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JPRS-EEI-84-019

10 February 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

DISTRIBUTION STATEMENT A
Approved for public release;
Distribution Unlimited

19980306 037

DEC QUALITY INSPECTED 4

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10 February 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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EVOLUTION OF CEMA PRIVATE SECTORS ALONG COOPERATIVE LINES PREDICTED

Warsaw GOSPODARKA PLANOWA in Polish No 9, Sep 83 pp 377-382

[Article by Dr Jerzy Kleer, staff economist, Cooperative Studies Institute, Warsaw: "The Evolution of the Cooperative Sector in the 1970's and a Forecast for the 1980's"]

[Excerpts] Various factors influenced the evolution of the cooperative sector in the 1970's and will most likely also have a strong effect in the 1980's. During the 1970's and early 1980's economic reforms were implemented in the CEMA countries. These reforms took place at different rates of intensity and varied in scope and nature. To a greater degree than in the past, economic instruments are being used to control the national economy. As a result, the range of decisions at the microeconomic level is expanding, mainly in the enterprises. The scope of these transformations varies in the individual countries; however, the most general tendency is towards relaxation of the orders-directive system. Although this is not the equivalent of a large growth in the role that the market plays, nevertheless the horizontal ties have become stronger.

The cooperative sector showed increased activity in the 1970's. This was demonstrated in different ways--by the form in which certain types of co-ops (housing, manufacturing, service and skilled trade) were reactivated, as well as by the assignment to the co-ops of new or larger tasks, e.g., in the USSR, the food co-ops were given a greater role in the overall food complex. The 1970's showed that there is a need for co-op-type economic organizations in the CEMA countries. Whether all of the features of a co-op can fully appear in the management models that are now obligatory, is another issue. Regardless, the demand for a co-op-type form of management is great.

In the 1970's and now, we see more weight being attached to the private sector, both officially (e.g., Hungary and Poland), and unofficially (e.g., the production from plots of land--in the agricultural producer co-ops--allocated to the co-op member or worker for his private use)¹⁴ and the so-called parallel economy. If these phenomena continue to exist, or intensify, they will probably

¹⁴During the last few years the importance of these private garden plots increased very greatly in Bulgaria; they supply approximately 25 percent of total amount of farm produce.

make some form of organization necessary. This form can only be a co-operative. Such proposals may come from the private sector as well as from the State.

In the light of what we have described above, and yet somewhat independent of that, we note that there are fewer theoretical discussions proclaiming that co-operative ownership is rapidly disappearing. These discussions, which were so lively in the second half of the 1960's and in the early 1970's, have been receding recently.

The above circumstances suggest the following statement of fact: at present, in the CEMA countries there is no strong tendency to unify systems of management, just as there is no tendency toward standardization of management organizations. This allows us to hypothesize that the private sector in the CEMA countries will grow, from the standpoint of economic potential, and will also play a larger part in some spheres of economic activity. These hypotheses can be additionally justified by certain more general events and processes which are occurring in supply and demand.

On the supply side we see the need for an economic organization of a local nature, one which will consider production and services in relation to local needs, and is based on local raw materials and surpluses in the labor force. In some countries an actual rehabilitation of small-scale production is taking place, and it is flexibly adapting itself to changes in the market. On the demand side these changes are related to the growing importance of household farms in satisfying needs, as well as to the growth in the importance of private consumption.

It appears from the above that the cooperative sector in the socialist countries can expand considerably. Of course, it must be repeated once more that in the socialist economy the private sector does not grow only as a result of autonomous mechanisms but is, to a large degree, dependent on the State's economic policy. In some cases it may lead to its growth, but in some cases it may serve to restrict this growth. But it should be presumed that in the 1980's the tendency towards growth of the private sector will prevail.

Table 1. Types of Co-Ops in Existence in CEMA Countries in the 1970's

| (1) Wyszczególnienie | (2) Bułgaria | (3) CSRS | (4) NRD | (5) Polska | (6) Rumunia | (7) Węgry | (8) ZSRR |
|--|--------------|----------|---------|------------|-------------|-----------|----------|
| (9) Spółdzielnie spożywców | x | x | x | x | x | x | x |
| (10) Rolnicze spółdzielnie zaopatrzenia i zbytu | x- | x- | x- | x | x- | x | x- |
| (11) Spółdzielnie pracy (przemysłowe) i usługowe | x | x | x | x | | x | x |
| (12) Spółdzielnie mieszkaniowe | x | x | x | x | | x | x |
| (13) Spółdzielnie pożyczkowo-oszczędnościowe, banki spółdzielcze | | | | x | x | x | |
| (14) Spółdzielnie inwalidów | x | x | | x | | | |
| (15) Rolnicze spółdzielnie produkcyjne | x | x | x | x | x | x | x* |
| (16) Spółdzielnie mleczarskie | | | | x | | | |
| (17) Spółdzielnie pszczelarsko-ogrodnicze | | | | x | | | |
| (18) Spółdzielnie kółek rolniczych | | | | x | | | |
| (19) Spółdzielnie rzemieślnicze | | | x | x | x | x | |

x - this type of co-op exists; x- - the food co-op fulfills some functions of the agricultural purchasing and marketing co-ops; x* - collective farms.

SOURCE: Author

[Key to table on following page]

Key to Table 1 [on preceding page]:

- | | |
|--|---|
| 1. Item | 11. Work (Manufacturing) and Service Cooperatives |
| 2. Bulgaria | 12. Housing Cooperatives |
| 3. Czechoslovakia | 13. Savings and Loan Cooperatives |
| 4. GDR | Banking Cooperatives |
| 5. Poland | 14. Handicapped Cooperatives |
| 6. Romania | 15. Agricultural Producer Cooperatives |
| 7. Hungary | 16. Dairy Cooperatives |
| 8. USSR | 17. Beekeeping-Truck Farming Cooperatives |
| 9. Food Cooperatives | 18. Agricultural Circle Cooperatives |
| 10. Agricultural Purchasing and Marketing Cooperatives | 19. Skilled Trade Cooperatives |

Table 2. Share of Private Sector in the Economy of CEMA Countries (in percent)

| | | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|------|---|----------|---------|---------|--------|---------|---------|----------|
| (1) | Wyszczególnienie | Bulgaria | CSRS | NRD | Polska | Rumunia | Węgry | ZSRR |
| (9) | Dochód narodowy w ujęciu rzeczowym | 5,5 | 9,7 | | 9,4 | | 21,3 | 9,4 |
| (10) | Produkcja przemysłowa | 4,1 | 1,6 | 5,1 | 11,4 | 3,8 | 6,5 | 2,5 |
| (11) | Nakłady inwestycyjne | 1,5 | 10,7 | | 17,2 | 4,1 | 11,7 | 11,6 |
| (12) | Zatrudnienie w przemyśle ogółem | 7,0 | 5,1 | 1,6 | 15,0 | 10,8 | 13,6 | |
| (13) | Produkcja budowlana | 1,0 | 12,5 | 9,4 | 2,5 | | 15,5 | |
| (14) | Użytki rolne | | 62,4 | 82,1 | 3,4 | 54,3 | 71,2 | 31,3 |
| (15) | Zatrudnienie w rolnictwie | | 70,7 | 80,5 | | 72,5 | | 58,3 |
| (16) | Obroty w handlu i gastronomii | 32,1 | 25,3 | 35,3 | 72,2 | 27,1 | 27,0 | 28,4 |
| (17) | W nowooddawanych mieszkaniach | | 31,1 | | 56,2 | | 6,4 | 8,0 |
| (18) | Zatrudnienie w gospodarce narodowej | 5,6 | 11,1 | 14,8 | 12,2 | | 25,2 | 15,9 |
| (19) | Liczba spółdzielni bez rolniczych spółdzielni produkcyjnych | 2 215,0 | 3 495,9 | 4 551,8 | 11 924 | 316,1 | 3 579,4 | 62 166,0 |
| (20) | Liczba rolniczych spółdzielni produkcyjnych | 47 | 1 747 | 4 966 | 2 299 | 4 923 | 1 480 | 26 385 |

SOURCE: op.cit.

Key:

- | | |
|--------------------------------------|---|
| 1. Item | 13. Building materials |
| 2. Bulgaria | 14. Farmlands |
| 3. Czechoslovakia | 15. Employment in agriculture |
| 4. GDR | 16. Retail and restaurant trade |
| 5. Poland | 17. New housing construction |
| 6. Romania | 18. Employment in national economy |
| 7. Hungary | 19. Number of cooperatives excluding agricultural producer cooperatives |
| 8. USSR | 20. Number of agricultural producer cooperatives |
| 9. Domestic material product | |
| 10. Industrial output | |
| 11. Capital spending | |
| 12. Aggregate employment in industry | |

9295

CSO: 2600/519

GERMAN DEMOCRATIC REPUBLIC

MITTAG DISCUSSES CONTRIBUTION OF TECHNOLOGY TO ECONOMY

East Berlin NEUES DEUTSCHLAND in German, 19-20 Nov 83 p 3

[Report on Guenter Mittag's Speech before the Chamber of Technology (KDT):
"Economic Strategy and the Tasks of the Engineers"]

[Text] Since the Eighth SED Congress the Chamber of Technology has undergone great development, explained Guenter Mittag in his address. The number of members alone has increased from 182,000 in 1970 to 260,000 in 1983. Above all, however, the socialist organization for engineers in the GDR has addressed those needs arising from the primary objective, the unification of economic and social policies. The members of the KDT are doing everything possible to strengthen socialism in the German Democratic Republic. They are totally committed to the great tasks of securing and maintaining peace.

Carried along by this awareness of political responsibility, the members of the KDT see the new, higher goals set for the 1980's as a result of the SED's economic strategy above all as personal goals for themselves. With great personal involvement they are bringing all their knowledge and abilities to bear for a high increase in economic performance following a course of intensification. Today the creative labors of scientists, technical specialists and economists, and the activities of inventors and innovators, are marked by truly challenging economic goals.

Therefore, it is of great significance that the Chamber of Technology itself is exerting its influence in promoting initiative, encouraging the taking of risks and providing a high level of expertise through exchange of experiences and further education. This all contributes to the continued successful realization of our policies dedicated to the good of the people and the securing of peace.

Greater Emphasis on Strengthening the Republic

Increasing the economic strength of the GDR is bound more than ever to accomplishing the task of securing peace. In the interest of life, in the interest of peace, we strongly oppose the military course taken by the Reagan administration and the planned deployment of new U.S. first-strike weapons in

western Europe. More than ever, the most effective contribution to maintaining the peace is still that each individual do his best toward increasing the strength of the GDR.

In this connection Guenter Mittag discussed the economic strategy decided upon by the 10th SED Congress. Among the successes of this strategy are a 4 percent increase in the GNP and a 4.5 percent increase in the production of industrial goods in those industries coming under the auspices of the industrial ministries, and at the same time a significant reduction in specific consumption of energy, raw materials and other materials. The reduction in specific energy consumption in 1981 and 1982 and in the first three quarters of this year alone represents the equivalent of 40 million tons of raw brown coal.

