption, then we can also conclude that during the past few decades we have joined the ranks of the best eating peoples in the world. For it does not hurt to remind ourselves that during the early 1950's our per capita meat consumption barely exceeded 30 kg, and even in 1970 it only reached 59 kg. The demand was naturally also there in the 1950's and 1960's but we must admit that even in 1970 there were disruptions in supplies. There were times when it took consumers long hours of standing in line before they could obtain this very important foodstuff. In order to satisfy demand we even had to import some pork from time to time.

And while we are on the subject of consumption, it is worthwhile to point out: as a result of the way our consumption habits have evolved, our animal protein intake is made up of more meats and eggs, and less dairy products than the consumption structure of countries with development levels similar to ours. To be sure, our meat consumption has also increased nicely when we consider that compared with 1970 we have had 60 percent more of it on our tables. Our meat and meat product consumption, however, already exceeds 77 kg per capita.

[Question] Also important, however, is the structural make-up of the meat selection offered in our stores. How much do we eat of the different types of meats?

[Answer] Statistical data show that we like pork best of all. For compared to its prewar level domestic consumption of pork has increased almost threefold, with last year's quantities exceeding 41 kg per person. Ranking second after pork is poultry, of which we consumed an average of 20.8 kg last year. Of beef we ate 9.3 kg. Also reaching our tables were some insignificant quantities of fish and mutton.

#### Two-thirds of the Meat We Produce Is Consumed Here at Home

[Question] All of this seems to have put enormous demands on our domestic meat production. They are great even if we only consider domestic consumption. In addition to having to ensure domestic supplies, however, our tasks are also great when it comes to exports. What role does meat production play in our exports?

[Answer] As we continue to develop our agricultural production we face two main tasks. We must produce enough of everything we need of our traditionally grown products to satisfy domestic demand. However, we must also significantly increase production in those branches which in addition to satisfying domestic demand can also produce for export. One such branch is the meat industry. For it is precisely our meat and meat product sales which constitute the most significant part of our agricultural exports. Sixty-seven percent of the meat we produce is consumed here at home and 33 percent is sold abroad. This branch produces 20 percent of the total convertible exports of entire national economy. Our animal breeding branch provides more than half of our non-ruble cleared agricultural exports. We export half of the beef and slaughter poultry, and 81 percent of the mutton we produce. Twenty percent of our pork is sold abroad.

It is a fact that during the past 5 years the value of our meat and poultry product exports has increased by almost 70 percent. This has included a 250-percent increase in our pork production branch and a nearly twofold growth in our poultry industry

exports. Our country provides 9 to 10 percent of the world export. We control the same share of the European pork market. We are the number one exporters of goose liver and rank as the second largest seller of rabbit in the world.

Our list of exports is extensive. Our foreign shipments include salami, Gyulai sausage as well as canned ham. By adjusting to consumer demand we also export sectioned and boned meat, and if our export interests so require we even ship slaughter animals. What in our opinion is the most significant, however, is that our slaughter animal production, which we had built up at high cost, has been earning the highest possible revenues for our country.

[Question] These data show that we have very important interests in developing our animal husbandry. How can we preserve, and as much as possible even improve the high standard of our meat production?

[Answer] In order for this very important branch to continue to develop as we have planned we must improve its biological bases and its material and technical supplies. And we have another very important task: we must also maintain production security which implies that our big farms and small producers must have an equally strong interest in animal keeping, whether it be in slaughter cattle, hog, poultry, rabbit or pigeon breeding. For it has been production security and the productive drive connected with it which have provided the basis for the development of our animal husbandry during the past decade. It is also owing to these factors that we have been able to eliminate the fluctuations and cyclicism that had plagued our pork production.

As one of our encouraging achievements we have been able, by using the nicely developing grain production of our big farms as its basis, to foster adequate producer interest in our household and auxiliary farms. As a result of this development today our small producers alone sell three-times as many slaughter hogs to the state purchasing enterprises as Hungarian agriculture as a whole did in 1950, for example. This, of course, is also the result of the organizational and assistance-providing efforts of our big farms. Our success in generating small producer interest also in the other branches of animal husbandry, the effective utilization of manpower on our small farms and the fact that our stables and stys are no longer standing empty have served everyone's interest. What all of this requires, however, is a continued commitment on the part of our big farms to improve and modernize their animal keeping facilities and fodder management.

[Question] In our present economic situation, however, creating the necessary material and technical conditions demands great

financial sacrifices from our state farms. How can you still ensure that this branch also receives some of your limited development funds?

[Answer] As it is well known, we provide a variety of different incentives in agriculture. In addition to state subsidies the most obvious forms of financial incentives are state purchase prices. In order, therefore, for the producer to become interested in meat production we need to have prices that reflect our justifiable social expenditures. And these must be prices that will also ensure continued development and revitalization. And since production costs are constantly rising because it is becoming increasingly more expensive every year to obtain necessary materials, resources and energy, and because as a result fodder production is also becoming more costly, it is easy to see why meat production requires increasingly greater expenditures.

To give you an example, while in 1979 our state farms were still able to buy fuel-truck delivered gas at 4,460 forints per ton, last year they had to pay two and a half times that amount, 10,790 forints for it. As for mixed fodders, poultry starting feed, for example, which in 1979 could still be obtained for 5,870 forints per ton, last year cost 7,670 forints. Hog-fattening feed which in 1979 was going for 3,680 forints per ton, last year cost 4,500 forints. Part of the protein we use must be imported. As a result of world market price increases there have been radical changes in the cost of these as well. The wholesale price of first-class quality soy meal which in 1979 was still only 8,600 forints per ton, last year was already up to 12,000 forints. During this same period, the price of first-class quality fish meal has risen from 14,300 forints to 20,400 forints per ton.

As a result of these large cost increases, during the past few years we have had to raise our state purchase prices several times. Between 1979 and 1983 our animal breeding costs have increased by 35 percent. At the same time our purchase prices have only risen by 26 percent. In other words, even this large increase in producer prices has not been enough to completely offset the rising production costs of animal husbandry.

By Way of Rational Production Organization

This, of course, has been done this way on purpose so that our farms themselves would also be forced to do everything in their power to cut costs by way of rational production organization and better management. These efforts have been proven successful. Our state farms have come a long way in improving the efficiency of our animal husbandry. We must admit, however, that even at their presently high level of efficiency, and despite the cost-cutting efforts of our farms animal husbandry and meat production are still not among our most profitable branches. This is also evidenced by the fact

that while the average profitability of the productive branches of our national economy has been between 10 to 12 percent, animal husbandry has only been able to attain 6 to 10 percent returns.

Despite the fact, however, that meat production has only brought relatively small profits for our producers and processors, we still need huge state subsidies to be able to continue to sell meat and meat products at today's consumer prices. Between the consumer price increase of 1981 and the end of 1983 subsidies for pork cuts have increased from 22 to 28 percent, beef cut subsidies have grown from 34 to 40 percent and poultry subsidies have risen from 28 to 33 percent. In short, total consumer price supports given to domestic meat and meat product sales have increased from 6 billion forints in 1982 to 7.3 billion forints last year.

Meat production and processing constitute a highly valuable part of our economic life. It is worthwhile, therefore, for us to continue to ensure the necessary conditions for its successful development. It is also important, however, that we rationally manage our slaughter animals, meats and meat products. We must do this by increasing their share of hard-currency earning exports, while at the same time ensuring balanced supplies and high-quality consumption without encouraging waste.

The Key Question Is How to Improve Our International Competitiveness

[Question] The development of domestic animal husbandry is a complex task. What are some of the more important areas in animal breeding that we will have to pay close attention to in the coming years?

[Answer] Despite last year's draught we have been able to maintain the high level of our animal stock. Having a large stock in many respects determines our possibilities of production. According to our government-resolution inspired development program our main task in cattle breeding is to increase the rate of growth in our beef cattle cow stock. In the hog raising branch our task will be to maintain our large stocks and to stabilize production. As for our activities in slaughter poultry farming, they will be determined mainly by our foreign market conditions.

In animal husbandry as well as in meat production the key question is how to improve our international competitiveness. Here I should add that finding an answer to this question is also in the interest of our internal, domestic supplies. The best way to improve our competitiveness is by improving our efficiency and quality standards. In the area of large-scale animal husbandry we have a great deal of work to do to improve work and production organization. Making more universal use of energy-saving technologies is a task that will take more work in virtually all of our animal

breeding farms. Our efforts aimed at improving fodder management and utilization have already brought some fine results in the past few years. Despite last year's weaker-than-usual grain crop, our fodder supplies will continue to be assured this year. This, however, should by no means be interpreted to mean that we should not try to manage our fodder supplies as rationally as possible; in fact, this is our chief duty in animal husbandry.

From the utilization of by-products to improving the animal-health situation the efficiency of feeding can be improved in every phase of production. The material, technical and personnel conditions needed to accomplish this will have to be established even more firmly than before. This is the main condition for ensuring the continued dynamic development of our slaughter animal production and processing for the benefit of our entire country.

9379  
CSO:2500/179



JARUZELSKI, OTHER SENIOR OFFICIALS MEET WITH 'NOT' REPRESENTATIVES

ZYCIE GOSPODARCZE Report on Meeting

Warsaw ZYCIE GOSPODARCZE in Polish No 51-52, 18-25 Dec 83 p 2

[Report carried in "Week-in-Review" column]

[Text] The Palace of the Council of Ministers in Warsaw was the site of a meeting between Wojciech Jaruzelski and scientists and engineers. The highest government members attended the meeting. Wojciech Jaruzelski, in speaking about engineering policy, pointed to the need to gradually change the structure of our industry and to develop Polish specialties in which we can be strong and which would give us an advantage in export. This is a wide field for action for engineering, technical advancement, the premier said. It is also an opportunity to fulfill the aspirations of our creative people and at the same time, an opportunity for Polish science to expand in those fields in which we have made specific gains. We will define these fields jointly with you, Wojciech Jaruzelski said.

NOT Organ Commentary

Warsaw PRZEGLAD TECHNICZNY in Polish No 2, 8 Jan 84 p 3

[Article: "More Than Just a Concern About the Position of the Engineering Cadre"]

[Text] The meeting of the representatives of the world of science and engineering held on 15 December last year with Premier, General of the Army Wojciech Jaruzelski in the Office of the Council of Ministers was described as a form of advice for the central party and government authorities, advice important in the improvement in the situation in our country and in the process of implementing economic reform. During the previous meeting of the representatives of NOT [Chief Technical Organization] with the premier (11 October 1981) the talks concerned the necessity of halting the country's economic deterioration, the readiness of the engineering cadre to deal with the difficulties occurring, and the necessity of concluding a broad, national accord. It was decided that the Federation of Scientific and Technical Associations (SNT) NOT will deal with these subjects in its activities and will make them the main themes of discussion at the 20th Congress of Polish Engineers.

The Federation members approved the statement of the PZPR Central Committee first secretary at the Committee's 14th Plenum: "...we must give concern to the position of the engineering cadre, stimulate them to be active, and create the conditions under which innovational and efficiency-improvement ideas and actions would come forth."

This is also the general program assumption of NOT and it is expected that it will be consistently implemented.

During the discussion the representatives of the scientific and engineering community, the SNT NOT members stated that they will definitely support these aims as effectively as possible and will cooperate in removing any obstacles and barriers which may appear. They also expressed their satisfaction that the political and state authorities are also increasing their cooperation with the Chief Technical Organization, which is still one more proof that the activities of the Federation are being recognized and supported. Those taking part in the discussion reported to the government leadership on the degree to which the intellectual and creative potential of the engineering cadre is being utilized, about the achievements and difficulties in linking scientific, engineering and economic actions into one chain, and about the research, design and application taking place, particularly in the most sensitive areas of production and technology. They also stressed that the SNT NOT Federation intends even more effectively than heretofore to work towards developing engineering in the proper directions and towards the utilization of the inherent scientific and engineering creativity, which is richer and more extensive than assessed by public opinion, than the mass media indicate.

It was confirmed in the discussion that the engineers are fully aware of the fact that the level of production and services, the level of technical advancement, the scale of new technical solutions, do not yet correspond to social and economic needs. More can and should be done, faster and cheaper. That which has been neglected or underestimated can be made up with not too great a cost, and the gaps which arose as a result of economic restrictions and sanctions against Poland can be filled in.

Much attention was given to the financial mechanisms which stimulate the development of engineering. It was proposed that a compact incentive system be set up in the enterprise, one which would increase production in full harmony with the principles of scientific and technical progress. The engineering circles know that the directorship cannot create engineering advancement programs, but that they must be prepared by the engineering groups in the enterprises, institutions and development centers. That is where decisions must be made as to what, at what cost and in what scope, something should be done in order to improve the quality of production, to more effectively utilize production potential, to make better use of fixed assets, and to make steady progress in engineering and organization. The need to make better use of the mechanisms of economic reforms in science and engineering was emphasized, and the modifications made in the control of technical advancement should serve this goal.

The conditions under which such creative, specific, everyday activities must take place were also discussed. It is essential that the standing and authority

of the engineer and technician must be raised, that wages and working conditions must be improved, and that the representatives of the engineering community must be more broadly included in the decisionmaking on socioeconomic issues. The engineers are aware of the inadequacies in their work. They know the blank areas that must be filled in with research, development and engineering work. This can only be accomplished in a climate of encouragement to greater effort, in an atmosphere of support and popularization of specialists, high class professionals, creators of new techniques and technologies. The SNT NOT Federation has and is doing a great deal to revive the economy and increase production in the belief that without the engineering cadre this cannot be achieved. For example, a 3-year program has been begun to stimulate the professional and public activity of the SNT NOT circles, which temporarily slowed down the rate of their work. Various forms of training and self-education are being developed. Many professional reports and opinions have been prepared and are being prepared for different levels of management. The consideration given to these comments and proposals in the work of the government and particular ministries serves as encouragement for more conscientious work in this important area of consultation.

The scientific and technical associations are a good and durable binder of three areas: science, engineering and the economy. The association movement represents many engineers with scientific degrees, theoretical and didactic skills; it contains in its ranks many leading originators of techniques and inventors; it includes almost the entire cadre of technical supervision and the management aktiv of the industrial enterprises. Many technicians and journeymen are active in the association. Thus the association movement has the limitless ability to coordinate various skills, aspirations and activities, to create and disseminate all kinds of practical ideas and engineering solutions, and to build various creative groups, especially in applications. The SNT NOT Federation and all its organizational units will strive to so improve the success and effectiveness of engineering activities.

(In subsequent issues of PRZEGLAD TECHNICZNY we will cover the problems raised in the discussion and speeches at the 15 December 1983 meeting.)

9295

CSO: 2600/584

## MINISTER SUMMARIZES AGRICULTURAL RESULTS

Warsaw ZYCIE WARSZAWY in Polish 14 Dec 83 p 5 -

[Text] The situation in agriculture and its tasks in the year 1984 were the subject at a conference held by the minister of agriculture and food economy.