Modern Technologies Increase Efficiency

The 1980's are placing great demands on the spiritual and material productive capacities of the GDR economy. Further growth is possible only if a course of intensively, expanded reproduction is followed. Increased production must be guaranteed by reducing the relative and absolute consumption of energy, raw materials and other materials. At the same time it is important to step up the rate of increase in labor productivity and to achieve a higher level in this area. The ratio of expenditure to result must be further improved in all areas.

All this must lead to improving more effectively the supply of consumer goods and services and solving export problems through new products. The purpose of new technology is to make human labor easier and more productive. At the same time we also want to use materials, and especially our own natural resources, in the most effective way and refine them to the highest degree possible.

Guenter Mittag pointed out that our economy is well-equipped to solve these problems.

As we know, intensification means more effectively using what is available, in other words exploiting internal sources of growth by more economical handling of resources, said Guenter Mittag and added, "The economic strategy of our party is based on recognition of the fact that the rate and level of intensification is influenced primarily by the application of the most recent findings in the fields of science and technology."

The speaker emphasized that a cadre of 1.5 million technical and university school graduates is employed in our economy, and that significant sums are invested annually in science and technology. There is no area of intensification today which can continue to be developed without the purposeful application of science and technology.

This is especially true in energy conservation. The solution to this problem is of decisive importance for the continued current and future development of the GDR economy. Guenter Mittag praised the results achieved this year by many of the industrial combines. Turning to the delegates he said that in the future even greater efforts will be required in this area.

Therefore, we would like to direct the attention of those active in science and technology, and of innovators in particular, to the creation of further conditions for lowering energy consumption in our economy through new scientific and technical solutions. In particular, this applies to those production areas in which the greatest amounts of energy are consumed, such as the approximately 21,000 industrial furnaces of the metallurgical and chemical industries, the machine building industry and the construction materials, glass and ceramics industries, where presently more than 40 percent of the energy consumed in our economy is used.

The speaker directed our attention to the use of microelectronic control engineering and to the development of equipment for streamlining production in the industrial combines and enterprises. Greater attention than ever must be given to creating the tools and production conditions which will be conducive to the main thrust of intensification within the industrial combines. This calls for establishment of entire technological processes using robotics, as well as employment of technological measures leading to more effective use of materials and to the most efficient use of energy. We see the continued, increased development of equipment for streamlining production as a major area in which the scientists, engineers and technical specialists, and innovators as a whole--especially the young innovators in the young researchers' collectives--have shown initiative.

Economic Result is Decisive Factor

In another part of his speech Guenter Mittag further explained the role of science and technology as integral parts of the cycle of an intensively expanded reproduction.

We speak intentionally of the cycle of intensively expanded reproduction in our socialist economy because we intend, with the intellectual, material and financial resources available, to produce a social product which will continuously increase in value. And this social product, in terms of its material consumption and utility value, must provide for increased supplies of consumer goods for the people, highly competitive exports and continued development of our own economy.

Only when clear economic goals are set from the very beginning can the scientific and technical tasks drawn from them be precisely formulated, thus ensuring that effort is concentrated on basic economic goals.

Above all, however, the setting of economic goals means that the design engineer, the technical specialist, the process engineer, and those working in the fields of science and technology have available to them a clear yardstick for measuring the necessary level of their performance in our society. This yardstick is defined by the economic standards and guidelines for the uses of human labor and objectified labor.

In the People's Interest and for Their Welfare

Today more than ever, time is a deciding economic factor. It is critical that society's investments in science and technology show a national economic return of double or more in the shortest possible time.

In this regard, Guenter Mittag went into the special responsibility of the industrial combines. In the 153 combines in industry and construction there are currently approximately 120,000 qualified cadres working in research and development. Thus they have close ties with production and, moreover, with the overall economy, and the combines work closely with the Academy of Sciences, universities and technical schools. To a significant degree, the peak performances required today and in the future for further increasing the productivity of our economy result from this great collective effort.

Guenter Mittag then spoke of the measures decided upon by the SED for improved management, planning and stimulation of the economy which are necessary for realizing our economic strategy. Their purpose is to assure that that which is useful to the economy is reflected appropriately in the economic accounts of the combines and enterprises.

For the realization of our policies we are counting firmly on the enthusiasm, willingness, great ability and high level of expertise of the scientists, technical specialists and engineers among our people.

The road to a developed socialist society, which we in the GDR are following in accordance with the programs of the SED, opens up to engineers and all those working in science and technology new possibilities and perspectives which differ fundamentally from conditions in capitalist societies. While the engineer under capitalism, whether he wants to or not, devotes his labors to making a profit, the engineer under socialism serves the interests of the people. The character of the society determines which purposes and aims are served by the results of scientific and technical labors.

The socialist society opens up a broad range of activities for the engineer while at the same time setting high social standards for such activities. Meeting these standards means devoting all of one's knowledge and efforts to strengthening the socialist fatherland and seeking new and often unconventional solutions to problems with courage and imagination.

The Chamber of Technology sees an important aspect of its work as contributing to such attitudes and abilities by means of inspiring and interesting political and ideological activity.

12552

CSO: 2300/142

ASPECTS OF GDR FOREIGN TRADE, INNER-GERMAN TRADE DISCUSSED

Cologne DEUTSCHLAND ARCHIV in German Vol 16 No 12, Dec 83 pp 1315-1317

/Report by H. Kaschkat: "Conference Reports: Foreign Trade of the GDR and Inner-German Economic Relations"

/Text/ The "Society for German Studies" gave proof of its flair for the latest trends by, some time ago, selecting a now highly topical issue for discussion by the conference of its special group on jurisprudence and economics, held on 14/15 September in the Berlin Reichstag building: "GDR Foreign Trade and Inner-German Trade Relations--Legal and Economic Problems." The welcome coincidence of theory and practice left its mark on the various lectures delivered on successive days to the conference chaired by Prof Dr Gernot Gutmann (Cologne) and Prof Dr Gottfried Zieger (Goettingen) respectively.

Prof Dr Karl C. Thalheim (Berlin) provided the framework by an introductory lecture on "foreign trade as a determining factor of economic policy and economic development in the GDR." He pointed out the persistent problem of the GDR economy: Its labor productivity is 30 percent lower than in the FRG. He explained that this is due to continuing structural difficulties arising from the conversion of production to industrial goods, carried out after World War II and without consideration of siting problems. Following a survey of the stages of the GDR development of foreign and inner-German trade and its course after the first (1973) oil crisis, Thalheim dealt in greater detail with the "fateful year 1980." The doubling of oil prices coupled with the simultaneous cutback in Soviet deliveries compelled enormous efforts in the GDR, designed to raise exports to earn more foreign exchange--particularly because the West's inclination to grant loans to the East declined sharply as the result of Polish and Romanian payment troubles. The compelling need for exports of high-quality industrial goods to the West coupled with reductions in imports resulted in substantial cuts in consumption and a lowering of living standards for the GDR population. At the same time industry's need to reequip exceeds the actual opportunities. The consequence is the increasing obsolescence of GDR industrial plants. This in turn threatens its competitive capacity on the world market--the major source of foreign exchange. All this suggests the likelihood of worrisome growth problems in the GDR economy of the future.

Prof Dr Gottfried Zieger (Goettingen) presented a comparison between the foreign trade legislation of the GDR and the foreign trade legislation of the FRG, including their history since 1945. He described how, despite the identical initial situation in all occupation zones, a virtually free foreign trade developed on the

Western side--despite the original general ban on foreign trade, subject only to exemption by special permit--, while a state monopoly arose on the Eastern side, though this was definitely not provided for in the first GDR Constitution, in effect from 1949 to 1968.

Ministerial counselor Dr Franz Roesch, auditing agency for industry and trade at the Federal Ministry for Economics, described the special status of inner-German trade relations and their history. In 1982 inner-German trade grew to roughly 14 billion VE /accounting units/. In the FRG some 6,000-7,000 firms are involved, mainly small and medium companies. They conclude around 50,000 contracts per annum with state trading partners in the GDR. The special treatment of inner-German trade from the aspect of turnover taxation is often the factor permitting GDR producers to compete on the Federal German market, and this is also the reason for the oft heard assertion that the GDR is a "silent partner" in the EC. Inner-German trade is not burdened by customs duties or price adjustment levies, because the FRG does not consider it foreign trade. Other EC members, France in particular, frequently complain about this situation. EC export and import restrictions do not apply to inner-German trade. In view of the GDR's enormous debts, the importance of this trade has risen significantly because it allows the GDR to import Western goods without having to spend foreign exchange.

Dr Hannsjoerg Buck (Bonn) discussed the GDR's debts to the banks of the Western industrial countries. In the second half of the 1970's these debts achieved higher and higher peaks. By the end of 1981 the GDR was the third ranking debtor country in the CEMA area--following Poland and the Soviet Union. At that time its gross bank debts amounted to about \$700 per resident. Short term loans with a term of up to 2 years represented the majority of GDR liabilities. Given the liquidity difficulties resulting from this unfavorable structure of due dates, the public has been compelled more and more to tighten its belt. The technology push failed, and Western exports--yielding foreign exchange--are duly declining. Doubts of the GDR's creditworthiness are on the rise. In 1982 the country was unable to obtain any more foreign exchange loans on the Euro market. Japan and U.S. banks, too, withdrew. In 1981 the GDR was compelled to devote to interest payments more than \$1.3 billion, 61 percent of its foreign exchange earnings. As to redemption, the GDR would have gone the way of Poland and Romania if Western banks had not extended the life of their loans. In 1982 its redemption obligations amounted to about \$3.2 billion; 1.1 billion were deferred. In 1983 and 1984 also the GDR is subject to strong pressure with regard to redemption. Nowhere else could the GDR have managed to get the billion loan finally granted by the FRG. At the present moment the GDR is adopting the most severe domestic and foreign trade measures to attempt to wring an export surplus from its state economy. This implies another curb on economic growth, a rise in the arrears of modernization and skimpier supplies for the domestic market. From the medium term aspect, the GDR urgently requires more liquidity safeguarding loans.

The report by Dr Erika Lieser-Triebnigg (Bonn/Cologne) provided an introduction to the current practice of "purchase and delivery terms in the GDR's foreign trade." When describing the legislative bases, she pointed out in particular the GDR "law on international trade treaties" (GIW), of 5 February 1976 (GB1 I p 61). This replaced the earlier civil and commercial codes (BGB AND HGB) and, as far as the GDR is concerned, applies to inner-German trade with the FRG also. Most GIW norms are of a dispositive nature, something not otherwise customary in GDR law, and this

fact demonstrates that the GDR is compelled to adjust to market economic conditions. The special "purchase and delivery terms" of the various foreign trade enterprises (AHB's) of the GDR's state economy must in every single case be approved by the Minister for Foreign Trade. They operate as the functional equivalents of the "general trade terms" usual in the West. As relating to the "purchase and sales terms" of the AHB's, the GIW defines the limits of contractual freedom. In the case of breaches of contract the BGB bases on the fault principle, the GIW, on the other hand, starts with the causal principle. Usually 0.1-1.5 percent of the delivery value per default day are agreed as contract penalties. GDR enterprises generally limit their liability for consequences of default to 4-5 percent of the delivery value, while unlimited liability is claimed of the Western contract partner. Ultimately decisive in each case is the actual negotiation of the terms between the partners from East and West.