In appraising the year 1983 Minister Stanisław Zieba has defined it as a favorable one for the crop economy. The grain crops were higher by 800,000 tons than in the previous year. The purchase may exceed 5 million tons. The sugar beet harvest amounted to over 16 million tons, that is, about 1 million higher than the bumper crop of 1982. Sugar production may exceed that of 1982, but the difference will be minimal. The potato crop, albeit poor and far from the standard (it amounted to about 33.8 million tons), was nevertheless better than in the previous year. The rape procurement was also better and exceeded the 1982 results by 120,000, which, however, will not suffice to satisfy demand for oils and will require import. Gardeners had a good harvest and the purchase of vegetables might amount to about 1,100,000 tons, and that of fruit to 1,400,000 tons.

These results are, among others, the effect of good weather, although one could not say that it was favorable. The lack of precipitation caused losses in many regions of the country. The prices were better and the supply of chemicals for plant protection was improved, even though one remembers the vicissitudes of the Colorado beetle pesticides. Also more use was made of nitrogenous and phosphatic fertilizer.

However, all this is now over. What is the ministry doing to ensure that the 1984 crops are not worse? The ministry is taking measures that are aimed at taking advantage of biological progress, that is making better use of the seeds of cultivated plants and seed potatoes. It is envisaged to improve plant protection, fertilization, and the liming of soils. It is also necessary to increase in 1984 reclaimed area by at least 100,000 hectares. A part of the problems facing land reclamation enterprises should be solved by government order. Of importance is the improvement of the system of purchases and supply contracts and the work of the grower services. There is much to be accomplished, and fortunately we are starting from a rather good level.

On the other hand, this cannot be said about livestock management. Although the fodder reserves are higher than in 1982, we have less animals. The June

1983 census showed a decline of hogs by 20 percent and of cattle by 5.4 percent. The so-called representative September 1983 census showed a certain check in these decreasing tendencies. According to it the number of hogs declined by 16 percent and that of cattle by 1 percent. Unfortunately, the number of gilts also declined.

"Appraisals of the situation differ," said Zieba, among other things, "from catastrophic to almost optimistic--in my opinion, we have here a classical process of adaptation." This means that farmers are adjusting the size of their stock-breeding to feeds they can obtain from their own farms. One cannot count on imports. One can buy them only for cash. We are deprived of credit because of sanctions. We must, however, import feed components rich in protein. We also explore other possibilities of increasing the share of feed components for the breeders of prokers. Under consideration is the use of domestic reserves of lean powdered milk, reserves of seeds of papillonaceous plants, protein from fodder yeast, and casein. The Bacutil Association will begin concluding supply contracts for feed plants. Government subsidies will lower prices for livestock production.

1015

CSO: 2600/475

POLAND

BANK CHIEF RATES CHANCES FOR EFFECTIVE 'TIGHT MONEY' POLICY

Warsaw ZYCIE WARSZAWY in Polish 10 Jan 84 pp 1, 3

[Interview with Stanislaw Majewski, president of the Polish National Bank, by Jacek Mojkowski: "Consolidation"; date and place not specified]

[Text] [Question] It has been said that some people will not trust the reform unless they first see a major bankruptcy. Has one already happened?

[Answer] The bank in no way acts in order to "produce" economic bankruptcy. Our task consists of making the enterprises put, first of all, their economic situation in order, and get genuinely better results. Only if that fails would insolvency of the firm be envisaged.

[Question] In short, there are no bankruptcies...

[Answer] No, there are none. But there is a list of several score candidates.

[Question] The management is inefficient--that is common knowledge--and suddenly there are only several score candidates for bankruptcy? The bank is exceptionally generous, treating the weaklings with such mercy...

[Answer] Some people believe that once the enterprises start failing, the economy would automatically become more efficient. They forget, however, that insolvency is the result of mismanagement, not its cause. The reform itself, as well as the modifications of its machinery planned for 1984--the new system of taxation, changes in the functioning of FAZ [Fund for Vocational Activation] and in credit policy, a different scope of operational programs and governmental orders, etc.--attempt to eliminate the causes. Insolvency of enterprises is a machinery which can be used in the final stage of the struggle for efficiency.

[Question] Who are those candidates for bankruptcy?

[Answer] Mostly construction enterprises. But also industrial ones with financial troubles due to economic breakdown, to collapse of exports, and to a wasteful wage policy. By now it can be said that unless bailed out by

their founding organs, those enterprises would be unable to fund themselves, and that means they would be unable to comply with a major premise of the reform. The bank can lend money only to companies able to guarantee repayment of the credits.

[Question] So what about the "tough policy of tight money" allegedly pursued by the bank? I said "allegedly" because wherever I raise the issue in the enterprises, I hear complaints against the bank, but when push comes to shove, there is always a happy end: the money is found, and the show goes on...

[Answer] The credit system becomes tougher every year. Obviously, I could not claim that in 1983 we have fully managed to pursue the tight-money policy. How tight the money is for enterprises does not depend solely on our credit policy. The results also depend on the policies of taxation, pricing, wages, employment etc. Do not think I am shifting the blame. I only want to show that the relative freedom in pricing, the producers' monopoly, the absence of competition, the cuts in our financing policy, etc, all soften the credit system. Many enterprises still have a surplus of their own funds, and do not require credit.

[Question] Is that bad?

[Answer] It would have been good if only they had earned these funds thanks to increased productivity, better quality, etc. not thanks to methods which are, let us say, extraproductive.

[Question] Let us try, then to assess to what extent the tight-money policy was a burden to the enterprises.

[Answer] In 1983 we have tightened up the criteria for allocation of credits. If in the past we demanded from the enterprises that they demonstrate their current profitability, now we check whether they can safeguard profitability, including repayment of credits, in the longer term, over several years, for instance. The analysis reveals also that in the first stage of the reform the enterprises were able to amass a large amount of money, and--given the easy availability of credit--that has, despite the crisis, brought about an inflated investment front, while in many firms the wages policy still is far from reasonable. This is incompatible with the budgetary deficit of the state, which cannot make ends meet.

[Question] What can be done about it?

[Answer] We would like to make the enterprises finance their development, investments, etc, using more of their own funds. Partly we have succeeded: last year the ratio between enterprises' own funds and the credits amounted to 4:6, while in 1982 it was 3:7. This year, however, we intend to reach a 7:3 ratio. Let me add that out of nearly 15,000 investment projects started last year by the enterprises, 2,500 were financed by credits. Once the amount of money owned by the enterprises goes down, credit will become

a genuine instrument for enforcing efficiency and economic balance. It would be even more effective if it were better correlated with a tough and consistent state financial policy.

[Question] To put it in a different way: the intention is to use taxes or other surcharges to extort from the enterprises as much money as possible and to push them into the bank's embrace. Thus making the bank decide who will do what thanks to the available credits...

[Answer] Using taxation to remove the surplus money of the enterprises, and thus to get it down to a reasonable level--and I mean a level which would allow continued self-financing of the enterprise--does not mean reducing their independence. The current policy of the bank does not intend to make the enterprises depend on the bank. As it happens, many firms are simply doomed to ask for credit: in the past they have incurred large debts, and now they have to work in order to repay them. If they want to continue operation, they have to borrow anew, and each year they experience insecurity: will they get credit or will they not? To put an end to this cycle, we have offered them the so-called converted credit, that is to say, we would like to convert their short-term credits into a long-term one, which carries interest advantages for them, and might be repaid by installments over the next few years.

[Question] Can we talk about the "tightening" of the credit system, if the credit interest is lower than the rate of inflation?

[Answer] It is being assumed that in 1984 the inflation rate will amount to 15-16 percent. Our development credits carry 12 percent interest. I think, therefore, that the span between the interest rate and the inflation rate is not overly dramatic.

[Question] Should not the interest at least equal the inflation rate?

[Answer] Do not forget that in our country the formula of pricing based on production costs remains valid. Were the credit interest excessive, the producers would resist it by raising costs, and thus prices. According to our calculation, the enterprises could pay 12 percent interest on credit thanks to improved efficiency, without raising prices.

[Question] Is the banking system adequate to the implementation of a tight money policy? Much has been said about the need for competition in the economy, but the bank is a tough monopolist: the enterprises are not free to choose their creditors, and therefore the economic processes loose flexibility.

[Answer] Competition between banks requires a capital market, a surplus of capital must replace the present shortage. The existing banking system is as it is because the initial stage of the economic reform requires, in my opinion, a relatively centralized organization of the banking system. That does not imply that such is our target pattern. I think that in the



future stage decentralization of banks would emerge. In my opinion, it would be a branch decentralization, or--in other words--specific banks would finance various branches of the economy. I would not object, for instance, to the ongoing preparation for founding a bank for handicrafts and small industry.

[Question] But that is a marginal issue...

[Answer] We have to start somewhere, and in this case an appropriate initiative is already at hand.

12485

CSO: 2600/560

## COPPER INDUSTRY PERFORMANCE IN 1983 TERMED 'RECORD-BREAKING'

Warsaw ZYCIE WARSZAWY in Polish 4 Jan 84 pp 1, 6

[Text] It has been 25 years since the discovery of vast deposits of copper ore in the Lubin and Sieroszowice areas. A new and important branch of industry has grown up in Poland over this quarter century. Mines, processing plants, and manufacturing plants have been built that are centered around the copper mining and metallurgical combine in Lubin. As early as 1982, in the wake of the economic reform, the combine became financially self-sufficient and had a good output performance record.

Last year, though, was a record-breaking year in every respect. Miners extracted more than 29 million tons of copper ore, i.e., 2.5 million tons more than in 1980, when these mines were working on a four-brigade schedule. Labor productivity went up by 6 percent in comparison with 1982. Further advances were also made in terms of the techniques used to work and manage ore deposits at, among other places, the basin's largest mine--"Rudna." For example, a new system was developed for working deposits at depths of 10-15 meters.

Electrolytic copper output exceeded 350,000 tons and is up by 3.3 percent over figures for last year and by 2.1 percent in comparison with 1980. All metallurgical plants managed to score a substantial increase in labor productivity, and numerous projects mandated by the industry's equipment and technology advancement program were also completed. For example, at the Glogow-2 Mill further progress was made toward harnessing the innovative "Blister" process for copper smelting. The output of so-called "higher-grade" cathodes was doubled, and these products are commanding a much higher price in foreign markets than standard electrolytic copper. More than 180,000 tons of electrolytic copper were sold for export in 1983. On the other hand, export sales of products of the Polish copper industry came to a total value of nearly 30 billion zlotys.

The economic achievements of the copper combine would not have been possible were it not for the consistent implementation of the program for conserving resources and finding domestic substitutes for imported goods. Owing to the many agreements reached with domestic manufacturers and also thanks to the progress the industry made toward producing the goods it needs on its own, the value of imported parts and equipment was reduced to 4 million dollars.

The profit of more than 16 billion zlotys that was made in 1983 guarantees that enterprises in this industry will be able to finance their own operations. A large percentage of these earnings is being earmarked for purposes of environmental protection and the improvement of working conditions and social welfare benefits.

CSO: 2600/567

AGRICULTURAL RESULTS IN 1983 EVALUATED

Warsaw ZYCIE WARSZAWY in Polish 6 Jan 84 p 2

[Article signed "les": 1983 Agricultural Balance; Better for Crops, Worse for Livestock]

[Text] The crisis is plainly visible to everyone. So in presenting information about plans being surpassed and positive economic performance being attained, two factors have to be borne in mind.

Firstly, experience has taught the planners to take a conservative view of what can be achieved. Secondly, and even more importantly, when the country is deep in recession it is unrealistic to expect that even spectacular economic achievements will satisfy the public's needs.

As far as agriculture is concerned, this last reservation only applies to crop production, which was comparatively good in 1983, as animal production kept deteriorating. The grain harvest totaled 22.1 million tons. This, however, was too little to satisfy current needs, and Poland still had to import several million tons of feed and grain. Farmers harvested 16.4 million tons of sugar beet, 33.8 million tons of potatoes (i.e. less than planned), 4.3 million tons of vegetables and 2.6 million tons of fruit.

The small reserves of fodder concentrates, potatoes and bulk feed left over from the 1982 harvest led to a considerable drop in livestock herds. The June 1983 livestock census revealed there were 11.3 million head of cattle and 15.6 million pigs in the country, the lowest figures on record since 1971, when fodder reserves were similar. This seems to indicate that the drop in herds was caused by the lack of imported feed. Poland did not manage to fulfill its plan of imports in 1983. Only 500,000 tons of high-protein concentrates were bought, as against the 1.25 million tons planned. Poland once again plans to buy 1.25 million tons of high-protein concentrates in 1984. If this proves impossible, the slightly increased interest in livestock breeding which is currently observable (the sow covering index is going up, piglets are expensive and fewer sows are being delivered to procurement centers) is bound to fall away, with no concrete results being achieved.

As regards foreign trade, Poland exceeded its plan of foodstuff exports, while imports were lower than planned. This improved the country's balance of payments and cheered other sectors which thus had extra hard currency made available to them (the health service for example). But it did nothing to improve the situation in agriculture or in food shops. The increase in exports included meat products, sugar, rape seed oil, horses, fruit and frozen foods. Only grain and tobacco imports reached the projected levels. As regards meat, for example, imports totaled 41,500 tons, as against 100,000 tons.

At a press conference yesterday, Deputy Minister of Agriculture and Food Kazimierz Grzesiak said, "We have to be aware that 1984 will be another year devoted to overcoming the crisis, but the crisis will still be with us, which means that the authorities will continue to attempt to reconcile farmers' demands with the present capabilities of the state." The Ministry has made several decisions which should help implement the annual plan in agriculture and improve food production. The public will be informed about these decisions in the near future. A report on the state of Polish agriculture is to be prepared this year which should make it easier to arrive at the proper decisions and strengthen the arguments of the agricultural lobby.

CSO: 2600/602

PRODUCER GOODS RATIONING SAID TO SIGNAL NO RETREAT FROM REFORM

Warsaw TRYBUNA LUDU in Polish 28 Dec 83 p 3

[Article by Tadeusz Jaworski: "Centralized Control of Supplies; a Restriction of Independence or of License?"]

[Text] Lately, raw material resources, or all that from which goods needed by mankind are produced, have dwindled considerably in our country. Moreover, this has happened not in our country alone. Even in the wealthiest nations of the world there has been talk of a crisis in raw materials for some years now. In our country, this problem appears in more dramatic proportions, perhaps, intensified by Western restrictions.

Under these conditions, it was necessary to look for methods which would go together with a system of command and apportionment. For that reason, the new system scheduled for 1984-85 is not well liked and is generally considered to be inconsistent with the principles of reform. It may seem that way, however...

False Likenesses

The point is that the new rules for material and technical supply which are contained in the resolution of the Council of Ministers only appear to go together with the system of command and apportionment, with which we have become familiar only recently. Their essence lies in the fact that in the turnover of materials and machines that are basic to the national economy, they call for an obligatory intermediary of designated trade units as well as for restricting the purchase and consumption of fuel and energy.