Dr Jan Peter Waehler (Hamburg) reported on the little known history and practice of "East-West arbitral jurisdiction." Most business contracts of Federal German companies with East European enterprises include arbitration clauses excluding state jurisdiction. Agreed is either the jurisdiction of a permanent arbitration tribunal in the respective East European country or an ad hoc arbitration tribunal in a neutral country. The former reservations about arbitration tribunals have receded on both sides. The main advantages are brief proceedings and relatively low fees. The permanent arbitration tribunals in Eastern Europe are usually well staffed, the pertinent laws generally properly applied, and no irrelevant influences noticeable. In many cases the mere threat of application to the arbitration tribunal is sufficient to bring the Eastern contract partner to heel.

The title of Dr Siegfried Schoppe's (Hamburg) lecture, "system specific problems of GDR technology transfer," concealed the highly inflammatory topic of the mastery of the "transfer barrier," the first application of technical results to daily production practice. Electronics is one of the keys. Lately organizational measures have allocated the outstanding research status to the combines, but it seems they are unable to handle it. Consequently the GDR's standing in international technological ranking has recently slipped, as the innovation-obstructive effect of the lack of incentives in research monopolies has been underestimated. The pressing problem of production cost is in future to be addressed by, among others, increasing the cost of the labor factor. This is to force enterprises to rationally use their manpower. The social fund taxes imposed on the GDR economy from 1984 on are of the nature of a tax on total wages and salaries paid. They are designed to "abolish" excess staffing. The following continue to be the GDR's prime economic problems: Increase of exports, replacement for imports, materials conservation and improvement of labor productivity. The common denominator for settling these problems is the speed-up of technical progress. However, the hierarchical structure of the central administration, coupled with the responsible personnel's fear of taking chances, again and again adversely affects the obstructed innovation mechanism of the GDR system.

Prof Dr Wolfgang Seifert's (Hamburg) report dealt with new developments in the co-ordination of foreign trade relations in CEMA and the effects on the GDR. A changed functional mechanism in CEMA cooperation is the decisive problem of the next 10 years. Lately Soviet conceptions on this issue have emerged more clearly. According to

them, synchronization and coordination are to be extended to all foreign trade transactions of the member countries--including economic and financial relations with the Western states--, thus going well beyond the earlier plan coordination. Apparently the Soviet Union managed to persuade the GDR and Hungary to go along with this development, although this means that they must abandon their own--different--concepts. The result is bound to tighten the controls and ties of the CEMA countries and lead to their progressive orientation to the needs of the Soviet Union, while jurisdiction for foreign trade has up to now been the exclusive privilege of the various CEMA members. The expansion of CEMA jurisdictions would most certainly have far reaching negative effects on inner-German trade.

11698

CSO: 2300/241

GERMAN DEMOCRATIC REPUBLIC

CITIZENS DISSATISFIED WITH PRICES, QUALITY OF CONSUMER GOODS

Copenhagen BERLINGSKE TIDENDE in Danish 30 Dec 83 p 5

[Article by Leslie Colitt: "East Germany Wants To Increase Production"]

[Text] East Germans are losing their patience with the goods available in the shops. Poorly made goods are sold at much higher prices than in neighboring countries, whose TV commercials make a deep impression on the East Berliners.

Berlin. According to the East German Government the production of "high quality" goods has received the highest priority. But for the consumers the situation was much better 10 years ago. Visitors from Hungary and Czechoslovakia tell of poor selections and high prices compared with what is offered in their own shops. The effort to export at any price has almost certainly reduced foreign debts, but the East German people have to pay the price.

A visit to Centrum, the large store on East Berlin's Alexanderplatz gives a clear picture of the situation. Customers in East Berlin's large store with the largest selections are offered goods which would perhaps be impressive in Moscow, but which are a constant source of annoyance to the East Germans.

Unfashionable Clothing

A shapeless red woolen dress costs 365 East German marks (almost 1,400 kroner), and a correspondingly unfashionable jacket costs 523 marks. If one bought both pieces, there would not be much change from the average monthly wage for women of 1,075 marks. In West Berlin the prices for the same type of clothing are much lower, although the average income is almost two and one-half times higher. A drab olive green winter coat, for example, costs 263 marks in East Germany. In West Berlin, exactly the same coat costs DM 80 (rate of exchange of East and West German marks is the same).

A black-and-white 23 inch TV set costs M2,250 in East Berlin, but less than DM 300 in West Berlin. A portable TV made in Hungary costs DM 175 in West Berlin, but over M 1,000 in East Berlin.

Transistor radios and cassette tape recorders in the Centrum hi-fi department resemble the ones which were available in the 1960's--clumsy and poor in both design and quality. The most primitive tape recorder costs 5 weeks' wages,

and it takes 2 months' wages to buy a large East German chess computer game, which in a much smaller and smarter Far Eastern product costs DM 50 in West Berlin.

Five Times as Expensive

A small East German washing machine costs M 2,750 in Centrum. Abroad the same machine sells for less than one-fifth of that price.

A new automobile requires both patience and money. In southwestern East Germany the little two-cylinder Trabant--East Germany's Volkswagen--is now being delivered to customers who ordered the vehicles in 1972. The waiting lists for the East German two-cylinder Wartburg, which costs M 20,000, is still longer, because problems with the import of Soviet bodies has reduced the total number of cars on the market. These difficulties are blamed on East Germany's growing trade deficit with the Soviet Union.

Generous Relative

If an East German is so fortunate as to have a generous relative in the West who can buy him a Wartburg (for only DM 9,400), the delivery takes place immediately. East Berliners scarcely note the sign over the entrance to the automobile factory in Schonhauser Allee, which says "All for the benefit of the people, and for peace."

The expensive consumer goods are balanced to some extent by the subsidized East German rents (M 90 per month for a 3-room apartment, compared with DM 450 in the West for a comparable apartment), the cheap public transportation and other basic necessities. Sixteen percent of the East German budget next year is devoted to holding these prices down artificially--a keynote for East German leaders.

Most East Germans take state support for granted, while they grumble about the high prices of almost everything else. They believe that the least the government can do is to grant cheap house rents and other free services, if they cannot pay higher wages and produce less expensive and better made goods.

Satisfied Pensioners

East German pensioners are understandably the most satisfied with the system, while most of the East German families who have two incomes would prefer cheaper and more automobiles. The problem is reinforced every evening when the East Germans see West German TV commercials.

The East Germans have always complained that the country's best goods are exported to the West. But now the East German leaders are asking the population to increase industrial production next year by 7.3 percent, while personal income is only expected to increase by 2.2 percent.

It is not clear how the government will achieve this higher production with a labor force which sees lower real wages and fewer goods in the stores at still higher prices. It is doubtful that continued stable prices for most necessities will be enough to satisfy the East Germans much longer.

SCOPE OF PRODUCER, IMPORTED GOODS RATIONING IN 1984-85 DETAILED

Warsaw RZECZPOSPOLITA in Polish 17 Nov 83 supplement REFORMA GOSPODARCZA
pp 2, 3, 4

[Attachments 2-4 to the Council of Ministers Resolution on Rules Governing
Producer Goods Distribution Management in 1984-1985; effective 1 January
1984]

[Excerpts] Editor's note. Due to the limited space in
this issue of REFORMA GOSPODARCZA [Economic Reform], we
are not publishing Attachment No 1 (a list of central
balances for energy, fuels, raw materials and fabricating
materials to the Annual Central Plan for 1984-1985). The
complete text of the Council of Ministers resolution in
matters of principles dealing with producer materials
and equipment requirements for 1984-1985 will be pub-
lished in one of the forthcoming issues of MONITOR
POLSKI.

Attachment No 2--List of Institutions [in the socialized sector of the
economy] Required by Law To Act as Intermediaries in the Buying and Sell-
ing of Critical Fuels, Raw Materials, Fabricating Materials and Finished
Goods

| Title of authorized institu- tion required by law to act as marketing intermediary | Description of fuels, raw materials, fabricating materials and goods sub- ject to centralized allocation |
|--|--|
| 1 | 3 |
| 1. Coal Marketing Center | Hard coal Hard coal briquettes |
| 2. Metallurgical Procurement | Brand "K" coal Coke and semi-processed coke Raw and processed iron ores as well as iron-bearing waste Iron alloys Manganese Ore |

| | |
|--|--|
| | Chromium Ore |
| | Molybdenum Ore |
| | Wolfram Ore |
| | Titanium Ore (only rutile) |
| | Nickel-Ni |
| | Cobalt-Co |
| | Silicon-Si |
| | Cobalt powder |
| | Ammonium tungstate |
| | Amalgamates of thallium, tantalum, thorium, the rest (only tantalum- niobium carbide) |
| | Blast-furnace graphite electrodes |
| | Oxidized magnesium |
| 3. CPN--Oil Products Center | Liquid gas distilled from crude oil |
| | Motor fuel |
| | Fuel oil |
| | Lubricating oil (except special oils) |
| | Synthetic lubricants |
| | Paraffin and paraffin products |
| 4. Centrostal--Steel Marketing Center | Iron metallurgical products, except raw materials, extruded wire, screw accessories, forged accessories, remaining accessories, lead sheet metal, aluminum sheet metal, railway switches, bogies, resistance tape and wire |
| 5. Nonferrous Metals Marketing Center | Products of the nonferrous metals indus- try |
| | Nonferrous scrap metal |
| 6. National Mint | Products from precious metals |
| 7. Centrokabal--Sales Office for Cable and Conduits | Cable and conduits |
| 8. Ema-Zbyt--Technological Trade Center for Machinery and Electrical Apparatus | Alkaline accumulators and batteries for motor vehicles |
| 9. Polifarb--Federation of Paint and Lacquer Manufacturers | Liquid lacquer products |

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|---|--|
| 10. Chemiplast--Enterprise Marketing Plastics | Chloride ethylene (1, 2 dichloride) Glycerine Polymerized plastics Plastic polyvinyl chloride vinyl for insulated conduits Plastic polyvinyl chloride vinyl for resistance lines Plates from polystyrene foam (styrofoam) |
| 11. Agrochem--Enterprise Marketing Mineral and Chemical Fertilizers | Diphenylamine |
| 12. Weglopochodne--Enterprise Marketing Coal By-products | Crude tar with a 5 percent H ₂ O tar content Crude benzene Asphalt processed from crude oil Gasoline |
| 13. Solkwas--Enterprise Marketing Inorganic Chemicals | Limonite Borocalcites |
| 14. Stomil--Enterprise Marketing Rubber Industry Goods | Radial tire wire Conveyor lines Steel rope Technological soot Indiarubber, synthetic rubber Indiarubber latex, synthetic rubber latex Synthetic conveyor belts Tires for passenger automobiles Tires for trucks, machinery and equipment (except agricultural) Tractor tires Tires for agricultural machines and equipment Tire tubes and patching materials High pressure rubber hoses enforced with wire mesh Rubber conveyor belts Conveyance fabrics Resistance fabrics |
| 15. Agency Marketing Building Insulation Materials | Tar rooting paper Fiberglass mats and fiberboard |
| 16. Wood Marketing Center | Coniferous lumber Oak plywood |

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|--|---|
| | Natural beech plywood Glue |
| 17. Papier--A Voluntary Federation of State Enterprises--Marketing and Allocation Agency | Paper cellulose Paper (except wrapping paper) Coated paper Cardboard, except cardboard for bookbinding, boxes and packaging |
| 18. Surtex--Enterprise Marketing Textile Industry Goods | Cotton Cotton and woolen yarn Unfinished cotton and cottonlike fabrics (except corduroy and conveyor belt fabrics) Finished cotton and cottonlike fabrics, knit goods, textiles and yarns Linen-hemp yarn |
| 19. Federation of Enterprises Marketing Unfinished Textiles and Leather | Wool Woolen and woollike remnants Woolen combings (bolls) Semifinished hides for the tanning industry (including tanning extracts) Preserved raw hides for the tanning industry (including tanning extracts) Preserved raw pelts for the fur and felt industries |
| 20. Polbut--Enterprise Marketing Leather Industry Goods | Glue for footwear Imitation and synthetic leather for footwear Hard finished leather Soft finished leather |
| 21. Supon--Federated Enterprises in the Federation of Trade-Technological Fire Fighting and Safety Equipment Enterprises | Personal safety devices Auxiliary chemical agents for the remaining subsectors of industry (only foam and powder extinguishing agents) |

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|---|---|
| | Safety and work clothing |
| | Safety and work footwear |
| 22. Metalzbyt--Metal Goods Marketing Center | Regular extruded wire |
| | Tin-lead solder with 30 percent tin content |
| | Tin alloy wire |
| | Metal electrodes for welding purposes |
| 23. Centrodlew--Sales Agency for Foundry Products | Cast-iron upright radiators |
| | Cast-iron bathtubs |
| | Drainboard sinks |
| | Central heating radiators |
| | Enameled tin bathtubs |
| | Enameled tin drainboard sinks |

Attachment No 3--List of Construction Machinery and Transportation Vehicles Subject to Centralized Allocation in 1984-1985

Description of transportation vehicles scheduled for allocation:

1. Construction excavators
2. Construction loaders
3. Passenger automobiles
4. Motor buses
5. Trucks and tractor trucks
6. Two-axle tractors

Attachment No 4--List of Goods Imported from Payments Zone II [capitalist countries] Slated for Central Government Financing

1. Crude oil
2. Lubricating oil
3. Lubricant ingredients
4. Synthetic lubricants
5. Paraffin and semifinished paraffin products
6. Raw and processed iron ores, metallurgical iron-bearing waste
7. Metallurgical products
8. Iron alloys
9. Chromium ore

10. Manganese ore
11. Molybdenum ore
12. Wofram ore
13. Limonite and rutile (titanium ore)
14. Aluminum oxide (aluminum)
15. Lead-Pb
16. Tin-Sn
17. Mercury-Hg
18. Manganese-Mn
19. Cobalt-Co and Cobalt powder
20. Aluminum-Al
21. Magnesium-Mg
22. Metal Silicon-Si
23. Antimony-Sb
24. Steel cord
25. Phosphorites
26. Borocalcite (boron ore)
27. Potassium fertilizer
28. Refrigeration gas (freon)
29. Paper
30. Paraxylene
31. Insecticide
32. Graphite electrodes
33. Technological soot
34. Indiarubber
35. Synthetic rubber
36. Chemical fibers
37. Additives for motor fuels--anti-knock and depressomotor agents
38. Products from the chemical industry for fodder
39. Paint and lacquer ingredients
40. Technological vegetable oils for the manufacture of lacquer products
41. Ethyl alcohol
42. Butane alcohol
43. Glue and glue ingredients for footwear
44. Prepared medicines including veterinary
45. Truck tires
46. Asbestos
47. Oxidized magnesite
48. Paper cellulose
49. Viscose cellulose
50. Cotton
51. Cotton and cotton-like yarn
52. Cotton and raw cotton-like fabrics
53. Wool
54. Woolen and woollike yarn
55. Woolen and woollike combings
56. Woolen and woollike remnants
57. Raw preserved hides and semifinished hides for the tanning industry
58. Meat
59. Bruised grain and oilcakes
60. Industrial tobacco

- 61. Fish fodder meal
- 62. Liquified technological animal fats
- 63. Grain and milling products
- 64. Consumer soybeans
- 65. Sisal
- 66. Jute
- 67. Chord for sheaf-binding and agricultural presses
- 68. Cocoa beans
- 69. Edible vegetable fats

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CSO: 2600/445

DEPUTY MINISTER WEIGHS EXCHANGE RATE POLICY OPTIONS

Warsaw GOSPODARKA PLANOWA in Polish No 10, Oct 83 pp 423-426

[Article by Witold Bien, first deputy minister of finance]

[Text]

1.

For many years not enough importance was attached in our country to exchange rates and how they are established. Along with the liberalization of regulations on travel abroad and foreign-exchange regulations came a rather lively interest in these problems. During the 1970's this interest also began to gradually penetrate into the socialized enterprises dealing with international exchange. But it intensified much more in recent years, particularly when the assumptions of economic reform were being prepared and applied.

The exchange rate became an important economic parameter which affects results of activity not only when an enterprise is involved in export or benefits from import, because the domestic prices of a number of basic raw materials produced in Poland are calculated on the basis of their world prices. The exchange rate gains increasingly greater authority as a measure of value and a specific kind of price of a zloty, expressed in foreign currencies, particularly if the principle that it is uniform and established flexibly is accepted.

Questions pertaining to the amount of the exchange rate and how it functions are brought up mostly when the export of specific products in foreign-market trade turns out to be unprofitable. Then the demand is made that the exchange rate be raised automatically, justified by the unquestionable need to apply a realistic rate, or an active exchange-rate policy which will stimulate the growth of export and even, as is sometimes said, maximize it.

Such general assertions are supposed to be arguments in favor of the devaluation of the zloty even on a scale which would ensure the profitability of export of almost all goods offered for export, without going more deeply into what it costs to produce them, their quality, up-to-dateness, or into a series of other complex problems. It is characteristic that many of the people discussing this problem look at the exchange rate mainly, or only, from the standpoint of its connection with the stimulation of export. On the other hand, less often do we find more comprehensive studies which also cover the problems

of import, and even less often do we find an analysis of the effect of the exchange rate on the country's economy, and especially on production costs and domestic prices.¹

Thus it is well to remember that when proposals are being formulated which pertain to establishment of exchange rates, the entire complexity of the exchange-rate mechanisms must be considered, and certain basic initial assumptions must be taken into account.

First--the exchange rate is a parameter which determines more than just the profitability of foreign transactions. If the demand that the exchange rate be uniform is retained, then it also furnishes valuable information on the differences in profitability in various fields of export and import. This information should be used to good advantage not only in current activity but also to restructure our economy effectively and decisively.

Second--the exchange rate is neither the sole or independently operating economic parameter. It functions as one economic instrument in a very complex interdependence with other elements in the economic system and must take the internal and external economic situation into account. Thus the exchange rate cannot be regarded as the only or the most important element in stimulating foreign-exchange revenues. For example, the influence of the exchange rate on the stimulation of export can be greatly reduced by a deep imbalance in the domestic market, by diminished elasticity of foreign demand for our goods, by protectionist barriers, modernity and quality, or by inefficiency on the part of the manufacturing apparatus or that involved with foreign sales.

Third--the exchange rate exerts an influence not only in foreign trade and service. Changes in the exchange rate, to a specific degree, accelerate or slow-down inflationary processes within the country. At the same time, internal inflation, or more correctly its deviation from the level of inflation in partnership countries, also exerts an influence on the exchange rate.

Fourth--every change in the rate has a dual effect, i.e., in improving the profitability of export, it also worsens the conditions for import; but in every case it gradually affects the growth of input-material costs, often even when these materials are replaced by domestic production. The replacement of import becomes profitable even when domestic-production costs are higher than they were formerly. At this point we must clearly emphasize that exchange-rate uniformity means that it is identical both in export and import. This is an obvious statement but in practice a frequently recurring viewpoint states that the rate should be as high as possible in export (e.g., through automatic, extensive aid from the equalization account) and lower in import "so as not to stimulate inflation."

II

The theory of exchange rates is quite broadly developed in the professional literature. The viewpoints of various economic schools intersect, and change

¹ This is treated quite comprehensively by K. Zabielski, in "Exchange-Rate Policy and Inflation in Poland," *HANDEL ZAGRANICZNY*, 1983, No 5.

along with the changes that have, in fact, occurred. Because the exchange of currency for gold has been suspended, the method of assigning a rate on the basis of parity, i.e., as a result of the comparison of the pure gold contained in coins of various currencies, has become obsolete. Considering the restrictions taking place in foreign-exchange turnovers, the purchasing powers of specific currencies, i.e., the price of some selected basket of goods in different currencies, cannot be used in setting rates without important reservations. In any case, there is real doubt whether this basket should also contain goods manufactured under conditions of low competition; it is extremely difficult to identify the goods in the basket--to find the proper prices for them, etc.

As a rule, therefore, an attempt is made to subordinate the establishment of exchange rates to the requirements of the balance of payments, using the purchase of a unit of average foreign currency, submarginal or marginal, as the starting point. Without going into the very extensive arguments of the advocates of different methods, it is worth noting that especially when the domestic market is deeply unbalanced and when there are serious strains in the payments situation in foreign turnovers, the viewpoints of the advocates of the marginal rate are fallacious--that this rate will automatically and spontaneously tend to ensure the planned supply of foreign exchange, taking import requirements into account. On the other hand, it would undoubtedly alleviate the pressure on changes in the structure of the economy aimed at developing the more profitable fields of export, since it would act restrictively to eliminate the least profitable ones. Even at a lower profitability it would still pay to maintain production of a series of goods, the manufacture of which offers no opportunity for efficiency improvements. At the same time, the marginal rate would have an especially severe effect on the growth of inflation domestically.

In our practice we have accepted the assumption that submarginal rates should be set in a manner which would ensure the profitability of at least 75 percent of the volume of export. The exchange rate, therefore, is established at above the average currency-purchase cost, but at the same time that part of export at which the cost of purchasing currency deviates greatly from the average cost, is clearly neglected. It shows also in what fields developmental efforts should be concentrated to improve the efficiency of foreign trade, and in what fields these efforts should be gradually reduced.

But the technique itself of setting the rate is not conclusive. The rate ensuring profitability of export may be of a passive or an active nature. The passive rate--which is constantly revised upwards--would mean that it is automatically recalculated at least by the difference between price changes within the country and on the international markets. However, this would constitute sanctioning of the existing structure of the economy. This would be a rate that would assist the inflationary processes and tolerate a low degree of management efficiency.

Thus if we want to talk about an actively operating rate policy, we must take several problems into account.

First--an active rate is a rate which is deliberately set in the interests of controlling the economy; therefore, the policy in this field should be linked to the active policy for restructuring the economy and its development.

Second--the fixing of a realistic, actively operating rate, must go hand in hand with a simultaneously conducted correct policy of domestic prices, one which would make it impossible to put the costs of waste and low labor productivity on the purchaser.

Third--the rate policy should be tied to a simultaneously conducted policy to protect the purchasing power of the zloty, since the erosion of this power has a negative effect on the durability of ties with foreign countries. Only then will the exchange rate be a relatively reliable indicator for foreign-trade producers and organizations, and constitute a barrier for the growth of costs and prices inside the country.