The resolution mentions 178 producer goods that will actually be subject to central accounting. Sixty-three articles--from coal to cocoa beans--will have their accounts transacted by the office of Materials Management. Central accounting will be a tool for the identification of stock and for planning its flow as well as a sort of instrument in synchronizing central plans. They will make up the basic guidelines in the realization of the supply policy.

The obligatory intermediary trade units will play a major role in this policy. Through them, all articles of which there is a shortage will flow between manufacturers, suppliers and consignees; in exceptional cases, only with their knowledge and when it appears there will be savings in transportation.

The resolution of the Council of Ministers mentions 29 obligatory intermediary units. For example: the Center for Coal Sales will serve as intermediary in coals sales, Chemiplast for plastics, Stomil for articles of the rubber industry, and then Polbut for leather goods. Mediation will be carried out according to rules noted in advance. It is here that we see the actual difference between the new regulatory precepts and the old command and apportionment system.

#### New Principles for Supply

Certain areas of the economy whose performance safeguards the most vital necessities of society will be guaranteed deliveries of materials that are in short supply. The obligation to ensure these deliveries rests with the so-called intermediary bodies. There is only one condition: needs must be legitimate. A system of inspection and supervision is expected and, of course, appropriate sanctions which should discourage risk-takers from swindling articles in short supply.

Paragraph 12 of the resolution of the Council of Ministers reads: "In case of nonadherence to the regulations of the resolution, fees in favor of the budget are set which are up to 50 percent of the value of the materials as well as the construction machinery and means of transportation used in the operation." These fees apply to suppliers, manufacturers and individuals in sales as they do to consignees who, for instance, use the material for a purpose other than the one they indicated in the declaration submitted together with the order, or supply false information about the state of their stock.

What is important in all this is that it is known in advance who can count on what. There is a list of raw materials and materials in short supply, and there is also a register of government orders. Anyone wanting to obtain materials in short supply must adjust his production profile to the needs of society.

Accounting and regulation are centralized; however, free choice and voluntarism in the allocation of goods are not permitted, as was the case in the past. The scarcity of production goods requires regulation but it is not just a privilege of the decisionmaker, an expression of his ill will or good will.

#### Government Orders

Government orders are to play an important role. Here, too, there is no place for any whims on the part of decisionmakers. Rules were adopted which discriminate against no one. The selection of a producer follows a course

of unlimited negotiation organized by a company unit of the body doing the ordering. The commission is supposed to apply the following criteria: product quality, adherence to technical standards, the product's price, unit cost, raw materials utilized and energy consumption, and how import-intensive production is, etc.

This kind of system selects manufacturers according to their true worth. Those who will guarantee to carry out the agreement properly will receive government orders. Preferential treatment is allowed them in fuel supplies and producer goods in the domain of an obligatory intermediary.

#### Rations, Rules and Standards

The resolution of the Council of Ministers introduces rationing in the consumption of electrical energy as well as natural and coal gas. This does not apply to all consumers, but it does concern the largest. The Chief Inspector of Energy Management sets quarterly rations in the consumption of electrical energy for 148 of the largest plants in Poland. The list of natural and coal gas consumers for whom rationing is compulsory is not long-- it contains about 50 consumers--but by way of supplement, a rate based on a maximum 24 hours' consumption is established for them.

Overrunning limits will be penalized with fines. Such, unfortunately, is the necessity arising from a specific situation. Complementing the resolution are the instructions of the minister for materials management which introduce a general mandatory standardization for the consumption of producer goods, fuels and energy for industrial products, for building-assembly production as well as for manufacturing processes and services rendered. This should result in activity which brings up to date previous rules and standards which, what more can be said, were set at a level that does not meet today's requirements.

The factor of insulation in construction does not serve today's needs, for instance. Buildings, particularly those made of large slabs, are poorly insulated thermally and heat used to warm them is in short supply for other purposes. Motor car transportation is recording overestimated quotas and, above all, an excessive consumption of fuel. With regard to fuel consumption, cars made in our country surpass others in the world. Such superiority provides us with neither honor nor profits.

A radical change in the system is vital, and the tasks will not be easy. The general review of the technological aspects of production which is scheduled should yield a savings in energy and reduce the expenditure of production goods. Does all this mean that there will be limits placed on an enterprise's independence, which was guaranteed by the reform? No, not on independence but certainly on license. The license to squander valuable raw materials wastefully.

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CSO: 2600/558



## USEFULNESS OF POLONIA-TYPE FIRMS DEBATED

### Advantages, Disadvantages

Warsaw KURIER POLSKI in Polish 18 Aug 83 p 2

[Article by (Dan)]

[Text] The minister of the machine-building industry has halted the import of electrical circuit breakers because the Polonia-type foreign firm Polkontakt has taken up this production and is doing so very successfully. This is not the only such positive example of the activity of these firms, although critical commentaries are not lacking either, especially when it is a question of quality, price and the structure of production.

### What Does This Look Like in Reality?

In the Lodz area 34 firms have been appointed, and of these 29 are already in business. The majority of them are involved in the manufacture of clothing, while the remaining ones manufacture outdoor furniture, parts for agricultural needs, fashionable fabrics as well as electromechanical and electronic apparatus.

"Last year the West German firm Anettex began its operation," says Leszek Malolepszy, manager of the industry and service department of the administrative office of the city of Lodz. "This firm is involved in repair services and installations. It imports used washing machines and refrigerators, reconditions them and places them on the market. Public interest is enormous. People come from all over Poland in order to reserve their place in line because it is necessary to place an order at least several months in advance. Prices on these goods are not much higher than domestic prices."

"These are the pluses. It is a fact, however, that Polonia-type enterprises," continues our converser, "bribe the public. That is why in lines of business such as the clothing, leather and textile industries we have a clause stating that they cannot hire people who have previously worked in state establishments of the same type."

"As far as prices are concerned, 90 percent of the production of Polonia-type foreign enterprises in Lodz is distributed by state-owned trade which, taking into account social criticism, does not allow expensive items in its stores. Thus, manufacturers must automatically 'come down' in price."

"In Krakow, there is an opinionmaking team appointed by the major which evaluates the bids made by Polonia-type firms," informs Alicja Suchanek, director of the industry and service department of the city administrative office. "We reject all bids from those petitioners who wish to be involved in manufacturing which our market can do without, for example, crystal-cutting or souvenir manufacturing. We are, therefore, left with many new and interesting offers: the manufacture of agricultural tools, building materials and the recycling of textile waste into yarn."

#### Effect of New Taxes

Krakow ECHO KRAKOWA in Polish 25 Aug 83 pp 1, 2

[Article by Aleksander Glus: "Will the New Taxes Halt the Growth of Polonia-Type Firms?"]

[Text] On 1 August a new tax law went into effect. Its rules concern, among other things, Polonia-type businesses and enterprises, with the latter evaluating the new rules as very unfavorable.

In the first place, the turnover tax has been raised. Until August it amounted to 6 percent, while currently, depending on the manufactured product, it vacillates between 5 and even as high as 65 percent. The income tax has also been increased. Up until now it amounted to 50 percent and currently it has been raised in practice to 85 percent. Some of its reductions connected with consumer goods output and anti-import production are rather small. The 3-year income tax exemption, which can function only when an enterprise allocates annually at least one-third of its income for capital expenditures, has been curtailed.

A third change are new rules pertaining to export. According to the new rules, which as yet have not been described precisely, 50 percent of export revenues will have to be resold to the state in order to have the rest available for foreign-exchange expenditures by the enterprise.

It appears, therefore, that the financial circumstances of the operations of Polonia-type firms have worsened. Is this significant enough to cause them to close?

In the Office of the Southern Branch of Inter-Polcom there is a prevailing opinion that the new law should affect, above all, firms geared toward making a quick profit with small outlays. Moreover, we should be aware of the fact that raising the turnover tax, which is one of the integral parts of production costs, will have an effect on prices. If these will be too high, demand will decrease and the firms will look to a different type of production where the tax is lower.

Those firms which have a very high foreign-exchange "input" into their manufactured goods are in the worst position. In Krakow, for example, we have clothing firms which sew almost everything from imported fabrics.

And what is the opinion about the law and its effects of the parties concerned?

Directors Jan Bachrach and Marian Bielankiewicz of the Polish Foreign Enterprise [PPZ] Alpha are of the opinion that the reaction of enterprises will be varied. Undoubtedly, the view of smaller firms whose production volume and profile have not as yet taken on a concrete form will be more critical. On the other hand, the raised taxes will be accepted differently by firms which have invested enormous amounts of money into the business and which have been paying all the taxes for a long time now because their 3-year exemption period has elapsed. The Alpha managers consider the rules which make it mandatory to sell back to the state half of the foreign-exchange revenues from exports to be the most biting. The Polonia-type businessmen are still hopeful that at least the basis from which the said 50 percent will be computed will be the net foreign-exchange income after the deduction of, for example, the foreign-exchange costs of export and import expenditures.

It is also still not known how trade contracts entered into prior to 1 August will be treated. Many firms have negotiated agreements and sent out their products while the money will start coming in now. Will half of this money be converted into domestic currency? Is the law retroactive? After all, if the Polonia-type businessmen had known about these export obstacles, they would not have negotiated many contracts.

According to director Bachrach, 15 percent of the revenues left to the firm is not enough, especially if it is a growing firm and one which finances its capital expenditures with its income. Director Bogdan Baran from the Mazziotti firm feels that, contrary to the purpose, the raised taxes will not affect those enterprises for which they were intended.

How this tax law will affect the Polonia-type firms is something that we will know in a few months. It is possible that the growth of these enterprises will be halted and their consumer goods output reduced.

#### Suitability of Prices

Warsaw KURIER POLSKI in Polish 14 Sep 83 p 2

[Article by (Dan)]

[Text] Good or bad--but we still talk about them. Better or worse, but they constantly fill up empty store shelves. We are referring to Polonia-type foreign firms which have established themselves on our market.

These firms distribute most of their production through agencies of state-owned trade. The prices on goods which follow this course are reasonable and acceptable.

Let us take, for example, perfume and cologne. Even though these products are often available in Dom Mody and drugstores all over the country, lines form in front of the counters where they are sold. And no wonder. For example, "Opium," which has recently shown up on the market for 380 zlotys, is no different from the original sold in Pewex stores for the not so trivial price of \$38. Most likely, the reasonable price and good quality of the product available for Polish currency are of significance here.

The situation is much worse when foreign enterprises open up their own businesses. They then know no moderation when it comes to prices.

Let us take, for example, the bath set which sells for 11,000 zlotys offered by the Poldrade firm on Aleje Jerozolimskie in Warsaw. There is not a passerby who does not make at least a few remarks on the subject:

"Have they lost their minds to sell something like that? No one will buy it from them!"

There are also known examples of poor quality of manufactured products, such as emulsion paint or clothing. In addition, they are very expensive. Because socialized trade would not agree to their exorbitant prices, these goods are sold in privately owned establishments of these firms, boutiques and privately owned stores.

We have nothing against Polonia-type firms. We support good and reliable ones. However, we feel that in a situation where our industry is severely handicapped, praying on the pockets of consumers is immoral.

#### Firms Severely Criticized

Krakow GAZETA KRAKOWSKA in Polish 16 Sep 83 p 5

[Article by Henryk Cyganik]

[Text] Polonia-type firms--penicillin for the ailing market, an antibiotic for the crisis virus. At first there were trumpets and fanfare: the governor had already issued 10 legal acts granting permission to relatives from the dollar zone to open up businesses between the Bug and Nysa rivers. To this fanfare motivational platitudes were attached: better quality, raw materials purchased with privately owned dollars, support and Polish nostalgia, love for the homeland of the forefathers--practially charity put together from goodwill.

The result? I do now know. However, the number of Polonia-type firms ought to be counted well into the hundreds. Never mind the statistics. It is enough to look at the shelves and read the strange-sounding names. An enormous amount of products, huge numbers of manufacturers, a great deal of... Oh, the naivete, the naivete!

I have uncovered the cause of the crisis on my own. And the cause is JUNK. A word as ugly as a red-haired, cross-eyed fellow with a crooked nose and warts on his chin. Let us add to this teen-age acne on his face. The only thing is that I am expanding the concept of junk to include not only goods or products but also work (more precisely, work quality), certain decisions made by the authorities, the intellectual level of "intellectualists," art, democracy, the school system, etc. However, I shall present the complete theory of junk at another time. Today, let us stay with production and with the various kinds of products.

Thus, if the quality of machinery, shoes, toys, bread, fabrics or cutlets served in a diner were better than average, then the average citizen could save himself some nerves and money, and there would be more than enough of the various kinds of goods. It is obvious that if I continue purchasing new sandals every year, then the shoe manufacturers will continue rushing their plans until the bloody end and still will not catch up with the needs of the market.

I must admit frankly that I too looked on with hope on the invasion of Poles from abroad on the land of pine and willows. To be sure, I did not entertain any delusions that those taught by capitalism to count money would do something which would not be profitable. But to rip off their fellow countrymen who were affected by the disease of crisis. Now that cannot be! And, as a matter of fact, it cannot be because they are not ripping people off but stealing insolently and getting away with it.

Pepper salt, spice salt, slacks with crooked seams, slacks which start unraveling after a week of wearing, marble furniture, fashionable flounce skirts sewn just to "get by," some sort of expensive and idiotic spices, juices from artificial orange concentrates, junk, junk, junk. The only difference is that they have a Polonia-type label. Thus, naive Poles may be taken in by this label and by the attractive packaging and will buy these products, rationalizing the stiff price with the product origin.

I do admit that I am not an expert on Polonia-type firms but only an ordinary dialectician. Seeing the enormity of fatal results, plain junk and commercial, Texas-style bluffs, I ask: How does this come about? Can just any business owner of Polish descent push just anything on us, thus taking advantage of the lame business situation in the homeland? Is anybody checking up on this free American-type business?

No, I do not want to create problems for anyone. I just demand reliable goods and not publicity; necessary goods and not pepper salt. Let these Polonia-type firms continue to operate but let us not lose our senses. After all, it was not too long ago that we allowed ourselves to be taken in by labels. But, frankly, I had secretly hoped for the Poles from abroad to set a good example and to create healthy market competitiveness which would serve, above all, the improvement of the quality of goods reaching the market. I thought that the inherent complexes of drudges would die out, that the Polish tradesman would apply himself to his work while I would gain something from this coexistence and my hands would swell from applauding.

Unfortunately, none of this has come to be. In fact, quite the opposite is true. It looks as if a great number of Polonia-type firms have become "Polonized" and have accepted the principle: any old thing but for a high price because before a Pole catches on, we'll have made a pretty good profit. A case in point is this artist who sews and then sells attractive looking dresses in Sukiennice for 6,000 zlotys. The dresses are cream colored and sewn from material intended for sheets which are not available in stores. They are dyed in tea. It is obvious that the tea is a cheap brand because after two washings the dresses can be ripped open and sewn into snow-white sheets.

Ah, yes! I know. One pays for creativity. Yes, in this surrealism the only thing missing was conceptualism. Thanks to the Polonia-type junk, we now have that too.