If we do not take all of these closely interrelated elements into account, we will lose the case. The exchange rate will continue to support the export of less effective or ineffective product assortments, at the expense of reducing the development of the more effective ones. It will continue to exert strong pressure on a severe, systematic devaluation of domestic currency under the influence of the growth of domestic costs and prices. Also, it will have only a shortlived effect on the stimulation of export and a certain temporary reduction of import. It must be clearly emphasized that an active rate is a rate which stimulates action in a deliberately selected direction, aimed at increasing export but with a decidedly gradual improvement in export efficiency, and eliminates unprofitable import which could be replaced by cheaper domestic production.

III

Programs for developing our economy in a proexport direction have been frequently presented, but they have not been implemented. Under the pressure of the short-term needs of the balance of payments too little attention was paid to improving the efficiency of export, generating convenient or at least bearable conditions for those exporting less efficiently. The opinions that in a situation of payments strains programs for the restructuring of the economy should be postponed are not justified. Restructuring, if effected wisely, may gradually eliminate these strains. At the same time, proper selection of proexport fields of the economy demands an answer not just to the question of what is to be rapidly developed, but also what should be gradually abandoned so as to be able to keep up with competition on the world markets..

Therefore, specific improvements are necessary in the finance system, which already contains strong incentives to increase the volume of export. These are:

- income tax reduction,
- foreign-exchange allowances from export revenues.

The income tax is reduced by a percentage, specified in regulations, of the value of export according to transaction prices, possibly increased by the value of the increase in export. Similarly, foreign-exchange allowances are fixed on the basis of a percentage, resulting as a rule from the import-intensiveness of production, established in relation to foreign-exchange revenues.

Neither of these mechanisms takes the degree of profitability of export into account. In other words, both the enterprise which exports cheaper and the one that exports more expensively, can take advantage of the tax reductions and the foreign-exchange allowances which, in large measure, determine future development. This must be changed. Only those enterprises should be entitled to tax reductions which achieve a plus financial balance on the total amount of their exports and the reduction should not exceed the profit they earned on these activities. Therefore, it should not be possible to take advantage of reductions on taxes paid from profits earned on domestic deliveries. Also, tax reductions for enterprises dealing with highly profitable export can be increased. In this way, preference would be given to the development of export in the most profitable sectors, since tax reductions are supposed to work to the advantage of investments.

Furthermore, foreign-exchange allowances should be limited, or even withdrawn, in relation to enterprises which produce for export too expensively. Banks, too, in granting credits for export production should consider the degree of its profitability. If this course is implemented export efficiency would be improved and export would be expanded, at the expense of worse conditions for exporters who are producing worse.

There can be no talk about a dynamic growth of export unless its structure is improved, since it is the maintaining of this old structure, the supporting, for many years, of less profitable export at any price, that limits the ability of the profitable proexport sectors to develop rapidly. The investment zloty derived from tax reductions as well as bank credits is always an investment zloty, whose issuance cannot be unrestricted. On the other hand, the effect of where it is invested depends on how profitable the field is in which it is invested in accordance with the needs of the domestic markets.

Therefore, we must begin this process of the restructuring of export production with the full realization that it must be implemented gradually. But it is a necessary process and is not possible unless better conditions are created for the development of the better-working exporters, and at the same time, those who do not work as well are eliminated. On the other hand, if there is no such slow but consistent selection, there will continue to be no perceptible improvement in export efficiency, and without it, in turn, the growth of this export will be impeded.

IV.

Exchange rates are fixed on the basis of ratios of domestic and world prices in foreign turnovers, and strictly speaking in export, on the basis of statistical data. But these ratios are now being established not just under the

influence of prices on the foreign markets. To a decided degree they are the result of prices dictated to foreign trade by domestic producers. The prices not only cover the high profits of the final producers but also the passively accepted high prices of the suppliers, who often complain about the high taxes that they are paying. What is more, there is a rather entrenched unwillingness on the part of many enterprises to export according to transaction prices. This is shown by the very large percentage of export conducted by foreign-trade enterprises on their own accounts (over 80 percent).

This must be reversed. The foreign-trade enterprise must insist on deliveries at prices which will ensure profitable export at a honestly computed rate, breaking the monopoly of its domestic partners. This is a very difficult task when domestic demand is greatly unsatisfied. That is why a consistently implemented anti-inflation program in all areas is so very important--a program that would permit a reduction in consumer, investment demand in aggregate consumption to a level corresponding to the actual size of the national income. In general, therefore, the issuance of money without coverage must be halted. Without developing this very important, complex subject, we propose that two additional solutions should be introduced into economic practice.

First of all, transaction prices must be widely applied to enterprises which are manufacturing for export. This will give clear information on the profitability of export, independent of domestic prices which are dependent to a large degree on negotiating skills. At the same time, the exchange rate should be fixed using prime costs of production as the starting point and not domestic prices. The exchange rate combined with foreign-exchange prices should determine the profits of the enterprises, compared with the costs. Only then can there be a clear answer as to which enterprise is making a profit on domestic and export production. Calculating the profitability of export based on the ratio of domestic to foreign prices, and not on the basis of the ratio of domestic cost to price, leads to erroneous conclusions. This statement is proven by a concrete example from one of the large industries which obtained a high profit in 1982 on export production thanks to prices negotiated with the foreign-trade enterprise and at the same time paid considerable sums of income taxes into the state budget. The ratio of domestic to foreign prices showed that the enterprise's export was very unprofitable. However, the transaction price, which took into account the exchange rate in effect, was close to the prime production cost. Further examination showed that the suppliers of coproduction parts to this enterprise also obtained prices which ensured very high profitability, were passively accepted by the final producer, who concentrated his attention mainly around the negotiation of prices with the foreign-trade enterprise, and not with the suppliers. Such a situation appeared quite commonly in other industries.

Because of this, proposals are being made to return the income tax, collected from the coproducers for deliveries for export, to the final producer. Such proposals can be made, but they have nothing to do with economic reform. They indicate that the prices dictated by the coproducers are being passively tolerated, that they keep all of the benefits which result (including large funds for wages and development purposes), and that they are assured that all of their costs will be covered regardless of whether or not they are justified. Yet one

of the primary assumptions of economic reform is that the enterprise must have the right to negotiate correct prices with the supplier, with concern as to the profitability of its own production, not only to eliminate excessive profitability but also to eliminate unjustified costs of poor management.

The proposals that the profitability of export be calculated by comparing transaction prices with the costs of manufacturing the products, and not with their domestic price, are justified also by the figures on industry profits in 1982. Total profitability of sales in this sector (percentage of profit in relation to amount of sales) was 16 percent, but in export it was higher, for it reached 24 percent. If we take into account that domestic industry paid a turnover tax on sales, which does not apply to export, then in reality the average profitability of export in relation to profitability of domestic sales was favorable. At the same time, many branches of industry exerted pressure on a large devaluation of the zloty, because the ratio of domestic prices to transaction prices was unfavorable.

Of course, these are average data, but they confirm the fact that the profitability of export for a large part of industry at a given rate was ensured to a much higher degree if transaction prices were compared with prime costs and not with domestic prices.

It may be said that the proposal made does not reach the heart of the matter, because the problem arises as to whether or not the unwarranted growth of prices dictated by the producers should be controlled, leaving the present method of calculating export effectiveness unchanged. But such a stand does not seem right. The process of putting domestic prices into order takes time. Observation and examination of the ratio of internal prices to domestic prices [as published] is indispensable. But when we seek an answer to the question whether and to what degree export production is profitable, then the calculation should be made in relation to costs, and not internal prices.

It is also essential that the influence of the foreign-trade enterprises in the area of control over the prices offered by the enterprises be greatly strengthened. The foreign-trade enterprises, it is true, may even now demand a calculation of the preliminary costs of the goods being offered. But in many cases these calculations deviate from the real costs and seriously distort the transaction price.

A preliminary calculation is frequently prepared on the basis of large cost reserves. That is why it seems that the foreign-trade enterprise should be given the right to inspect the final calculations. Only then would the foreign-trade enterprise have good material to use as a basis for effective price negotiation.

V.

A policy of applying a realistic but also active rate cannot be limited to a constant devaluation of the zloty. It must be combined with a policy which defends, at least relatively, its steady purchasing power. This means that anti-inflation measures must be implemented consistently in all areas of the

economy. Only then will it be possible to have an efficient, long-range profitable exchange with foreign countries, with producers concentrating on problems of cost-reduction, quality, and on-time deliveries. Also, under conditions when foreign exchange must, of necessity, be subject to strict state control, the rule must be observed that in domestic transactions the only means of payment is the zloty--with the exception that the coproducer may be able to share in the foreign-exchange allowances of the final producer exporting his products. Attempts to break this rule cause serious disturbances in internal turnovers (purchasers who do not have the right to deal in foreign exchange are eliminated, and demands are made that parties not benefiting from funds that are centrally distributed make a foreign-exchange contribution). Such attempts also cause a further erosion in the purchasing power of the zloty (the creation, naturally, of ratios other than those resulting from the rate in effect, particularly under conditions of contractual or regulated prices). That is why excessive liberalization of regulations on allowing foreign currencies in internal turnovers, sometimes even logically warranted from the individual viewpoint, generally does more harm than good.

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CSO: 2600/527

CONSUMERS WEEKLY LAUNCHES CONTEST TO HELP BOOST SMALL BUSINESSES

Warsaw KURIER POLSKI in Polish 21 Dec 83 p 3

[Interview with Andrzej Nalecz-Jawecki, editor-in-chief of VETO weekly, by Krystyna Doliniak; date and place not specified]

[Text] Small firms--manufacturing, service, and trade--can more effectively help us overcome the crisis. After all, in a starved market all goods count, whether they are made by giant producers or by craftsmen. Therefore, together with the editors of VETO and PRZYJACIOLKA we are putting our signature under the contest named "We Support the Small." Today we wish to recall the goals of our joint action. We are discussing the subject with Andrzej Nalecz-Jawecki, editor-in-chief of VETO weekly, initiator and co-organizer of the contest.

[Question] VETO was the initiator of the contest "We Support the Small." Do you believe that small businesses really need support?

[Answer] I do. By our action we would like to bring about a wave of favorable attitudes, support and help for small cooperative, state, craft and Polonia firms. They are most needed now in particular, in the conditions of crisis. Small enterprises with their resourcefulness, initiative and entrepreneurship are, after all, a chance for a better supply of the market. Without large investments, capital and foreign exchange outlays, they can most effectively fill the gaps in market supplies, so acutely felt today.

[Question] Let us tell our readers which small businesses qualify to enter the contest?

[Answer] We would like to reward, as well as publicize in our columns, those firms which in the evaluation of consumers and our readers deserve the highest marks. We will praise and reward ingenuity, new initiatives, and high quality; in a word, good work. We anticipate two types of competition. In the first one those firms and work assemblies which have been in operation for at least a year can participate. We will give points there for increasing the production of goods in demand in the market, the development of services, and for export or production that cuts down on the need for imports. Improvement in the quality of goods, use of secondary raw materials and replacement of important materials by domestic ones will also count. I shall add that

one of the most important conditions in our contest will be prices--honestly calculated, competitive in relation to other producers, and not excessive.

The latter criterion also applies to the second category of businesses--newly created ones, which can also participate in the contest. The condition for joining is that the new enterprise, a cooperative or a Polonia firm, begin production of scarce goods in demand on the market. We also want to give high marks to small firms aiding by their activity housing construction, the food economy, or the production of goods for the export, or production of machines, materials or equipment for crafts. In the contest we shall also reward cooperative "aid" to key industries, particularly their market branches.

[Question] The regulations of the "We Support the Small" contest also anticipate awards for the allies of small industry . . .

[Answer] We have suggested such awards for the reason that small industry, crafts, cooperative enterprises and Polonia firms have been given the green light. In practice, however, it varies. There are provinces where small businesses prosper and others where for many years there has been stagnation or regression in this respect. In a word, much depends on the attitude of local authorities and bureaus for small industry. If the attitude is unfavorable, not even the best regulations will help. Therefore we would like to give awards to those who support the development of small enterprises in their areas. Many voivodes and chiefs [naczelnicy], as well as offices of administration, branches of the PZU [State Insurance Bureau], ZUS [Social Security Agency], PKO [General Savings Bank], and other banks, which facilitate the formal and legal side of small industry activity, can also qualify as "patrons" of small industry. I also think that in the competition of allies, scientific-research posts, experts, and technical or economic organizations which help little businesses to implement new technology, and to improve quality or lower production costs, can compete against each other.

[Question] The regulations of the contest also anticipate awards for the readers . . .

[Answer] We will reward those readers who will send to us their proposals for starting new products or services useful to the market. It happens, after all, that in certain areas there are facilities which are not in operation and run down, which nevertheless could be utilized. Often there is no shortage of easily accessible raw or scrap materials, which small businesses could utilize to the benefit of the market. We would like to present all such initiatives and evaluations of the best enterprises and services in our columns. I shall add that we have already accumulated in the contest account the sum of 2.5 million zlotys which will be distributed among the best small businesses.

12270

CSO: 2600/518

ROMANIA

QUALITATIVE CHANGES IN STRUCTURE OF METAL PRODUCTION

Bucharest REVISTA ECONOMICA in Romanian No 52, 30 Dec 83 pp 11, 12

[Article by Iancu Dragan, director general of the Central Institute of Metallurgical Research]

[Text] The evolution of any modern economy, the industrial growth of an increasing number of countries, in the context of the beneficial effects of the modern scientific and technological revolution, have made the tremendous development of the metallurgical industry possible and necessary. This all the more so because the development of some industrial branches (machine building, chemical, electrical engineering and other industries) cannot occur outside the improvement of the qualitative level of metal production.

In contrast to the situation in capitalist countries, as a result of the clear-sighted policy of our party, of the realistic outlook of party secretary general Nicolae Ceausescu, even in the context of the current world crisis, the Romanian metallurgical industry has been developing continuously: in 1981, for instance, Romania placed 12th in the world for the volume of steel output.

In compliance with the trends that manifest themselves internationally, the development of the metallurgical industry in this country focused consistently on changing the product structure and prioritizing arrangements for the production of items characterized by superior quality and top processing (Table 1). Telling in this regard is the more rapid growth of alloy steel production versus the overall steel production. Compared to 1965, for instance, in 1981 the production of raw steel went up by a factor of 3.88 while the production of alloy steel increased by a factor of 6.45 (Table 2). Moreover, there has been an improvement in the overall structure of rolled metal production by the predominant expansion of the facilities designed for the production of flat items, specifically cold-rolled sheets and strips.

Metal production considerably depends not only on iron ore resources but also on the energy availabilities mainly involving coke and electric power. In the field of the coking chemical industry it is well known that in the metallurgical industry of developed countries vast projects were completed to increase productivity and expand the basis of raw materials, to utilize low coking and noncoking coals for coking. To achieve these objectives, on a world scale there has been an extended use of the procedures for preheated charging in both heap coking and stamped coking.

Table 1. Dynamics of Major Superiorly Processed Metal Products

| Product | (Thousand tons/year) | |
|-------------------------------|----------------------|------|
| | 1965 | 1981 |
| Cold-rolled sheets and strips | 14 | 776 |
| Cold-drawn steel pipes | 0.6 | 92 |
| Cold-drawn steel bars | 29 | 206 |
| Dead-drawn steel wire | 159 | 706 |

In our country it has become necessary for research to focus on the problem of most rapidly producing a Romanian-developed procedure for using preheating in coking plants. In the same context, we must focus on developing new technological variants for production of bricks of an adequate composition and for using these in ground form, like any other component of charges in conventional coking, in both heap charging furnaces and stamped charging furnaces. In the area of utilization of native coals, good results were obtained in this country, results that are concretized in full use of low and very low coking coals, in western Jiu Valley. The need is still felt for the development of extensive projects of research, design, investment and arrangements for production aimed at using in coke production also noncoking coals from eastern Jiu Valley, from the mines in the Petrila, Aninoasa, Lonea, Dilja and Livezeni zones.

A general trend noticed internationally and monitored in our metallurgical industry involves the integration of highly efficient technologies and facilities in steel-making, ones that are advantageous in terms of fuel and energy use and increased rate of delivery. In this area the focus is on reducing the role of the Martin procedure, which also involves the use of hydrocarbons, and on promoting continuous casting. Under this five-year plan, steps are taken to ensure the material base that would permit, beginning in 1985, the gradual replacement of Martin furnaces, which are disadvantageous in terms of energy use and productivity, with oxygen converters. This will result in a structure of steel production, for the various steel-making procedures, similar to that now existing in France, West Germany, Japan and the United States.

Table 2. Evolution of Steel and Alloy Steel Productions

| | 1970 | 1965 = 100 Dynamics, % | |
|--------------------------------------|------|---------------------------|------|
| | | 1975 | 1981 |
| Steel -- total | 207 | 279 | 388 |
| Alloy steel and superior alloy steel | 187 | 461 | 654 |
| Pipes out of alloy steel | 108 | 312 | 495 |
| Rolled alloy steel products | 197 | 408 | 646 |

The continuous casting procedure also involves advantages in terms of reducing energy use and raising metal delivery, with direct impact on production costs. It must be emphasized that for all Common Market countries, the input of the procedure has gone up from 43.4% in 1978 to 53.8% in 1980. With an input of 22.1% in 1981 our country places at a level comparable to that in the U.S. and superior to that in

the Soviet Union (12.5%) and it is expected that in 1983 the level will be 31.4%. However, the achievements obtained do not permit ignoring the fact that there still are high values in terms of fuel and energy use and that there still are significant reserves to lower these levels.

Forecasting studies indicate that, at least until the year 2000, steel will be the widest used material in machine building and in industry in general. In some cases it will be replaced by other materials, but the volume of its use continues to remain great. For instance, in the motor vehicle industry, while the steels with common resistance will be replaced considerably with plastics, cast iron and sintered parts, the very highly-resistant steels will be exclusively used in highly stressed parts.

Coinciding with the quantitative changes will be important changes in the qualitative structure of production. The following period must see the assignment of a facility for degasing in steel making of more than 150,000 tons/year, a fact which will result in the qualitative improvement of the metal. In the production of bodies, the stamping sheet now being used will be replaced 25-35% with highly resistant stamping steels. At the level of our motor vehicle production under the next five-year plan this will translate to about 100,000 tons/year. In the aviation industry it is estimated that almost 60% of the materials used in motor construction will be replaced with steels and alloys produced on the basis of new technologies, such as directional solidification, solidification for amorphous steel, and the like.

The increase in production capacities and energy use will result in significant changes as to the qualitative requirements for materials utilized in the construction of thermal and nuclear plants. For these uses it will become a common procedure to deliver steels with the sulphur content of maximum 0.005% with MOSO ultrasonic control class, with upgraded guarantees in terms of resistance to cracking corrosion under stress and fatigue strength. Moreover, in deep drilling there will be important changes as a result of the increase, in 1985, in the average depth of wells to about 6000 m. In this area it will be necessary to produce large-size tubular material out of steels with the yield limit of more than 1050 N/mm² and proper behavior to cracking corrosion under stress.

These qualitative changes must coincide with significant modifications in the input of the various products in the overall rolled metal output. The development of the cold-drawing and cold-stamping techniques will bring about, in the machine building industry, a significant increase in the use of thin flat products, especially cold-rolled, instead of the thick hot-rolled sheets. Estimates anticipate in 1985 the doubling of current demand and the trebling by 1990. Furthermore, it is necessary to properly resolve the problem of products delivered in tempered state, without decarburizing layer, of spring steel strips with rounded edges, of bars and pipes with very close size tolerances, and the like, whose volume in the use of metal is increasing at a rapid rate.

For the purpose of meeting these demands our industry has developed vacuum-treatment facilities and facilities for treatment in continuous furnaces with protection atmosphere, which must be used to the full, at the level of the planned parameters. Moreover, it is planned to expand the capacity for producing vacuum-treated steel, including converter steel, specifically for the steel brands designed for ultrasonic control, of low-alloy steels or of low- and very low-carbon steels like silicon

steels or steels designed for deep and very deep drawing. Furthermore, projects are anticipated for expanding the facilities for desulphurizing converter steels for special purposes and some steels made in high-capacity furnaces, with sulphur contents of maximum 0.005%, with corresponding modification of sulphides.

The achievement of these goals requires greater efforts from researchers, scientists and enterprises for the wide-scale promotion of the latest scientific and technical advances, for the purpose of bringing results in the Romanian metallurgical industry to the level of results obtained in countries that have old traditions in this field.

11710

CSO: 2700/44

PROPOSED MARKETING PROGRAM FOR EXPORT OF ELECTRONIC PRODUCTS

Bucharest REVISTA ECONOMICA in Romanian No 50, 16 Dec 83 pp 10, 11, 14

[Article by Dr Petre Constantin: "The Elements of a Marketing Program for the Export of Electronic Products"]

[Text] Under the rubric of the opportunities for the development of the national economies that are offered by the different industrial branches, there are those industries "of the future" and those industries that are "condemned" in time (those that are energy-intensive, those that devour raw materials). The party documents clearly indicate that for Romania electronics constitutes such an industry of the future. Thus, the Program regarding the improvement of the technical and quality level of products, the reduction of consumption of raw materials, fuels and energy, and the better use of raw materials and materials during the 1983-1985 period and up to 1990 calls for the electrotechnical and electronics industry to continue to improve the structure of its production through the creation or development of certain new sectors of a higher technical nature and complexity, such as: microelectronics, industrial robots, equipment for nuclear-electric power plants, for new forms of energy, for aviation, and so forth.

The creation of a modern economy of high productivity, efficiency and competitiveness, as is noted in the program, one calling upon the latest advances of science, techniques and technology at the international level, raises problems of great responsibility for this sector, such as: "by what means during the period of this decade can there be an extension of the field of creativity and action of our electronics industry and what are the 'hard' points and the 'soft' ones, that is, the fields with opportunities and the ones without?"

In this effort, one unequivocal basis for comparison is the international market and its technical and commercial trends.