Oh, the naivete, the naivete.

#### Comments of Inter-Polcom Official

Warsaw KURIER POLSKI in Polish 20 Sep 83 p 2

[Article by (Dan)]

[Text] Of approximately 430 operating Polonia-type foreign enterprises, 360 are members of Inter-Polcom. The agency offers them information about supply sources and examines and supports petitions for the allocation of domestic raw materials and also handles their distribution.

There is a generally prevailing opinion that united firms have no problems with supplies and that they are often treated better than other enterprises.

[Question] What is this like in reality? We pose this question to the assistant secretary of Inter-Polcom, Jerzy Wieckowski.

[Answer] As usual, these are myths which have been growing around Polonia-type foreign enterprises. The truth looks like this: problems with supplies in the country cause these firms to receive the necessary raw and other materials for production in insignificant amounts. In addition, the negative opinion of certain firms has caused many plants, factories and associations to simply close their doors to them. Where did this negative opinion come from? Unfortunately, it results from the dishonesty of several entrepreneurs.

It has occurred, for example, that a firm with the charming name of Roma approached a factory for the purchase of a raw material. It was sold to the firm. It turned out afterwards that Roma does not exist at all. However, it seems to me that such cases occur in every community. For that reason, they cannot all be heaped into one basket.

Many Polonia-type enterprises enter into cooperation with industry. As a rule, this results in benefits for both sides. Let us take, for example, one of the factories in Bialystok. It has made a profit of \$80,000 from cooperation with Polish businessmen from abroad.

It would be well if everyone would finally realize that in the existing situation these firms make it possible to fill empty store shelves. That is why they should be given a chance and assistance in obtaining supplies.

Considerable understanding is exhibited by the management of the Planning Commission at the Council of Ministers and by the Office of Materials Management, which have introduced individual recipients to the list of those to whom a certain pool of raw materials is to be allocated. These recommendations pertain to the following: ferrous metallurgical products, synthetic plastics, products of the nonferrous metal industry, sawn timber and hard and soft prepared leather.

Unfortunately, the allocation appears on paper but it is difficult to obtain it. What does it matter that we have a social commission which divides fairly when the various plants do not respect the decisions and rules? For example, Centrostal has crossed us off their list.

Whatever may be said, the Polonia-type firms manufacture goods of increasingly better quality which are often less expensive than those manufactured in state-run plants. Therefore, what is the objection to dividing up fairly that which is available, thus bringing healthy competitiveness to the market?

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PROS AND CONS OF INDUSTRIAL ASSOCIATIONS DEBATED

Associations as Threat to Reform

Warsaw ZARZADZANIE in Polish No 7-8, Jul-Aug 83 pp 5-6

[Article by Docent Andrzej Kierczynski and Dr. Maciej S. Wiatr, staff members, Main School of Planning and Statistics; material enclosed between slantlines underlined in Polish text]

[Text] The vision of the self-governing, autonomous, self-financing enterprise expressed in the document "The Directions of Economic Reform," should already be a fact. After more than a year of operation of the reform, obvious changes have not occurred in all spheres of the economy. Thus, it is important to point out the barriers and the dangers that can undermine the idea of the autonomous socialist enterprise.

Restricting the scope of considerations to the sphere of national economic management, we believe that factors deciding the success of the economic reform include:

- the organizational structure of the national economy,
- the nature of voluntary associations,
- the range of obligatory unions.

The Essence of the Organizational Structure

The autonomous operation of every enterprise is largely predetermined by the organizational structure of the national economy. While in a centralized, command-directive system of management there is a tendency toward reducing the number of organizational units [plant and equipment] run by the central headquarters, under the parametric system, there is a tendency toward the atomization and autonomy of enterprises.

In the first system, in which enterprise unions are obligatory, autonomy is very limited. Thus, a condition here for the attainment of broad freedom by an enterprise to operate is a radical change in the organizational-unit structure of the central economic apparatus, whose organizational structure is particularly complex. Founding organs--the ministries and the central



offices, have attempted to adapt themselves to new functions. Syndicates have been put into a state of liquidation, but some of them continue to operate. The few still existing voluntary enterprise associations and ministerial plenipotentiaries for both production-task programs and for separate matters of production structures are the elements of a kind of pyramid over the enterprises (H. Krol, "Wokol istoty reformy" [On the Essence of the Reform] OMT [expansion unavailable] 3, 1983). This pyramid emanates both from the previously obligatory system and from the imposition of new systems-type solutions. Under such conditions, the initiation of broad enterprise autonomy meets with natural organizational barriers. This results from the fact that organizational changes in the central economic apparatus are not fast enough or broad enough to keep pace with the concept of the economic-financial mechanism currently being implemented.

We are only in the initial stages of reorganization of the entire economic apparatus and of the simultaneous introduction of systems-type solutions that lend the basic elements of the national economy a large area of autonomy and self-governing power, at least as this is provided in the reform assumptions. Thus, there is a lack of coordination over time between the implementation of organizational changes and changes in the mechanism of managing enterprises. At the same time, one notes a trend toward the merely formal simplification of the organizational-unit structure of the national economy. The liquidation of the middle levels of management, i.e., of subbranch ministries and obligatory enterprise unions, is the best example of this. We believe that the scope of the powers of this apparatus, despite the partial integration of ministries, has actually remained largely unchanged. It is this level that interferes most directly in the autonomy of enterprises. It is, by nature, an obvious source of the rebirth of the command-directive system.

#### Voluntary Associations

Voluntary associations are a new phenomenon in our economy. Their purpose is to execute the joint economic tasks of associated enterprises. All association statutes stress the economic premises that are to serve as the basis of joint production-services activity. In essence, they are totally in harmony with the principles of operation of enterprises that are based upon the three "S" formula [autonomy, self-financing, self-government]. However, certain distortions occurred during the creation of the voluntary associations. The fact that they came into being like an avalanche suggests a tendency toward the taking advantage of the temporary restriction of the activities of employee self-governments to force organizational structures that would duplicate the old structures of the middle level of management. It is almost glaringly evident that not all new unions were based upon economic premises and that they create precisely a faithful reflection of the liquidated syndicates. Thus, we conclude that economic criteria are not the only basis of the creation of voluntary associations, as the statutes proclaim.

It is apparent that there are often informal pressures on enterprises to join associations. In the clothing industry, for example, only MODA POLSKA did not submit to the pressures to integrate. Its action was based upon the assumption that the best guarantee of economic success is the lack of a middle element.

It is our belief that a considerable number of associations arose as a result of inertia alone. It is known that the bulk of the ideas regarding the creation of associations arose in the former syndicates. When these ideas were transferred to enterprises, they were treated as proposals that were indispensable. They fell upon fertile soil, since many enterprises have demonstrated a passive attitude toward organizing of late. Management, seeing that they had nothing to lose through integration, replied positively to the proclamations they received from members.

It is also known that in some subbranches, technical-organizational problems arose with the automatic replacement of the liquidated syndicates by associations. Was the preservation of the status quo in the given subbranch abandoned in this situation? It was not, and troublesome problems of authority were resolved by being /circumvented./ The following simple solution was not acceptable: the syndicate becomes an association, and thus liquidating the syndicate transforms it into an enterprise with the same range of powers. This was possible because of the /milking/ of the powers of the subordinated enterprises that were spoken of as production plants. This idea proposed by production efficiency experts shows that it is easy to bring about the creation of a multi-plant enterprise that is a faithful reproduction of the syndicate joining together the enterprise.

There are likewise departures from the model assumptions in the work of some associations. This is not a problem, however, since the overwhelming majority of associations have arisen upon the foundation of the former subbranch unions.

It is no longer a rarity to agree upon prices or upon the distribution of markets within the compass of the association or within the group of major producers. True, similar practices were anticipated and a draft anti-monopoly law was prepared; however, legislative consultations continue. Moreover, the preparation of a good anti-monopoly law cannot be a panacea for all problems. The experiences of other countries show that it is extremely difficult to liquidate a monopoly, and requires a great deal of effort. It demands the liquidation of the traditionally existing subbranch lobbies that have tremendous economic power, given the lack of foreign competition.

#### Obligatory Unions

Obligatory enterprise associations and the offices of plenipotentiaries for production-task program affairs are a very distinct group. Their obligatory character creates a greater threat to the autonomy of economic units that is guaranteed by the law on state enterprises. Obligatory associations are an official superior unit. Selected enterprises, despite their operation on the basis of the three "S" formula, according to the letter of the law must conclude an agreement to belong to the association for a period of up to 5 years. The sphere of the autonomy of enterprise operation will depend upon the degree to which the association's leadership respects the rules of the economic game. The issue of the proportion of directives to the parameters applied by these associations is still in the process of clarification. Thus, it is necessary by statute to prevent a return to the methods practiced by the former syndicates. As economic history shows, the matter is not a simple one. During the initial period, the unions that replaced national boards were also institutions of an advisory-service character.

The institution of production-task programs is an unofficial superior unit that threatens the autonomy of enterprises. This conclusion emanates from an analysis of the decisionmaking powers transferred to these institutions. The plenipotentiary for production-task affairs has the decisionmaking authority within his sphere of operation. Resolution No 278, paragraph 2 states simply: "When the possibilities for exerting influence by means of economic levers are exhausted, the plenipotentiary has the right to impose upon the enterprise the duty to implement specific production tasks on behalf of the production-task program."

All of the previously noted reservations refer to situations in which enterprises support the three "S" formula. The opposite tendencies, however, have also occurred, particularly during the implementation of production-task programs. Many enterprises have consciously come under the wings of such production-task programs. It seems that this is primarily due to the disastrous procurement situation; however, it also has socio-psychic causes. Doubtless, it is most convenient for the enterprise and management to be under the protection of a strong superior unit that will think of everything and that will assume the responsibility for possible failures.

One observes the lack of faith of the management cadre in the possibility of autonomous operation under the circumstances of the coming into being of many formal and informal superior units. This phenomenon is emphasized by W. Baka who, in discussing the state of legal regulations, states that: "this does not create, however, enough of a check against the creation of subsector-subbranch monopolistic organizations (the flight toward their protection). What makes this question all the more important is that the subsector consolidation lies within the interests of many enterprises that see in this an asylum from having to make efforts to improve their own results. (W. Baka, "Dzis i jutro reformy"[The Today and the Tomorrow of the Reform], ZYCIE GOSPODARCZE No 242, 1982).

We have not presented a complete picture of the dangers that threaten the autonomy of enterprises, so recently guaranteed by law. If an enterprise belongs to an obligatory or voluntary association, additional guidelines may arise that become de facto directives in daily practice. An enterprise that belongs to an association naturally must render various kinds of production services to the units associated within it, e.g., modifying the production structure, changing coproduction ties to benefit the enterprises from its association and the like. All this may restrict considerably its freedom to make decisions in the sphere of developing the production structure, although it may yield significant financial benefits.

#### Informal Interference

It is not only changes in the organizational structure of the national economy that affect the scope of enterprise autonomy. Likewise the other two elements of the economic reform model--self-government and self-financing--change their original shape under the impact of inconsistent changes in the organizational structure of the national economy.

The informal interference of the previously noted integrated unions in the affairs of the enterprise was facilitated by the temporary exclusion of the employee self-government from the three "S" formula. As is known, as prescribed by law, the scope of the powers of the self-government is very broad, extending from the making of production and investment decisions to the selection of the enterprise management. Naturally, this sphere of powers temporarily passed into the hands of the director and the integrated unions. Thus, there arises the doubt whether a self-government operating in complete accordance with the law will be able to execute its rights. What is of particular importance is whether the decisions of management concerning joining the association will be subject to verification. This is doubtful, since the new institutions have already made many directive-type and long-range decisions. Moreover, it is questionable whether the self-government will want to carry on arduous struggles, even if the economic premises incline toward this. The transfer of the rights of self-governments into the hands of association councils is a matter that remains to be resolved. It is known that such an action must take place either formally or informally. In accordance with the idea of self-government, can the enterprise workforce question the decisions of the association council? In many association statutes, scarcely one vote has been reserved for the enterprise (understood as the director's vote). If we add to the questions we have discussed the rights of the founding organ to supervise and control, it becomes evident that the sphere of self-government is seriously threatened.

Objectively speaking, the blame for this situation also goes to production collectives themselves that are not anxious for joint management. Undoubtedly, the fervor of employee self-governments is somewhat dampened by the fact that risky economic decisions are no longer shifted to a higher level, as in the past. Instead, with the increase in legal authority, responsibility for the fortunes of the enterprise and especially for its employees is transferred to the shoulders of the employee self-government. The prospect of conflicts with colleagues ties the hands of some self-governments and restricts their activity.

The practical implementation of the third "S" (self-financing) is likewise restricted by the fact that enterprises are grouped into unions. This emanates from the fundamental characteristics of classical self-financing that makes the developmental and consumption outlays contingent upon the accumulation of the enterprise's own funds and includes the autonomy of the enterprise regarding the directions and proportions of outlays. Where enterprises are grouped together, the fulfillment of these conditions--of self-financing and of the exercise of legal-material responsibility for the aptness of decisionmaking--is nothing less than doubtful. One is dealing here with:

- the centralization of a significant part of decisionmaking powers;
- the direct application of the distribution of the means of production;
- the redistribution of funds among the grouped units.

#### Proposals

The extreme situations presented here regarding associations carry the danger that the draft of the bi-level organizational structure of the economy will become dominated by the central structure--the integrated unions of enterprises.

This is a real danger, since an analysis of subbranch documents shows that 10 to 15 percent of enterprises operate outside of integrated unions.

In light of this, we draw the following conclusions:

1. The existence of obligatory enterprise unions must be considered a temporary solution until purely parametric instruments of direction will be able to be the only instruments for managing enterprises.
2. There is the danger that some temporary solutions will become permanent, especially since they bear a deceptive resemblance to institutions that existed formerly in the Polish economic picture. Thus, legislative guarantees are needed to specify the date of the absolute liquidation of temporary unions. This may be modeled upon the procedure for establishing and liquidating the office of the government plenipotentiary for economic reform affairs (appointed for 3 years).
3. It is indispensable that we create legislative precedents enabling enterprises to withdraw from integrated unions on the basis of decisions of the self-governments.

#### Making Associations Work for Reform

Warsaw ZARZADZANIE in Polish No 12, Dec 83 pp 8, 9

[Article by Adam Zych, Tarnow; material enclosed between slantlines printed in boldface]

[Text] It is with great interest that I read the article written by Andrzej Kierczynski and Maciej S. Wiatr entitled "Dilemmas" (ZARZADZANIE, No 7-8, 1983), devoted to the still very controversial question of the operation of economic associations. According to the article, the authors give a strong negative evaluation to the work of these institutions, a view that is also very universal. In the context of the negative assessment, however, their final conclusions and proposals are surprising.

Here is the essence of their proposals in brief:

- obligatory associations should be considered temporary solutions;
- in the legal regulations, a final date for the liquidation of these associations should be decided upon;
- legislative precedents should be created to enable enterprises to withdraw from integrated unions (i.e., associations).