Technological and Marketing Forecasts

The branch forecasts as well as the aforementioned program clearly indicate the future of Romanian electronics, with the current stage marking the moment when the orientation towards electronics has become a priority rule and with significant amounts of investment funds being directed towards this branch. We are currently transiting an epoch of technological "modulation" - decisive for the future of

our entire economy - an epoch during which electronics holds a top priority position: it is the crossing point from an industrial society (exponential consumption of natural resources) to an informational society (exponential creation of material goods and services. Electronics is not only the key to certain broad technological changes (the wide-scale introduction into industry of digital equipment, semiconductors, microprocessors and robots), but also the technical support on the basis of which broad changes will take place in lifestyle itself, education, personnel training and the educational system. Furthermore, right from the 1970's electronics has placed its imprint on all the phenomena of economic and social affairs. Its role will be explosively amplified in the 1980's. In other words, the decisive factors for the economic development of a nation will become calculators, integrated circuits, microprocessors, industrial robots, optical fiber transmission systems, bio-industry and its applications (chemistry, agriculture and energy), the new technologies that will be applied to certain accelerated programs in two fundamental fields - education and medicine, the tying in of microprocessors to modern telecommunications networks so as to automate labor over distances, and so forth.

The generalization of data applications - and this is no farther away than the 1980's - requires all industries to be renovated and rebuilt on the basis of microprocessors and on the basis of program systems that will feed the microprocessors and robots. The records in the area of economic growth for certain countries and the performance levels in labor productivity are to a good degree the results of the wide-scale introduction of microprocessors and robots into industry and in all economic activities. Their applications right now are outlining a new internal division of labor and their dominant structures are represented by the top-level technology industries of high profitability.

The dependency of any modern society upon electronics has become so close that the degree of prosperity of an economy has already begun to be measured by its consumption of electronics technology, a connection that will be reinforced in the following 15-20 years.

It is precisely in this context that one can appreciate that currently electronics also represents for our country a strategic basic sector in its efforts for development and to reduce the gaps that separate it from those countries rich in technology. The objectives proposed in the aforementioned program - that the production of the electronics and electrotechnical industry in 1985 will be made up of products comparable to top international ones totaling two-thirds of total production in the industry, a phenomenon that will be expanded to all production by 1990 - precisely express the firm options of the party's economic policy for the development of modern bases for the entire Romanian economy.

In accordance with plan provisions, during the 1981-1985 five year plan our country's exports of electronics products will continue to be developed at a high rate of approximately 18 percent annual average.

It is estimated that at the 1985 level our computer equipment will represent approximately 33 percent of the branch's export, industrial electronic equipment and devices - 27 percent, electronic devices for the public - 17 percent, electronic components - 13 percent and telephone equipment - 10 percent. The export provisions during the period of the current five year plan primarily call for a sustained increase in foreign deliveries of electronic calculating systems (especially micro- and minicalculators), whose percentage in the total is to increase to approximately 40 percent in 1985, as well as deliveries of peripheral equipment. To the extent of diversification and increase in the quality and competitiveness of Romanian products in the field of computing it is possible to have a diversification that is accentuated for our exports to a number of countries and regions. For the 1981-1985 period, under conditions of producing certain ever more competitive equipment at reduced costs that are in line with the level of foreign markets, it is estimated that Romanian exports of active electronic components will be primarily directed towards discrete components, with this sector being relatively more developed currently compared to integrated circuits. In this context, it should be mentioned that the discrete component sector still holds a significant percentage in the exports of the developed capitalist countries, but the developing nation market has a relatively large capacity to absorb this category of components. Clearly, in the case of assimilating the production technology for MOS-type integrated circuits, the perspectives for the export of Romania's electronic components would be much better in the sense of achieving a large volume of exports in the field and of broadening the sales regions for our products.

The rapid development of the Romanian industry for medical devices, forecast for the 1981-1985 five year plan and in the future, will also permit - in addition to the attainment of certain high levels of production - obtaining a balanced structure in these devices that is in step with worldwide trends and in the framework of which the percentage of high-technology products - radiant energy devices (Roentgen, nuclear energy and laser) and electronic devices - is to continually increase from the 20 percent each in 1981-1990 to 30 percent and 40 percent, respectively, in 1991-2000.

Product Strategy

Since we are speaking of a market having such a historical opening, the problem facing Romanian electronics is one of continually adapting its strategy in accordance with the evolutions in technology and expanding the area of applications. This involves three large aspects:

- the option regarding the model enterprise upon which we will base this national specialty and the size of the units; within these, the design-production relationship;
- the option regarding the means of expanding activities of international economic cooperation for the purpose of accelerating technology transfer;

- the option regarding the rate of development of this branch, keeping in mind that the "time" factor appears to have, especially here, a vital importance because of the exponential development of electronics applications over time.

Analysis has shown that under given circumstances product strategy can be focused upon three complementary paths of action:

- the development and diversification of electronics applications on the basis of our own research-development activities;
- development on the basis of cooperation with foreign partners in fields of common interest;
- finally, sustaining its development through technology transfer (means of production slated for the production of electronics products).

With regards to research-development activities, a characteristic note on the world markets is the massive subsidies that are allocated by the state to the development of this strategic sector of industry - the integrated circuit sector - in those countries with a developed electronics industry (the United States and Japan), as well as the constant concern of the private companies along the lines of their own research-development and their own subsidizing of these costs by way of a systematic allocation of a portion of their annual business, reaching 10 percent in some cases. We should add to this the rapidity with which inventions, once they are out of the laboratory, are translated into production or, in contrary cases, when, depending upon interest and circumstances, the large electronics companies create their own true "stocks of technology," as is the case with fifth generation microprocessors which have not yet been released to the markets. These aspects stress the competitive power of the world markets and the need for the rapid, permanent advance of Romanian research in the field of developing research potential, including its material base, up to the level and scope that will ensure competitiveness in the fundamental fields of electronics and, first of all, in microelectronics, computers, data and communications.

Another path mentioned previously deals with the possibilities of developing electronics on the basis of international cooperation activities, but this can be accepted only under competitive conditions. It is a known fact that some firms in this branch, and this is valid for all the top-level branches in the developed countries, are interested in concluding cooperative agreements in production and sales, especially for products whose optimum circumstances have already passed by. Keeping in mind the average life cycle of the products of the electronics industry, products are discussed which were released 5 to 7 years ago and for which - it is true - the foreign market still offers an outlet, but a continually narrowing outlet.

Practice has demonstrated that there also are partners who possess high technology and which represent a real interest for cooperation, however, in the majority of cases the opportunities for bringing about the desired cooperation is blocked by the country's failure to grant an export license, with the largest portion of this technology being subjected to an embargo applied to all strategic products.

As a result, it seems necessary to intensify efforts as well for research cooperation with partners in the developed countries, as perhaps a slower means, but a more realistic one for access to top technology that these partners possess and which, compared to production cooperation, also have the huge advantage of improving the training of personnel and reviving their potential from their contact with the newest scientific advances. Also responding to this objective is the intensification of production cooperation with the socialist countries, which currently have a developed technical and scientific potential in electronics: the USSR, the GDR, Hungary, Poland, Bulgaria and the PRC.

The acquisition of technologies for electronics from the developed countries, a widely used means in the last decade in the development of electronics, can be combined well with cooperative actions or exchange operations. The technical and professional potential currently available in Romanian electronics can further ensure technical progress in the key fields of electronics: integrated circuits, computers and data.

With regards to the structure of production, the options that have been mentioned themselves require adequate organizational measures involving both the size of the enterprises (especially important for their technical "mobility" and for their possibilities to quickly readapt production processes) as well as the model of these enterprises: specialized enterprises and/or self-producing enterprises, as reality has demonstrated on the international market. Finally, it is necessary to support these options (exactly so we do not go beyond the possibilities) by a specialization of the overall Romanian electronics industry, both at its macrostructural level and at its microstructural level, keeping in mind, first of all, the needs of the national economy and exports and selecting those sectors and groups of products for which analyses show there are real chances in the future. This specialization at the national level benefits from the advantages of the unified planned socialist economy - at the same time being integrated in the orientations of our party's economic policy towards top achievements at the international level which can offer Romanian products with the necessary competitiveness on the foreign markets under the harsh conditions of international competition.

Such a priority sector is the production of integrated circuits (the nerve cells of modern electronics) as the first link of a national chain of highly specialized electronics sectors, where the links that are in the first phases of this national technological cycle will provide the raw materials for the sectors that constitute the final users.

The premises exist for the beginning of an independent national technological circuit in Romanian electronics, having its own capacity for innovation and development, to be as concentrated as much as possible in a geographic sense, perhaps close to the model called "Silicon Valley" in the specialized literature, that renowned "chain" of convex and interdependent electronics sectors, a system that has been verified from the point of view of its economic and

technical efficiency. Founded on the basis of our socialist production relations and the advantages of a planned economy, this circuit can bring about its creative worth even more. In the future, Romanian electronics has chances to become a technological support for the economic development of our country in the confrontation with the requirements of the future. At the same time, such a dynamic strategy is essential in order to produce certain modern electronic products that are competitive from a technical and price point of view with those that are produced by the traditional producers in the developed countries and, as a result, to amplify Romania's participation in the international trade of these products.

Sales Strategy

The fulfillment of the objectives listed in the current five year plan for exports of electronics products requires a complex sales strategy, using both the formula of direct exports and indirect exports. In this regard, we would recommend the following paths of action:

- the promotion of the export of certain categories of electronic products (computer systems, industrial electronic equipment and so forth) within the framework of Romania's deliveries of complex installations and the export of machine-tools; this requires the analysis of the export contracts of the enterprises producing complex installations and the establishment of the necessary amount of electronic equipment in order to provide them from domestic production. Similarly, it is necessary to establish certain regulations which will determine the general domestic and foreign suppliers and the general designers for complex installations, as well as the completion of offers and the concluding of export contracts, and which will keep in mind the equipping of these installations with electronic equipment produced in Romania;
- the development of cooperation with engineering companies through the appropriate Romanian foreign trade enterprise for the purpose of ensuring the import of the strictly necessary items needed in the Romanian production of electronic devices and equipment (both for those products slated for domestic consumption and those for export), in exchange for Romanian products;
- the creation of cadres of Romanian specialists who are capable of ensuring the export of know-how, licenses for Romanian production, information systems, and telecommunications equipment to the customer;
- the surveying of certain previously defined geographic regions as potential markets in order to obtain agreements regarding the export of electronic products, technological lines, licenses and so forth, as well as cooperation in production with Romanian electronics products companies;
- the invitation of certain decisionmaking authorities from some potential partner countries to come to Romania in order to demonstrate the possibilities of Romania's electronics industry;

- the establishment of certain preferential geographic regions for the promotion of the Romanian export of electronics products and the concentration of promotional efforts upon a number of countries in the regions that have been considered, with the pursuit, after a period of time from the introduction of products into this region, of the extension of the exports in this region; in the segments of the market in the regions that have been selected, the organization of multifunctional centers for the presentation of Romanian electronics products, the training of specialized personnel and sales and service, as well as for the local assembly of products in small amounts;

- in the case of developing nations, it is necessary to give special attention to licensing in the field for the purpose of ensuring certain long-term commercial relations with these countries; in some developing nations, the establishment of certain joint sales and engineering companies (especially in these regions: the Middle East, Northern Africa and India) and, eventually, production companies where the policies of the government encourage direct investments, while at the same time practicing restrictive measures regarding imports (Nigeria, Mexico and Brazil);

- the informing of the specialized fora in the developing nations (fora for the coordination of national programs for the development of electronics in these countries are at the governmental level) regarding the possibilities for cooperation with Romania in achieving certain similar actions;

- the inclusion of a provision in long-term agreements, in the commercial protocols concluded by our country with both the socialist countries and other countries, for certain identified amounts regarding the Romanian export of electronic devices and equipment (types of equipment, applications, forms of cooperation and so forth);

- the attainment of efficient commercial advertising and propaganda that will bring together all the actions necessary for promoting the export of Romanian electronic products: the creation and publication of prospectuses and documentation, the carrying out of demonstrations and tests for clients, the organization of specialized permanent and traveling expositions, the use of publicity inserts in specialized publications that have a wide international circulation and so forth;

- keeping in mind the trend to reduce the price-performance indicator on the international market, it is necessary to have a continuing concern for the improvement of the list of export items by way of: the improvement of the variety structure (in the sense of promoting and extending the delivery of those products that attain the best efficiency indicators); the reduction of production costs (for the purpose of improving income); the obtaining of certain export prices at levels comparable to those charged by the competition for products of similar technical performance, and so forth;

It is clear that the full resolution of the problems linked to the promotion of Romanian exports of electronics products in the coming years is an especially

difficult task which will have to involve special efforts at the level of research, production and sales. Under conditions where the potential of the world market to absorb electronics products is and will be ever greater, the essential condition for the achievement of certain increased volumes of exports by our country is the production of certain modern products that are competitive from a technical and price point of view with the equipment produced by the traditional producers in the developed countries, with this being paralleled by an accentuation of efforts to provide under the best conditions service activities and training for the specialists in the user countries.