In my opinion, these solutions are ineffectual and even their speedy implementation will do little to improve the situation. Only the forms and not the content will change. /The essence of the problem lies in the creation of authentic associations throughout our economy as quickly as possible. These associations would comply with the assumptions and spirit of the economic reform,/ and more precisely, with the regulations of the law

on enterprises. There is no doubt that the /association would fulfill this requirement only when its activity would lead to an increase in management efficiency./ At the same time, it is especially important that this increase be measurable at the enterprise level. If a given association does not fulfill this condition, this means that such a unit is not an association, but merely an organ of a completely different nature. Thus, from this viewpoint, the most important thing is not whether the association is obligatory or voluntary, since neither one of these is the criterion for judging its effectiveness.

It is undeniable that in the present situation, the benefits of the vast majority of enterprises belonging to voluntary associations are nothing less than illusory. In light of this, is it worthwhile to do battle over the liquidation of obligatory associations?

Moreover, Docent Kierczynski and Dr Wiatr do point out these irregularities. Their observation that the no longer existing syndicates that were created in place of the national boards formerly in operation likewise were conceived as institutions of an advisory-service nature seems to be accurate. And everyone knows what happened later to them. /That is why the authors should have concentrated on the elements that engendered the phenomenon of the degeneration of voluntary associations/ and their rapidly coming to resemble the earlier syndicates or even national boards. This phenomenon is very dangerous for the reform and must be opposed vigorously.

--The first factor of this type that must be replaced is undoubtedly the /presence in our economy of quite an extensive distribution of the means of production,/ including raw and other materials in particular. In my opinion, there is no doubt that for as long as the state control exists over the means of production, fictional associations will function within the organizational system of the national economy that will perform the function of superior units whose impact upon associated enterprises is the greater, the more serious the shortage of the means of production distributed by them. The conceivable withdrawal of an enterprise from the association would really be suicidal because it would cut it off from the source of producer goods. That is why we must first eliminate state control if we are going to speak of the creation of real associations whose goal is to improve management effectiveness and efficiency. Doing the reverse has caused great harm to economic reform.

Theoretically speaking, the command-directive system can exist without economic associations. In practice, however, this is impossible. It is difficult to imagine a large central trade office preparing distribution lists for several hundred or several thousand enterprises. Thus, the creation of various kinds of middle elements is necessary for purely technical reasons.

--/The organization of a proper system of the information flow between the central office and the enterprise is a related question./ After the pattern of previous years, the subbranch-ministry channel is in effect here. Thus, for example, if the Ministry of Labor, Wages and Social Affairs issues some sort of guidelines or an order to enterprises, it sends them to the subbranch ministries, these send them to associations and associations in turn send them to enterprises. Obviously, it would be difficult in such a system to bypass the next to last element, i.e., the association, since this would disrupt the flow of information.

The information flow should be based upon completely different principles. In practice, the ministries should probably abandon the mediation of the subbranch ministries and make broader use of the local administrative organs (the appropriate departments of voivodship offices).

--/The granting to the founding organs of enterprises (primarily subbranch ministries) the power to establish the parameters determining the directions of enterprise operation and affecting their results likewise causes the degeneration of associations./ For example, a matter may be brought up to the FAZ [Vocational Activization Fund]. In accordance with the principles in effect in 1983, the subbranch ministries obtained the right to establish so-called increased coefficients of correction for particular enterprises. At once the question came up of how to resolve this problem technically. The ministry cannot analyze in detail the work of all subordinate enterprises, which is indispensable for determining the correct level of the coefficient of correction. Thus, it is no wonder that in all ministries, there occurred a tendency to transfer the corresponding powers in this area to associations. Obviously, this reinforced the position of the latter; however, from the moment that they received these powers, they became transformed automatically into syndicates.

Looking at this from the enterprise viewpoint, we should consider why enterprises often show no initiative for withdrawing from associations, despite the lack of any sort of benefits for belonging voluntarily to an association. Docent Kierczynski and Dr Wiatr mention the inertia that still exists in many units and the lack of a self-government or an undeveloped self-government and the like, but in my opinion, this is not the reason.

The source lies rather in the still inefficient economic-financial mechanisms. According to the principles in effect, upkeep costs of associations are covered by the enterprise. Thus, if an enterprise is not an economic unit based upon a sound financial foundation, it is unable to finance an association from which no benefits accrue. And so, if enterprises readily transfer large sums at present for the upkeep of associations, this is primarily an expression of the inefficiency of the economic-financial system. /To generalize--poorly operating associations are not an isolated, self-contained phenomenon that can be analyzed apart from the entire picture of economic phenomena. On the contrary, they are rather the product of the general inefficiency of the system of managing and steering the national economy./ I would even risk the notion that the /presence of associations operating out of step with reform assumptions is an indirect confirmation of serious disruptions in its implementation./ When the quasi-associations now in operation begin to be transformed into real associations, this will mean that the reform has really been put into practice and its goals have been achieved. That is why I believe that the proposals voiced by the authors of the article are in error and pointless. In my opinion, at the present stage of the association we should let it be. On the other hand, we should eliminate the causes that make it profitable for enterprises to belong to even the most ineffectual associations. When this occurs, the formal liquidation of poorly operative associations will be a simple matter.

Association Official's Reply

Warsaw ZARZADZANIE in Polish No 12, Dec 83 p 9

[Article by Jacek A. Urbanski, AGROMET Association, Warsaw; material enclosed between slantlines printed in boldface]

[Text] After reading the article written by A. Kierczynski and M.S.Wiatr on associations, published in No 7-8, 1983 [ZARZADZANIE], I was inspired to write the following.

The first observation that came to me quite automatically is the unfortunate lack of authenticity and realism of this article and the theoretical nature of statements and conclusions. It is best to write on a topic that one knows only from hearsay or from statutes and regulations (perhaps specially selected ones!?). According to this principle--ex cathedra--from the position of the theoretician, one is able to see best, to shoot down most quickly the opponents of the reform that are often half-educated and carry around with them the baggage of faults and their accustomedness to commands, to destroying the several "S's" and to binding the hands of workforce self-governments.

Gentlemen, let us go back to earth and present substantive arguments--rational ones. I am neither for the associations nor against them. /I believe that this is a new organization that must learn how to fit into our reformed economy quickly and with as little pain as possible to the enterprise as the basic element./ Those associations that are able to find their own niche without being pulled by the ears (this includes both obligatory and voluntary ones) will become equal partners in cooperation with plants that operate according to the principle of the three "S's." What is properly organized and well run gains its full civic rights in our national economy. In the model of management specified today, under conditions of enterprise autonomy, there is room for an organization to coordinate and expand cooperation in the particular subbranches. Time has shown us this. /Do we imagine that we can achieve specific, planned goals--and let us not hide the fact that these are society's goals--without coordinating our actions?/ It likewise surprises me that there is so much malice against such a young economic organism (or, to put it another way, economic institution).

Associations are neither opposed to the reform nor in favor of a return to the old forms of management. It follows logically from the premises of their being that they are their "to be or not to be," they coordinate the implementation of goals, they assist autonomous plants in the implementation of production tasks and they help develop coproduction and raw materials ties. Often they are the only advisers in the economic-financial sphere, the technical base and development.

Associations are at the center of affairs, not alongside them, although there are no rules without exceptions. This is a separate issue, however. /Under no economic system can autonomy be license./ The authors of the article probably did not bother to research the work of associations, at least to some extent. They unlawfully identify the work of plenipotentiaries for



production task affairs with the work of associations and with enterprise autonomy. If the need exists to satisfy basic, most vital social needs, this must be done consistently. Discipline, in every field and throughout every geographical area, was and is a factor determining success in the implementation of tasks.

The article does not touch upon specific problems related to associations, although there are many such issues. It is normal, however, that there should be matters to be resolved. There is only the question of when and how. Certainly it is not in the form proposed by the authors of the article.

The conclusions that crown the article are obvious to everyone. Why reveal a card that has already been shown? The reform assumptions cannot be inflexible, but must be improved constantly on every plane. There is only one constant, unchanging goal: all of industry, like the particular subsectors of the economy, must work to enable society to live better from year to year. In such a situation, it becomes necessary for a meeting to be held, especially by those that write and speak a great deal, but perhaps go astray unawares, with enterprise self-governments, the management cadre of enterprises and the leaders of both obligatory and voluntary associations. I extend a special invitation to such a meeting to Mr. Kierczynski and Mr. Wiatr.

8536

CSO: 2600/583

## CONTRIBUTION OF CEAUSESCU, RCP TO ENRICHMENT OF ECONOMIC THEORY

Bucharest REVISTA ECONOMICA in Romanian No 2, 13 Jan 84 pp 1, 2, 26

[Article by Dr Gh. Postelnicu: "Contributions of Inestimable Value to the Enrichment of the Theory and Practices of Building a Socialist Economy"]

[Text] It is an incontestable fact that the period begun by the Ninth RCP Congress has signified also a new stage in the history of Romanian economy thought. The years that have passed since this remarkable political event, the most fruitful and richest years of achievements in the entire existence of Romania, have been marked by deep changes in all the areas of socialist construction. Their appearance was shaped by the congresses and national conferences of the party, in the speeches made by the secretary general of the party, comrade Nicolae Ceausescu, and in other documents of our party.

The great successes obtained by our people in the work of building socialism are indissolubly linked to the daring and innovative thought of comrade Nicolae Ceausescu and to his practical activities untiringly carried out, first of all, in the economic field. Giving consistent proof in correlating thoughts with deeds, our country's president has repeatedly stressed the thesis whereby one cannot speak of building a new system in its full scope and complexity without placing all economic activities on the basis of the most advanced gains of modern science and technology and without carefully studying the objective laws of social development and the evolution of international affairs.

In this context, science, regardless of its particular forms as determined by the process of the furthering of the social division of labor, has taken on throughout the years the dimensions of an immediate force in production, being viewed as an obligatory condition and an essential factor of correct leadership. Furthermore, the creative application of its principles and truths, that are incontestable, has found its way into the RCP Program, drawn up at the initiative of and with the direct contribution of inestimable value of comrade Nicolae Ceausescu - the most active expression of the new spirit which has enriched the revolutionary theory and practice of the working class in our country.

As was also natural, in the center of attention of his theoretical work, as well as his practical activities, comrade Nicolae Ceausescu has first of all placed

those economic problems which stem from the specific conditions and characteristics specific to the development of Romania. At the same time, through the analysis conducted on the fundamental problems of international social-political affairs, our country's president has contributed to the definition - having a great ability to foresee - of the main trends which currently characterize the movement of the world economy. In this manner, Romanian economic and social-political thought has acquired international worth, being strongly promoted in the world circuit of ideas.

Of special importance are comrade Nicolae Ceausescu's evaluations and views regarding the place and role of development and modernization of the forces of production in the creation of a powerful technical-material base. They have proved to be essential in the substantiation of a unified concept and a concept of broad perspective regarding the industrialization of the country, a concept which has given the Romanian economy not only new dimensions, but also special characteristics. As a result of carrying out this policy, Romania has become an industrial-agrarian country with an industry structured according to the requirements of technical progress and designed to continue to ensure the dynamic, proportional and efficient development of all sectors. Supporting modern branches and sub-branches that are capable of resolving some of the most complex technical problems, our industry is currently succeeding in providing the largest portion of the necessary numbers of machinery and equipment to the national economy, with many of them having performances similar to those that are produced in countries that are developed from an economic point of view. What would it have meant for us to maintain the economic and social structures inherited from the old regime? At what stage of development would we now be in if we had not consistently and decisively promoted this policy of industrialization, elaborated with special scientific depth and far-sightedness by the secretary general of the party? It is not at all hard for us to respond to these questions because the arguments are certain. It would have been virtually impossible for us to ensure under the current conditions - when each country, including Romania, is feeling some of the effects of the world economic crisis - the continuation of country's economic-social progress. Even under conditions of achieving certain rates of economic growth similar to the inter-war period, our country would have nonetheless remained for a long time in a certain state of technical backwardness, which would have marked the work and lives of all the people.

In the view of the dialectic unity between the economic and political, comrade Nicolae Ceausescu has in this way offered specific solutions for certain decisive problems which - we can state - troubled Romanian economic thought for a long time. However, by raising progressive traditions to a higher level and better using the advantages of the socialist system, the secretary general of our party, through his work, has stimulated the process of transforming economic theory from an instrument for explaining phenomena into an instrument of practical action and optimum fulfillment of the objectives of development.

The inauguration of a new stage of development - that of creating a multilaterally developed socialist society - has put before us new directions of action where the powerful growth of the forces of production and the improvement of the facets of material affairs on the basis of the advances of the scientific and technical revolution must be harmoniously blended with the improvements in the relations of production for the purpose of ensuring the complete fulfillment of the principles of the new society. Since we are speaking of a long-term historical process, the creation of a multilaterally developed socialist society has required and will still continue to require the continuous refreshing of the concepts with which we are operating and the establishment of their theoretical and practical significance as an expression of the relationship between the general and the specific in the building of a communist society in Romania. In this regard, wherever it was necessary to resolve certain major problems, from the establishment of certain appropriate proportions between the producer branches of the means of production and those that produce consumer goods, from the development of certain modern sub-branches that are capable of ensuring the growth of the qualitative facets of industrial progress, to the establishment of the most adequate measures for conserving natural resources, and from the individualization of the defining directions for the transformation of quantity into a new quality to the implications of the relationship between the economic and the political, everywhere there has been note of the original, innovative thought of the secretary general of the party. This has been characterized by a profound understanding of the realities of our society and a supple handling of the dialectic method for the detailed penetration of the processes of economic affairs.

All this has involved not merely a simple adaptation of certain concepts and ideas that had more or less proven their validity in the past to the new conditions, but a new means of approaching the resolution of problems in accordance with a reality that is constantly changing. This is precisely what the president of the country urged us to do in promoting our own scientific thought and research.

Along this line of thought, comrade Nicolae Ceausescu has demonstrated the basic role of internal factors and our own forces in the strategy of economic growth, adding new arguments in favor of a differentiated development of the branches as a means for the rapid modernization of economic structures and of a continuing increase in the efficiency of all economic-social activities. At the same time, he reformulated the objective and subjective conditions for the prior determination of the volume, structure and dynamics of production in relationship to the real production and non-production consumption needs of society, and their rational establishment on the basis of certain scientifically substantiated norms, pursuing the exclusion of any irrational expenditure of social labor. This continuing concern causes the problems of economic efficiency to occupy a central place in the work of the secretary general of the party.

Actually, whatever the form of expression and evaluation of economic efficiency we might use, we cannot but observe that it is organically linked to the actions of objective economic laws. As these create a system in their interaction and mutual influence, it is natural for us to speak of the existence of a true systemic concept on economic efficiency in the works of comrade Nicolae Ceausescu. In the view of the secretary general of the party, optimizing economic-social development as an action placed on scientific bases must pursue the achievement of the most favorable correlations between the useful social effect and the social effort expended so that economic efficiency itself will appear as a synthetic expression of the interaction of the entire system of economic laws. Such an interpretation of efficiency offers the possibility of combining the useful effects of the moment with those of the long-term, whose guarantee is provided only by a continuing increase in the country's production potential. A decisive place in the creative development of theory and practice, and economic thought in general, is held by the problem of the judicious distribution of the resources available in the nation between the development fund and the consumption fund. Demonstrating the fact that the generations will not be judged in the future by how much they consumed at a given moment, but by how much they did to ensure the country's prosperity, comrade Nicolae Ceausescu has placed the final use of national income on new footings, strongly supporting the need for a high rate of investment in order to create a strong economy having a modern structure.

As is known, the application of the advances of the scientific and technical revolution to economics offers the possibilities for accelerating the processes of development and reducing economic gaps in the shortest possible time. At the same time, however, it involves a redimensioning of the effort for applying its advances in production. For that reason, the volume of investments must be so dimensioned as to permit the incorporation of technical progress by production. This unique chance in the history of a country, stressed comrade Nicolae Ceausescu, must be used. Any delay, any hesitation costs society infinitely more later and involves unexpectedly large efforts to recover lost time. Our country's experience shows that during the period we are discussing, the size, structure and efficiency of the national development fund was decisive in establishing the rates of economic growth.

The use of the funds that have been mobilized by society within the framework of certain vast investment programs and the distribution of these funds to branches, sub-branches and areas of activity once again requires taking into consideration an entire complex of economic and social criteria whose value and significance cannot be demonstrated except by science. Understanding these requirements, comrade Nicolae Ceausescu has firmly opted in his works for the rational use of natural resources and manpower and for the elimination of the economic disproportions that were inherited between the different geographic regions of the country, as well as for the correlation of industrial development with the unaltered preservation of the quality of the environment. The conscious use of the advances of science, through which man has become more

powerful and daring in his projects, this is clearly incompatible with the destruction of the ecological balance. In this context, the concept has appeared and been developed regarding the bringing of harmony to economic and social criteria and to ecological criteria in the territorial distribution of the forces of production and the systematization of the country's lands, and regarding the modernization of the economy's structure throughout the country.

Evaluating the fundamental changes that have occurred or will be occurring in the structure of the national economy, comrade Nicolae Ceausescu considers them as being an integral part in the revolutionary process of the continuing transformation of society and of moving from one stage of development to another. Within the framework of this process, our country did propose to copy the economic structures of other countries, no matter how advanced they may be. In the view of the RCP and its secretary general, to create a modern production structure means to exactly identify those activities that have the needs of our society at their bases and that begin with the specific conditions of Romania. The making of the role of the production of the means of production an absolute factor during a certain period of time, as well as for heavy industry in general, at the expense of the consumer goods industry and agriculture, meant the inevitable appearance of certain disproportions with negative effects upon the health of the entire economy.

This explains why on numerous occasions, including the December 1982 National Conference, comrade Nicolae Ceausescu insisted upon the need to respect the correlations between industry and agriculture, between the processing industry and the extractive industry, between heavy industry and light industry, and between material production and the sphere of services. At the same time, the exigencies of the scientific revolution and the better use of all the factors of production require with the force of objective necessity the modeling of the above proportions on the principles of the actions of intensive factors and of moving from the phase of quantitative investments, a phase marked, without a doubt, by limits, to a new, superior phase, a phase of a struggle for quality. Furthermore, the continuation of the industrialization process during the current stage, stressed the secretary general of the party, would be of no use if we did not try to place the most advanced technology at its base, as well as the continuing introduction into production of the newest advances of science, and if it were not based on complex mechanization, automation and the use of cybernetics in production.

One incontestable merit of the secretary general of the party is that of having rehabilitated, if we can so say, a series of economic categories that in the not-too-distant past had fallen into disuse. This is a case, among others, of profitability, production costs, values and its laws of movements, ownership of the means of production and the relationships that this involves, the market, supply and demand, and so forth. In directing the country's general development, our party has stated the fact that the solutions, methods and forms of organization and management, in other words the mechanism for the operation of the economy, are not immutable, once give for always, but rather they are permanently susceptible to improvement. The premises for the correct

operation of this mechanism are linked to the understanding and use of objective economic laws and to the continuing improvement of the relations of production in accordance with the level attained in their development by the production forces. In order to have the most exact evaluation as possible of certain specific determining factors involving the economic mechanism in each stage of development there is also need for a rigorous scientific analysis design to discourage right from the beginning any tendency towards subjectivism and empiricism in the field of leadership. Precisely this is brought out in the Program approved by the 29-30 June 1983 Plenary Session of the RCP Central Committee regarding the firm application of the principles of worker self-management and self-administration - a program drawn up at the initiative of and under the direct guidance of the secretary general of the party based on his original, innovative concept regarding socialist ownership. Extending their control over all economic-social activities, the workers are called upon to fully realize the rights and attributes with which they were invested and to discuss and approve decisions that are designed to contribute to the continuing development and strengthening of their ownership of the means of production - the goods belonging to all the people. The fact that the property of the socialist units is directly entrusted to the workers, through a contract-pledge, for the purpose of directly exercising the prerogatives and responsibilities stemming from their position of owner, producer and user, does not merely constitute a simple legal act, but rather a measure which, on the basis of objective production relations, motivates the responsibility which we all have in the elaboration, approval and fulfillment of decisions.

A valuable contribution of our party and its secretary general to the enrichment of economic thought is also the complex clarification of the nature of contradictions in socialism. Beginning with the fundamental truth of science, whereby all phenomena and processes in nature and society are carried out within the framework of the general laws of the unity and struggle of contradictions, comrade Nicolae Ceausescu has courageously reaffirmed the idea that even under socialism there are no exceptions to this law. Thus, in this manner a certain unrealistic means was set aside for looking at things, that triumphantist, distorted picture leading to prejudices against and opposition to any type of critical evaluations of certain inappropriate situations stemming precisely from the slowness with which actions were taken to resolve certain contradictions. At the same time, the need was stressed for the elaboration of certain coordinated, synchronized programs for actions directed at the not-isolated resolution of one or another of the contradictions, irregularities and disproportions, but rather at the contradictions overall, as seen in their interaction. Thus, it is difficult for us to imagine that we could work efficiently in the resolution, for example, of the contradiction between the constantly growing needs of the masses and the level attained by the development of the forces of production, on a more general level between production and consumption, without doing anything along the lines of optimizing the investment-consumption relationship and eliminating the existing gaps in the level of labor productivity. For that reason, for the purpose of fulfilling the decisions of the National RCP Conference referring to the

importance of qualitative factors in placing economic development on an intensive basis, during last year the Program was adopted regarding the more accentuated growth of labor productivity and the improvement of the organization and standards of labor during the 1983-1985 period and until 1990. Through this program, we will achieve the objective of doubling labor productivity in several years in order to attain, in this manner, the levels reached in the developed countries in Europe. This objective, as comrade Nicolae Ceausescu pointed out, can be reached only through a modernization of production technologies, through the detailed analysis of each measure for introducing and extending technical progress and, lastly, through a rethinking of the organization of production and labor, complemented by a substantial improvement in the professional training of all personnel.

The growth of labor productivity long ago stopped being merely a simple problem to study, for the university. It is for us - as the secretary general of our party has pointed out numerous times - a vital problem, a decisive condition for reducing production costs and raising the technical, quality and competitive level of all Romanian products. Without an efficient administration of the technical assets we already have and without an increase in physical production along the quantitative and qualitative lines dictated by social needs, it is inconceivable to increase incomes and the workers' salaries.

In this context, of special value is the observation made on the basis of economic practice whereby incentives for the workers can involve new motivations to the degree of economic development. The right and duty to carry out a socially useful labor and the acquisition of awareness of social tasks in the name of which the workers morally feel obligations to work as owners, producers and users, give new dimensions to the categories of salary, profit, incomes and expenditures, and self-administration and worker self-management. Within the framework of these aspects, the harmonization of personal, group and general interests finds new forms for their expression which should never be seen as an end unto itself, but as factors in the more efficient use of social labor.

The consistent application of the socialist principles on salaries has in mind, thus, taking into consideration the economic and social objectives of each stage and it requires their correlation with the needs of the country's development. It is a fact that no one can receive wages, can have a guaranteed income or share in profits if he does not produce according to the job obligations. It is also a fact that the workers' incomes now directly depend upon the results obtained in production (in this manner, they do not have a ceiling) and that labor productivity must improve at rates higher than salaries in all the branches of the economy since, otherwise, the funds cannot be provided that are needed for increasing salaries, as well as the resources linked to covering the general expenditures of the state. These facts are precisely the elements which come to contribute to increasing responsibility



for the proper administration of the resources entrusted by society to each group of workers. And, if we carefully follow all these aspects we cannot but observe that their practical fulfillment requires a correct understanding of the essence of the objective economic laws, their forms of expression, the role and functions of each value category, and their place in the current economic-financial mechanism. This is precisely what the secretary general of the party has urged us to do numerous times.

The careful study of our party's documents and the works of comrade Nicolae Ceausescu allows us to profoundly understand the truth that the objectives that have been proposed to our people to be carried out cannot be brought to a good conclusion without placing all economic activities on the basis of the best things of science and technology. Today, when we are witnessing the greatest advance of the scientific and technical revolution, when numerous concepts are being modified with an unprecedented rapidity and when the development of the forces of production are opening for us constantly new horizons that were unexpected in the past, to not to try to take knowledge further, as the secretary general of the party has urged repeatedly and as his personal example shows us, means condemning ourselves to the most serious shortcomings.

8724

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## NEED FOR SUFFICIENT NUMBER OF CONTRACTS FOR EXPORT PLAN

Bucharest REVISTA ECONOMICA in Romanian No 2, 13 Jan 84 pp 10, 11

[Article by George Paunescu, a director in the Ministry of Foreign Trade and International Economic Cooperation: "Ensuring a Contract Portfolio at the Level of the Export Plan"]

[Text] The macroeconomic indicator that will record the highest rate of growth this year is the volume of foreign trade. With a 13.8 percent rate of growth compared to 1983, the volume of Romanian foreign trade in 1984 is more than two times ahead of the rate of growth of industrial goods production and 2.5 times the rate of growth of agricultural goods production. Certainly, such dynamics require special responsibilities for the entire foreign trade system, especially keeping in mind that, to a good degree, they will be achieved by an increase along the intensive path, through an improved structure of export offerings and through an improvement of the forms of sales and cooperation. It is estimated that the surplus of the trade balance will increase in 1984 up to a level equivalent to approximately 25 percent of the foreign debt.

This strategic objective of primary importance is found in the programs for the development of the branches of the national economy and in the special programs (for the improvement of product quality, for the growth of labor productivity and in the guidance programs for scientific research and education, and so forth). Furthermore, it is also natural to have this concentration of forces keeping in mind the percentage that export production will have in the majority of the branches and sub-branches of material production (tractors, railcars, automobiles, aircraft, machine-tools, electric motors, chemical products, fertilizers, tires, furniture, clothing, footwear, leather goods, foreign construction projects and so forth).

The leap forward that the national economy is to accomplish this year, from an average annual increase in foreign trade per five year plan of approximately 11 percent to one of approximately 14 percent in 1984, is, certainly, important under the current international economic circumstances.

How have we prepared for this leap forward and how will we continue this progress, especially in the field of exports where this growth will be even greater?

First of all, there is the obtaining of contracts under conditions of increased efficiency for the group of goods slated to be exported, then, the effective adaptation of production to the demands of the foreign markets, the achievement of export production within the established timeframes and in the varieties and at the quality level contained in the contracts, the diversification of the forms of marketing and the expansion of the sales market through an intensification of foreign market surveys. The expansion of activities in international economic cooperation in production and sales under conditions of increased efficiency and the growth of the percentage of complex projects and construction-assembly projects and of services will similarly make an important contribution to the achievement of a higher rate of development of trade.

The overwhelming percentage that production resources have in the structure of imports (as raw materials, materials and semi-finished goods) means that the volume of imports will depend to a great degree upon the specific rates of consumption in industry, upon the level of production technologies and upon the proper maintenance of machinery and the training of the workforce. In all these fields, there currently are special programs which rigorously outline tasks for this year at the level of each industrial central and enterprise, each ICSIT [expansion unknown] and each foreign trade enterprise. In 1984, new modern fixed assets worth over 230 billion lei will go into operation and which will be required to be brought up to the projected technical-economic parameters in the shortest possible time in order to ensure the achievement of the plan.

In accordance with the plan provisions, by the end of the current five year plan over 2,200 new technologies will be applied in production, of which 440 will be in the machine-building industry and the electrotechnical and electronics industry, 109 in the metallurgical industry, 850 in the chemical and petrochemical industry, 370 in the construction materials and wood processing industry, 500 in light industry and over 170 in the food industry. This will permit an increase in the degree of use of raw materials and materials in these branches of between 25 and 50 percent and, implicitly, an increase in the competitiveness of the exports of these branches. At the same time, by modernizing and updating the production list in accordance with the data in the tables, we will achieve an important qualitative improvement in the export offerings of Romanian industry. The machine-building industry will assimilate in 1984 alone over 900 new and modernized products, gradually expanding the variety of high world-level products from 26 percent in 1983 to over 75 percent in 1985. Concomitantly, there will be a reduction in the consumption of metals by three tons for each one million lei of goods production in this branch, correspondingly reducing the required imports.

By orienting the structure of export production in accordance with the evolution of foreign market demands and by maintaining a degree of specialization of exports of those products that have achieved a good penetration

in the foreign markets and by the development of complex exports, a substantial increase is expected in this branch in the percentage of equipment that will be sold for over \$5,000 per ton.

This year the chemical industry is proposing achieving a degree of updating of approximately 20 percent for all types of products, which, in addition to the qualitative improvement of the products, will lead to satisfying certain requirements in other branches that were met in the past by imports, and to diversifying its exports. Thus, in 1984, 226 new products will be produced, including: new non-ferrous metals, new varieties of chemical threads and fibers (the needs of light industry will be met for all types), new dyes and pigments, new types of plastics, resins and rubbers, and new chemical substances for agriculture. The machine-building industry, including machine-tools, electronics, electro-techny and chemicals, will reach a level of nearly two-thirds of the country's total exports this year.

In the field of the metallurgical industry, within the framework of the process of updating and diversification, an increase is foreseen in the percentage of low-quality alloy carbon steel in 1984 of approximately 52 percent of the total production of 14.8 million tons, which will similarly permit a decrease in a series of import items and the diversification of the export listings.

The 1984 plan for scientific research and technological engineering activities contains approximately 3,000 projects that can make a significant contribution to the introduction into production of new materials having superior characteristics, the provision of high efficiency technologies, machinery and equipment, and the growth of efficiency in all economic activities. It is a significant fact that approximately four-fifths of the capacity of the scientific research and technological engineering units is concentrated on problems stemming from the special programs, that is, for the achievement of export production.

Beginning with these technical premises, which are provided the producers of exports, it must be pointed out that with regards to the economic-legal framework for carrying out marketing activities, a qualitative progress was achieved. First of all, we have in mind the system of workers incentives for those who work in export production, then, the new salary system introduced starting 1 October 1983 in the specialized foreign trade enterprises and the foreign distribution network, which create the premises for broad emulation in the carrying out of the entire chain of foreign trade operations, beginning with production and going right up to the payment and receipt of payment for the goods.

The activity of substantiating the plan and finalizing it on the basis of effectively concluded contracts, in accordance with the contract laws, is not merely the concern of a campaign, but rather must be seen as a permanent

concern in the foreign trade enterprises. The complexity and diversity of the foreign markets and the multitude of influencing factors on the behavior of the markets make it necessary for there to be an equal concern regarding the foreign demands throughout the year. Or, in other words, the technical effort for aligning the products to the exigencies of the international markets must be correlated with the commercial effort for ensuring certain competitive contracting conditions under all aspects.

This foreign trade concept was also applied on the occasion of starting the 1984 export plan, pursuing both the better use of the current position on the foreign markets and the identification of new opportunities to develop trade in accordance with the constantly growing economic potential of our national economy.

The advanced degree of covering the 1984 export plan with contracts also finds its explanation in the better preparation of the contracting programs with regards to:

- the decision-making competency of the contracting delegations by creating complex teams containing representatives from the foreign trade system, the producers and the financial-banking institutions that are capable of promptly and capably responding to all the problems raised during negotiations.

The contracting programs provided a framework for informing the partners under good conditions regarding new export offerings and the improvements made to products, and samples were presented within the framework of the Bucharest International Fair, where current and potential partners were invited, as well as at international fairs in the main export markets. The program for the participation of Romanian foreign trade enterprises in international economic expositions in 1984-1985, a program recently approved, ensures the continuity of these promotional efforts for showing the achievements of the Romanian economy in the most varied fields of material production, science and culture.

- the better preparation of contracting activities on the basis of a good surveying of the foreign markets, and a better correlation between the delivery conditions provided by the domestic suppliers and the clauses of the foreign contracts.

- the better representation on foreign markets through joint companies, representations and commercial agents.

- the direct linking of the level of salaries of the foreign trade workers with the efficiency of the operations that are concluded so that the level of salaries will be a direct reflection of the quality of the activities that are carried out.

Since it is estimated that during the first quarter of the year the entire export program will be provided with contracts, with the exception being

certain commodities, it is necessary to have an intensification of activities for contracting along the following lines:

- finishing the final positions for participating on the foreign markets with a higher degree of promptness (carrying out the precontractual formalities, having mobility in the offerings and in establishing the price, and correlating the domestic offerings with the foreign orders). Going beyond the interests of the moment for concluding certain current transactions and the necessary bureaucratic formalities, especially in the case of exports of higher processed products, allows for the structure of trade itself to be influenced by the difficulties generated by "the production of paper." It is much easier to demonstrate the efficiency of the export of certain primary products than certain top technology products, although it is an axiomatic truth that the export of the latter is more advantageous - which sometimes makes the former more preferred.

- in the case of exports of machinery and equipment having a service network and parts outlets, the presence in the market has direct impact upon the contracting for products of the machine-building industry, a priority field for Romanian exports and not just these exports. Experience shows that in the building of "product image" and the exporter's prestige on the foreign markets, in the case of machinery and equipment, a decisive factor is the reliability attribute. In the course of using equipment, the attention initially given to the exterior moves to the second level, with this first of all being the manner of operation and the number of hours of operation, so that a piece of equipment which operates and which is quickly returned to operation by the service people, wins the market. That is why we can state that a product with a good price which operates all the time, has a assured market, assured contracts, stays on the market and ensures the use of production facilities at the supplier's end.

A positive example in this direction is the export of tractors, a field where "Universaltractor" - Romania has a powerful service network on the foreign markets. Thus, on 30 main export markets there are central headquarters belonging to the Universaltractor network having their own workshops, equipment and personnel, which can provide major technical work (maintenance, capital repairs), including the training of the maintenance personnel for local users.

The provision of competent service brings about an increase in interest and exports on the markets and makes permanent the exporter's position in that relationship. This is the case of the export of tractors to Iran, where, due to the quality of the products and the appropriate organization of technical assistance, the level of exports have increased from 10,000 tractors per year to 27,000 tractors per year. Likewise, in the United States, Egypt, France and Algeria, where the service networks for tractors are very well organized, the situation is the same.

Currently, the legal framework is in place so that the exporter can produce the spare parts needed for exports in the necessary quantities and structure. These spares, however, must reach their own spare parts warehouses or those of the local representatives in accordance with the stock levels that have been standardized by the producer. From these warehouses, they are distributed according to the specifics of the market of the regional recipients. The permanent contacts with the local representatives and users and the follow-up on the behavior of the equipment during the equipments' post-guarantee period are of great importance in maintaining the market by promptly eliminating any problems from the very beginning.

- the expansion of activities for cooperation in production and marketing is, similarly, a premise for obtaining long-term contracts and having a permanent presence in the markets. Regardless of the specific form in which industrial cooperation is achieved (assembly lines, sub-assembly specialization, production under license, joint production and so forth), it requires the partners' making investments and the placement of future capital, which automatically also involves commitments and long-term contracts having positive economic effects for both partners. The experience of certain cooperative actions in the machine-building industry regarding the production of bearings, reducing gears, tractors and aircraft shows that they also involved the export of these types of products. We can conclude that the measures taken both along the lines of export production and marketing ensure the premises for contracting the entire export plan and increasing the economic efficiency in this sector of activity.

8724

CSO: 2700/113

KIRO GLIGOROV DISCUSSES STABILIZATION PROGRAM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Dec 83 pp 22-25

[Interview with Kiro Gligorov, by unnamed members of the EKONOMSKA POLITIKA staff: "The Reasons for and Consequences of Hesitation"; date and place not specified]

[Text] Since there has been no essential progress in applying the economic stabilization program, people are realizing more and more that we will have to commence a great debate on all the circumstances of the marking of time that has occurred so far with the reforms agreed to. It was natural for us to interview Kiro Gligorov on this topic. His view of the situation, put most succinctly, coincides with that which does not restrict the need for reassessment and change solely to the domain of economic life.

EKONOMSKA POLITIKA (EP): In all the discussions and indeed even in carrying out the stabilization program slowness has been justified by the existence of so-called objectively different interests. It would be good, then, to clarify whether these interests are formulated on the basis of uniform value standards which at the same time would be an objective yardstick of how real those interests are?

Kiro Gligorov: It is certain that objectively different interests do exist in any society. In certain periods of socialism's development this has been interpreted in an extremely oversimplified way: that is, apart from what reality showed. It is also true that the key issue is that those interests be portrayed in a true light, that they be authentic. Appropriate prerequisites are indispensable to this; that is, when we speak about economic interests, conditions for the conduct of economic activity must be adequate. Otherwise it is not possible to verify either the authenticity or the dimensions of what is being advocated as someone's interest. Insistence, then, on the dinar and the sole and universal domestic measure of value--not, then, for the sake of some monetaristic or similar concept, but in order to establish and defend the vigor of all our socioeconomic relations. It is a question of creating the elementary conditions for reducing all interests to an equal measure of value.

In this connection people always forget that we are living in a market economy in which values are produced and that the measurability of everything is



always most intimately and inseparately related to money and the monetary system, and accordingly to the market evaluation of everyone's contribution. In the absence of that measure, everything that follows from the disturbed value relations must be more or less defective. It is the present situation of disrupted money relations--if we are still speaking about what figures as an interest in our country--that prevents doing away with the everyday redistribution that takes place without any sort of economic justification, which is why it is often impossible to distinguish the day-to-day interest from the long-term interest. We are witnesses of an extremely strong defense of short-term interests in which, through no fault of those who defend those interests, of course, people fail to see that this ultimately could prevent realization both of the special and also the common interest in the long run. It is clear that ever greater contradictions are coming about in society in this way.

Along with all that, it is also very important who is interpreting interests. Wars have been and are being waged in the name of interest, nor is it uncommon for the senselessness to become evident after the fact, especially when some sort of national missions are being defended. When today in our country individuals come out in favor of the present price system or foreign exchange system, it is a big question whether they are thereby truly expressing some deeper interest of their own economic community, or whether we are dealing with a situation distorted to some extent in which the possible temporary benefit or advantage which can be drawn from such a system--from a system which in the long run has no future, since it cannot be defended either in theory or on the basis of practical results--represents the basis of views opposite to what is thought to be advocated. All of these traps, and there are more and more of them, inevitably are set unless solutions are found in a society which guarantee the economy the economic basis on which to develop, that is, to do business in such a way as to respect economic laws. This is the only promising way to reduce conflict situations and actually to eliminate everything that is not truly in dispute, which is a quasi-interest and a mistaken representation of what should be defended. If, as is often the case today, a readiness to all sorts of compromises in order to overcome the crisis is manifested, then it must be clearly stated that this does not, nor can it, lead to a way out of the difficulties.

For example, in discussions of the stabilization program the proposed changes are now often portrayed as something exceptionally new and unknown for our economy and society, although the principal instruments of the stabilization program are nothing other than establishment of the most normal conditions for the conduct of economic activity. In short, it is the question of putting right side up everything that was turned upside down. We are referring to the role of money, note issue, the price system and price policy, the normal right in any community to suppress monopolies and the formation of cartels, restoring the motivation for more productive work, and appropriate evaluation of all production factors and everything which any of these changes necessitates. In that way we would create the conditions for the worker in our production relation and his OUR [organization of associated labor] to obtain all the necessary components of independent decisionmaking and of the corresponding responsibility. From this standpoint, then, the stabilization program is not a bugbear at all.

In view of the point that has been reached with statist interventions and the overall mentality which has been created in the management of the assets of society, it is another matter that from this standpoint the stabilization program truly signifies a profound change. But this is a return to the original postulates of a self-management society both with respect to the conditions for conduct of economic activity and also with respect to the role of all entities in our society. All of these changes cannot be portrayed in a brief space: in some respects this signifies a withdrawal of the state from its present affairs, while in other respects it would become stronger (in the function of strengthening self-management and the customary monitoring role), not only, of course, in relations between the state and the economy, and not only in the domain of economic life. But in all cases and at all points the changes must be aimed at creating normal conditions for the conduct of economic activity and toward opening up prospects for the economy's expansion.

EP: You often visit economic organizations. How do the current dilemmas over implementation of the stabilization program look from that angle?

Gligorov: Situations differ, but there is something that runs through all the conversations like a red thread. In the economy people are above all very aware that we cannot go on this way any longer. Under the present pressure to augment exports the size of our lag behind an economical attitude toward all factors of production has become obvious. It is now much clearer to everyone where we are and why we are not competitive on the world market. A wave of healthy economic reflections on all the changes that should be made is therefore inevitable.

And then the economy is very critical toward the present methods of regulating economic flows. Work is being done under very uncertain circumstances, from day to day. In most cases plans actually have no impact. There is also great uncertainty in the investment sector, since it is obvious to everyone that a major reorientation is indispensable in this field. At the same time there is growing awareness of the need for linkage and association, specifically for the division of labor and specialization--but these things are greatly hindered by the present features of the system, whether we are talking about certain regional divisions or organizational obstacles within work organizations. In addition, recently there has been a turn toward analysis of internal economics within organizations of associated labor. However, the true parameters are lacking for a realistic examination of internal economics; that is, we do not have an economic system that operates synchronously in all its parts. For example, I recently visited a petroleum refinery which is unable to deal with its essential problem, the level of utilization of capacity, since an immense portion of the losses occurs because of differences in rates of exchange, since it is doing business under uncertain pricing conditions, and so on.

It is certain that in other branches as well internal economics, because of the defectiveness of the economic system, are not and cannot be in the foreground, which otherwise would be normal, especially in crisis situations.

The next observation is that there is much discussion of the stabilization program, including the drafting of their own such programs, but this is accompanied by countless queries and unknowns.

EP: Is it at all possible for a work organization to draw up a good stabilization program in view of all the present controversies outside the economy?

Gligorov: Of course not. That is, since all those things are lacking, we also do not have what I would call an authentic movement at the base to begin clearing up all the inefficiencies within economic organizations: from utilization and efficiency of the social capital invested, all the way to labor saving, the production program, development.... Without that, unless people confront their own problems, there can be no stabilization of the economy.

EP: Do the necessary conditions exist for this kind of process when, for example, in the sector of foreign exchange transactions there exists what is referred to as the foreign exchange market organized by self-management?

Gligorov: No, they do not, for the simple reason that people are still thinking in the same way about how to obtain foreign exchange. A few days ago I went to a work organization at precisely the moment when an agreement was being signed to purchase foreign exchange, and the answer I was given to the question of whether they knew that this would not be allowed was that they had no other choice if they wanted to continue production, since the proposed amendments to the law persuade them that there will not be any essential change in this sector. No one can wait upon official procedure to arrive at criteria for distribution of foreign exchange; that is, it is not possible to do business without certainty about the conditions of operation, without a reliable view of the future, which may indeed be difficult, but it must be certain. Of course, all this comes down to the basic question: the question of the nonexistence of the foreign exchange market.

The changes proposed which are now being debated do not constitute a sufficient step toward getting the foreign exchange market into operation. At the same time, since the right to possess foreign exchange for the socially recognized needs of reproduction can be interpreted regionally, even for individual work organizations, rather than as an agreement which would include the Yugoslav level, ultimately all this comes down to the status quo. Especially since the law on the so-called "circles" in the payment of debts remains in effect, which nullifies the previous law in view of the regional character of our commercial banks. In a word, regardless of certain constructive changes—such as termination of sales for so-called dinars of foreign exchange origin—the new law retains the old conception of the system.

EP: If things go on this way, what will be the topic of a possible interview a year from now?

Gligorov: I think that that problem will be imposed even by the middle of next year. After all, there will be a lengthy debate about the criteria and forms of organization for reaching agreement about the distribution of foreign exchange, and it is very likely that all of this will prove to be very

difficult to carry out from the technical standpoint, if not unfeasible. The only other solution, and it will have to be sought in such a situation, is a faster road to the foreign exchange market.

EP: Aside from what you have been talking about, is the absence of the necessary pruning of the social superstructure one of the reasons why more important changes in the economic system have not been forthcoming? The discussion of reduction of this portion of expenditure went dead.

Gligorov: Changes in this sector are encountering great resistance, since this portion of society is the most resistant to change. It is obvious that the entire social overhead exceeds the capabilities of our economy, even if it were more productive than it is now. Government and paragovernmental agencies have grown up on the basis of the constant spread of administrative governance of economic flows. There are examples on all sides, but the most marked examples are in the sector of prices and foreign economic relations. The changes in the system envisaged by the stabilization program would take from those agencies their *raison d'etre*. Of course, it is not just a question of them. Let us mention only the entire SIZ [self-managing community of interest] organization, which, aside from its being so elaborate and its ambition to handle everything under the sun, is in place while at the same time the situation of culture and education has never been more difficult. This, then, is not the way to solve the problem.

However, the subject is broader than that. The problem begins with the OOUR [basic organization of associated labor] and with the overall organization of the economy. The fact is that OOUR's have been turned into a kind of enterprise, with their own work communities, directors, and sometimes even professional management bodies. All of this calls for an extremely large amount of administrative work, so that even within the economy this has become a cost which cannot be supported. When we add to that the rest of the structure, which in the past decade has been developing with incredible speed, with a far higher growth of employment than in the economy, then we see the wave of the bureaucratization of society, which in addition to the sociopolitical aspect, also has its economic aspect: this is simply too great a cost to fit into production costs, and the foreign market will not recognize it.

So, unless there is a serious reform of the government structure and sociopolitical structure, a reform which must be mindful not only of requirements arising out of the character of a self-managed society, but also of the necessity that that apparatus be efficient, economically supportable and under constant pressure to the effect that it cannot expand without adverse economic consequences. This entire subject is in a sense what is most urgent today. That is, we note a certain suppression of demand inflation in our country, but only in the sectors of investments and personal consumption. In the government and social service sectors a great deal still has to be done to bring that portion of demand under the necessary control.

Aside from that, or taking the overall view, our point of departure should be the status of social capital, its actual value today. The question is what has a bearing on what figures today as the existing social capital, and at

the same time all relations related to the disposition of social assets need to be cleared up where the value of the portion of social capital has been partially or completely lost. I am referring to mistaken capital investment projects, with production plants no one knows what to do with today or for the foreseeable future, to losses which have recurred year after year, and so on. Accordingly, dealing with all this in a radical way in order to reduce social property to its true value is a prerequisite for introducing realistic depreciation and for applying all economic criteria such as a realistic rate of interest and the like. This is above all the job of work organizations and their banks, but this should give rise to an awareness as to what measures, what kind of measures, are indispensable at the level of the entire society. If we want to preserve the integrity of social assets, we must first objectively ascertain what the actual economic value of those assets is and how great are the economic benefits which they can yield. It is impermissible to make a grant of resources to cover losses and to live in the illusion that the social nature of assets is thereby preserved, since this actually does not preserve anything other than the consequence of the entire chain of voluntaristic decisionmaking concerning investments. Only after that kind of economic revaluation of social capital in our economy will we know what we actually possess, and only then will it be possible to introduce all the economic criteria for the conduct of business.

EP: Is that kind of disentanglement possible if income is the key category from which all expenditures are covered before the outcome of the business operation of the OUR [organization of associated labor] is known? Isn't income itself one of the objective causes of the autarky at all levels?

Gligorov: Under our conditions the income category is an expression of the existence of producers and managers in the same person. Of course, this says nothing about what income is, nor how it can be disposed of. The stabilization program has stated that income is not a homogeneous quantity, that it embodies differing economic functions which are related to the benefits afforded by one or the other factor of production, i.e., work or use of resources. That is why we have concluded that income per worker cannot express real differences in the results of economic activity, since it does not afford an insight into what resulted from labor productivity and what resulted from the efficiency of social capital, and how much from all the rest. Only by breaking income down as has been proposed into gross personal income of the workers and accumulation relative to the capital employed is it possible to establish the quality of someone's performance.

EP: Another question involved here is that of extra income, which, it seems to us, cannot be resolved without being treated as rent.

Gligorov: Certainly, and therefore when we speak about income, we should always bear in mind that we are talking about a very contradictory category. Unless the parts of income are treated differently, unless rent and all forms of extra income, which have been rather prevalent in our country, are taxed away, it is difficult to speak of a possible application of the criteria I have been speaking about. Of course, in every one of these cases the economic collective must have a portion of the benefit.

EP: Where do you see the main force which will prevent an infinite delay in consistently applying the stabilization program?

Gligorov: The present lineup of social forces certainly does contain those components which have a vital interest in carrying out the stabilization program. But there are also very strong and very marked tendencies of indifference toward the application of that program. At such points it is a question of resistance, and the status quo would suit most of those who are not in favor of reforms. I feel that this is understandable, since it is certain that there are those who stand to gain at this high rate of inflation that we have had quite a long time now. This can clearly be seen even in certain fairly global relations: anyone who lives from his labor with this kind of declining trend of real personal incomes is certainly not in favor of the present trend, since at the very best it drives him toward additional sources of earnings and thereby separates him from the primary organization of associated labor in which he should have found the possibility for his entire existence. Certainly this is true of most of the working class. But in view of our situation, this is not a general and compact interest, since there are also those who are getting along relatively well because of the existing price disparities, for example.

The regional aspect is also very important to us, and it shows a similar situation. For a number of reasons the present burden of inflation is also unequally distributed in this area. Although even from the regional standpoint the individual momentary gain need not be decisive, especially since it must be clear to everyone that in the long run no one can avoid the destructive impact of inflation. Opposition to stabilization because of momentary favorable effects would be absurd in political terms. There are also widely varying situations of individuals, which depends above all on whether the individual has managed to offset the consequences of this inflation or even to take advantage of it.

Since the subjective forces, including even the League of Communists, are not differently composed, it is natural that all this is also reflected in them. This in fact constitutes the greatest responsibility of the governing bodies of the League of Communists: now that we have arrived at the belief that the stabilization program is the program which is pulling us out of the crisis, which has indeed been confirmed in the highest forums and in a way sanctioned by law in the Yugoslav Assembly--to persist in carrying out those decisions. The same is also true of the obligation to clear up ideological dilemmas which arise out of differing momentary positions, even regardless of whether someone gains or loses at first from the reforms which have been envisaged. If we take into account that a differing economic situation can give rise to ideological differences, then this is a task which cannot be performed unless the League of Communists is altogether clear and vigorous. The other side of the matter is that this ideological battle cannot be carried to its conclusion, nor can it be clear, unless steps are taken to place everyone where he can examine his own position and see what must be changed. This means that every respective interest must be directly expressed, by contrast with the present situation in which everyone swears by the stabilization program, but a majority have not seen how their own position is changed. That makes it

impossible even to evaluate the true dimensions of the resistance which there will be, so that we do not even have a true ideological confrontation. The debate is still going on about what should be changed, and that debate is taking place at the macrolevel, and only after the measures are enacted and put into effect will it become evident what the League of Communists faces with respect to ideological and all other differentiation.

At present the greatest danger lies in hesitation, since this takes us away from examining what we should be fighting against and what should be undertaken. This hesitation, as well as a possible incomplete implementation of the program, postpones the encounter with reality, which is inevitable in any case.

In short, the League of Communists would now have to insist on the fastest possible implementation of what has been envisaged as the first phase of application of the stabilization program. The differentiation would thereby begin both in society and also within the League of Communists itself. Only in this way is it possible to demonstrate the ability to carry out a true differentiation. After all, unless this process at the same time signifies a promotion of all those within the party who will commit themselves fully and consistently to carrying out the program and to clearing up all the ideological and other problems that would inevitably arise in society as a whole, then not only is there no stabilization program, but I feel that the role and place of the LCY in our system might be put into jeopardy.

EP: Among the other innovations, this would also be a new personnel policy?

Glignorov: Certainly, since whatever work organization you go to, you will easily see that there are an immense number of people who have a good professional grounding. They are altogether capable of the tasks being set by these times. The question now is whether an organic channel will be found for the rise of personnel--not depending on the favor of some political commission or by individual choice--that is, a channel of advancement on the basis of ability. Think back only to the early fifties and mid-sixties, when the major changes taking place at that time involved the departure of a large number of people who were good and indeed capable, and they made room for those who had grown up with those changes. Such an occasion is now presenting itself once again, and I feel that the opportunity should not be missed, especially since our pool of personnel is incomparably greater than before.

In this connection and on this occasion it is also worth calling attention to the difficulties people have had in realizing that the attitude toward science must also change. This attitude is present in our country only on a verbal basis, while the real situation is far from the proclamation. How is one to explain to a scientist, say, that because of the stabilization program there are neither foreign professional journals nor information about what is being done in the world. The whole range of things all the way to increasing investments in scientific work are just as important and just as urgent as changing the conditions for the conduct of economic activity. Only in this way will it be possible in the near future to bring all scientific research capabilities together on one project, on a program setting forth the directions of a concentrated effort. Nor can there be any postponement of the

drafting of Yugoslavia's technological strategy, since there is a great danger, even if all other circumstances are taken at their most favorable, that the stabilization, once achieved, will prove to be short-lived. That is, we face major structural changes both in the composition of what is in place and also with respect to keeping up to some extent with technological changes in the world, that is, in the present new disposition in the world division of labor. Work on this must begin even tomorrow, since the effects are not achieved overnight. Nor can we continue in this area to delude ourselves by making comparisons with the world average, but rather we must examine our place in Europe, since this is where we are, moreover among the penalized economies.

It is indispensable to understand that all those things which are now the concern of an unnecessarily great debate, here I am referring to changing the conditions for the conduct of economic activity, represents only the lighter part of the entire job that lies ahead of us. This is an additional reason for breaking with the vacillation over these changes, which will help us to reduce inflation to a supportable measure, not greater than twice what it is in the most highly developed economies, and for the fastest and fullest possible commitment of our entire scientific community to finding clear priorities in our future development.

EP: Does this mean that in all the debates about the conditions for the conduct of economic activity we are neglecting the international component, above all in the sense of Yugoslavia's future position in the international division of labor? It is self-evident, of course, that this is also the question of evaluation of the system of self-management.

Gligorov: It seems to me that the real economic situation in the world is to a great extent not being understood. On the one hand our system has to make its way and attain some place in the international division of labor on the basis of results--while on the other hand there is the endeavor to accomplish changes in the world economic order. Now, this has to do with changing various forms of monopolism, which, if success is in fact achieved in this, will neither alter nor mitigate our obligation to continue fighting in the future for better quality and lower production costs. We should not anticipate a situation in which poor work will be able to be credited solely because it comes from the developing countries. That will not be altered by doing away with monetary domination or any other form of domination in the world at present.

Accordingly, the need for us to change still stands, and that not only because of the present situation. That is, when I speak about changes, I am referring above all to that situation in which the use of robots, microelectronics, microbiology, and so on, will impose a real periphery on all those who do not at least partially and in good time keep pace with this development of events. These are changes now taking place. Look at the last three decades: transistors were born in the fifties, a decade later computers, and then began the development of microelectronics, which is now at its height. In this decade robotics are moving from the most advanced countries to Europe, and who knows how many places microbiology will turn up in after agriculture,



in which a start has been made with findings from this field of scientific research.

Education has after all been expanded in our country, and we need not start from scratch, but we are in a situation of demonstrating society's ability to make the best possible use of what we already have and, of course, to speed up that process in the future. You will recall that we established the first nuclear institute at a time when exports from Yugoslavia amounted to \$200 million, precisely on the basis that backwardness compelled us to come absolutely as close as we could to the top scientific work being done in the advanced economies. There is no reason whatsoever why once again we should not be guided by the same motto, not repeating, of course, the errors which we made after the original flurry in those nuclear institutes. I emphasize, all of this is much more important and has more far-reaching consequences than that commonsensical return to normal conditions for the conduct of economic activity.

7045

CSO: 2800/168

## KRSKO NUCLEAR POWER STATION TO OPERATE CONTINUOUSLY

LDO21737 Belgrade TANJUG Domestic Service in Serbo-Croatian 1210 GMT 2 Feb 84

[Text] Zagreb, 2 February (TANJUG)--The Croatian Republican Committee for Energy has given its consent for continuous operation by the Krsko Nuclear Power Station. Following analysis of the experimental operation so far, an expert commission has noted that the essential conditions have been fulfilled for safe operation of our first nuclear power station, built jointly by the Socialist Republics of Croatia and Slovenia.

This was announced today at a press conference in Zagreb given by Vjekoslav Srb, president of the Croatian Republican Committee for Energy. He also pointed out that the committee's consent is being given, together with 27 set obligations which the nuclear power station must fulfill in the coming period. These obligations relate to further improvements in safety of operation, the ecological aspect of operation, intensified control of the installations, and so on.

Conditions concerning the ecological aspect of operation include restrictions on radio-nuclide emissions into the water and air and the undertaking to report regularly on the operation of the power station and its effect on the environment. At the same time, according to obligations defined by the Croatian Republican Committee for Energy, the nuclear power station must eliminate all the minor shortcomings indicated by experts. A regular check must also be made on the condition of the steam generators' pipes, and these reports must be sent to the committee on a regular basis.

Vjekoslav Srb, president of the Croatian Republican Committee for Energy, stressed that since 3 October, when the last overhaul was carried out, the nuclear power station has worked very well at full power with only two brief stoppages of a few hours each, producing 600 to 630 megawatts.

The competent republican organ in the Socialist Republic of Slovenia will give final permission for the Krsko Nuclear Power Station to operate continuously.

CSO: 2800/196

## SECRECY IN CREDIT NEGOTIATIONS QUESTIONED

Zagreb VJESNIK in Serbo-Croatian 1 Feb 83 p 3

[Article by Ratomir Petkovic: "Zero Variant"]

[Text] Why our people do not know that which 15 countries and about 600 banks in the world know; what is the meaning on the whole of the slogan "relying on our own forces," if foreign credits are not forthcoming?

At least 15 countries and about 600 banks in the world are acquainted with the details of negotiations which Yugoslavia carries out with the International Monetary Fund on conditions under which the foreign financial circles would approve the credit of 3.3 billion dollars for our country this year. They know that these credits make possible more dynamic production for the Yugoslav economy, and so these credits are characterized as foreign financial support although they have their usual price. They also can find out what on the whole the used slogan "relying on our forces" means.

What does our citizen know about all of this, he who has to carry the entire economic burden on his own back? For now he only knows that the negotiations have been going on and that a credit of 3.3 billion dollars has been discussed, along with the earlier known indebtedness of our country. These are very modest data for the nature of the economic difficulties with which we are faced. While the negotiations are going on one does not know the fate of the credit. The foreign financial capital institutions have, of course, been striving to approve credits under conditions which will guarantee their return and which will assure them that their money was well invested.

What will happen if the credit is not approved or if the conditions are unacceptable? It is known that in that case the domestic variant will be applied, it is known for its pessimistic overtones (black, zero, etc.), but its details are now considered confidential. It is not clear why they are considered a secret and from whom they are being concealed, so that the question may be asked whether the workers should first feel the consequences of such a variant or is it more normal that they be prepared for its application even in the case that it is not applied.

Not so long ago our indebtedness abroad was carefully concealed, and such secrecy was upheld as long as everything could be concealed. Maybe those are right

who affirm that today the country would be less indebted had everything been worked out publicly. Of course, there are things which at a certain phase are secret, but the variant for the exclusive "reliance on our own forces" should by no means be secret, regardless of how unfavorable it may seem. After all, more could be accomplished with a greater mobilization than exclusively with the restrictive approach, but this is the logic which the administration uses most often.

It is high time to also speak publicly about the domestic variant, so that it is not first learned by the world, but by the workers who will be facing all the consequences of the difficult economic conditions and who will be eliminating them through their own efforts.

CSO: 2800/192

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