8724

CSO: 2700/105

DEVELOPMENTS IN MACHINE BUILDING INDUSTRY

Bucharest REVISTA ECONOMICA in Romanian No 52, 30 Dec 83 pp 12-13

[Article by Ion Crisan, director general of the Central Institute of Research in Machine Building]

[Text] On a world scale the 1970-1980 decade was for the machine building industry a period dominated by powerful shocks, both in terms of the reduction of marketing possibilities and the product evolution of demand. Known are the spectacular declines in the production of automobiles, rolling stock, vessels, machines for construction and other categories of equipment, that directly reflected the steep rise in the price of oil and the stagnation of investment projects. The reaction of the entire technology to the two petroleum shocks that rocked world economy during this period strongly involved the machine building industry in all directions of evolution, produced by the need for reducing the use of hydrocarbons and for the structural transformation of the base of raw materials, specifically raw materials in the power industry.

Firmly proving the scientific clearheadedness of Nicolae Ceausescu is his initiative, as early as the beginning of the decade, on the comprehensive program of measures for an overall reduction of uses of energy and raw materials, by the continuous upgrading of all the processes of transformation of energy, of expansion of the production of modern power-producing equipment, and development of the domestic base of raw materials and energy, for the purpose of ultimately achieving, in a short span of time, independence in terms of energy. The sudden and considerable hike in the price of oil in 1973 and 1979 even more corroborated the relevance of these programs. The following period saw the accelerated expansion of the facilities for the production of heavy equipment needed for meeting the new requirements of the energy policy. Arrangements were made for the production of very sophisticated equipment for the purpose of increasing the extraction of energy carriers in domestic deposits. Expanded was the production of equipment for power plants based on low-grade coal and of equipment for hydroelectric power stations and nuclear power plants. These programs have largely contributed to maintaining a rapid rate of development in the machine building industry.

During the 1970-1980 decade the machine building industry in this country developed at an average annual rate of 14.5% versus 10.4% increase rate in the overall industry, and this resulted in the rise in the input of the machine building industry proper in the overall industrial output from 11.9% in 1965 to 23.4% in 1980 and the input of all machine building and metalworking, from 21.2% in 1965 to 35.2% in 1980.

In light of this input and the great diversity of products which it turns out the machine building industry can no longer be regarded as a production branch but as a complex in which one may distinguish a certain number of specialized branches. The internal structure of the machine building industry is being continuously enriched by the crystallization of new fields of activity.

At the beginning of the ninth decade the machine building industry in this country is fully integrated in the world interchange of values, being an essential factor in the structural modernization of Romanian foreign trade. More than 50% of the production of items such as tractors, oilfield equipment, rolling stock and the like is destined for export. This makes it necessary to upgrade the qualitative nature of the industry's potential, by a greater and greater emphasis on the resources of domestic research.

An even brief survey of the trends in the first years of the 1981-1990 decade in the machine building industries of countries with the major resources in this branch spotlights the mandatory character of such an evolution. A proof is precisely the way in which world technology has reacted to the oil crisis by reducing relative energy consumption and by rapidly expanding both conventional and nonconventional energy resources. The very rapid reaction to sudden and unexpected events proves that massive amounts of technological information kept in store existed, which could immediately be put in use. It illustrates the decisive importance of research and engineering for the adaptability of the modern production system to events of the amplitude of those which we have been discussing. We believe that we are not exaggerating when assessing that this adaptability through research has assured the survival of the modern industrial system, which, were it not for it, would have been shaken to its foundations, because the magnitude of the increase in prices for the major energy carriers equated an unprecedented contraction in the energy base of all the industry, even more, of the entire life of modern society.

This adaptability seen as a main trend in modern technology also is found in production shops, under the designation of flexible production systems. The aim involves integrating automation into the field of discontinuous production, small-lot production, even production of unique products. The machine tool with numerical control, provided with a tool shop in which there is an automatic selection for the various operations, handled by automatic manipulators that place on and remove the part from the machine and convey it from one machine to another, all this complex being controlled from a computer, according to the program fed to memory, this is the basic element of the flexible production system and -- in the not too distant future -- of the "factory without people."

There is yet a third plan in which we again find the same evident trend toward flexibility, toward rapid adaptation to various needs. It involves the structure of the machine building industry, the continuous upgrading of specialization by expansion of specialized production of components. To provide a plastic image of the dimensions of this restructuring we point out that only about 50% of world trade of machine building products involves the export and import of final products; the other 50% involves the exchange of components. Specialized companies have sprung up in the areas of new kinds of components used in aerospace construction, in nuclear equipment, in construction of technological facilities. Worthy of note is the phenomenon of proliferation of enterprises which turn out conceptual products (engineering,

consulting, technological and economic information, and the like). In spite of the crisis that has been affecting world economy for several years now and which has especially badly hurt the production of machines and installations, the research effort has not been diminished, but exactly to the contrary. The increasing competition requires the development of new products and upgrading of the quality of existing ones. It is clear that economic recovery will involve application and extended use of many new technologies.

For the machine building industry in this country, the two programs that were recently approved by the supreme legislative body, together with the provisions of the 1984 plan, the program for the upgrading of the technical and qualitative standard of products, reduction of consumption rates and superior use of raw materials, and the program for the greater increase in labor productivity during the 1983-1985 period and by 1990, synthesize a set of objectives which focus on the essential qualitative facets of development, mostly on the intensive use of the resources that stem from domestic research and development. In this context, the emphasis will be on modernization and redesigning of products, aimed at bringing their functional and economic performances to the level of the best counterparts on the world market. The project entails the significant increase in the content of research work incorporated in each new product and promotion of highly efficient but also sophisticated approaches. At any rate, this is the sure road to superior use of raw materials, to increasing the value obtained from each gram of metal. It is not accidental that the indicator of utilization of raw material must reach, throughout the decade, levels that are significantly higher than those in all the other branches. One of the main ways to achieving this objective involves increasing the input of complex machines and installations, produced in a modular concept, incorporating powering systems characterized by a high level of automation and control systems with miniprocessors and advanced computer technology.

The program for improvement of labor productivity also places the machine building industry at the highest level versus the other industrial branches. This provision is based realistically on the very high technological potential that has been created in the branch during the last decade, a potential which can and must be put to better use. The problem that is posed involves using on a large scale approaches which today are to a great extent developed, on the integration of automation in the hot sectors (foundry and forge), in welding, in assembly, where the proportion of manual operations still is too high. On the whole, the problem of handling of materials and parts between operations, within production lines and between lines, must be reassessed specifically in serial production but also in small-lot production of equipment, with increasing use of modern systems of transfer, manipulators and robots.

A significant task involves the conception and production of complex technological systems for its own production of machines but also for the other industrial branches, based on successive integration of fine mechanics and electronics. In this context special attention will be paid, in the machine building industry and also in electrical engineering and electronics, to increasing reliability of mechanical, hydraulic, pneumatic, electronic and microelectronic components, to ultimately ensure high reliability and availability of these systems.

ROLE OF SPECIALIZED PERSONNEL IN MODERN ECONOMY

Bucharest REVISTA ECONOMICA in Romanian No 51, 23 Dec 83 pp 21-22

Article by Dr Ioan Bratu: "The Structure of Specialized Personnel Under the Conditions of the Modern Economy"; passages enclosed in slantlines printed in boldface/

Text We live in an age in which science and technology are experiencing unprecedented progress, with more extensive and more profound effects on the development of the production forces and relations than any other economic and social transformations that human society has undergone thus far. The advances in science and technology are now incorporated, in an organized and systematic manner, into the production of material goods and services, there shrinking more and more the gap between the time of the scientific discovery and the time of its going into production.

Economic progress is now conditioned, to a high degree, by the current of new ideas, inventions, innovations, methods, procedures and techniques without which the modern evolution of the economy is inconceivable no matter how favorable all the other factors may be.

World experience is demonstrating more and more strikingly the fact that there is a close interdependence between the level of economic development and the quantitative and structural dimension of specialists, in the sense that the number and quality of specialists represent both a result of and a premise for economic development.

In the following, we intend to analyze the main changes in the number and structure of specialized personnel during the last two decades in our country and in some socialist countries, in order to distinguish some trends that are manifesting themselves under the conditions of the modern economy. To this end, we will concern ourselves with three main aspects: /the structure according to branches, the structure according to professions and the structure according to levels of qualification/. These structures are evolving particularly under the impact of technical, technological and organizational innovation.

The interest in analyzing the structure of specialists according to branches increases in proportion as the sphere of inclusion of scientific and technical progress is wider and its rate faster. Limiting ourselves to the data coming

from the censuses that took place in 1966 and 1977, we will try to point out the evolution and structure of specialists according to branches from a dual viewpoint: the level of training and the main groups of professions.

From the respective data it follows that in this period the biggest increases in the number of specialists occurred in the branches of industry, science, transportation and telecommunications, construction, agriculture and silviculture, health care and education.

We stress the fact that both as a whole and in some branches (industry, construction, commodity circulation and so on) personnel with specialized secondary training (excluding those with general-information secondary training) had a faster evolution than personnel with higher education. At the same time, a strong process of change in the grouping of specialized personnel according to branches is observed: branches like industry, construction, transportation and telecommunications, commodity circulation and science are increasing their percentage of the total specialists, while it is constant in agriculture and a drop is occurring in other sectors (education, administration and health care).

In the period examined, big shifts in /the main professions/ within the branches also occurred. Thus, for a number of groups of /decisive professions for technical and organizational innovation/ there was found: a big rise in the number and percentage of engineers in all branches, except for agriculture and administration. The drop in the number of engineers in administration is the result of the measures adopted by our party and state for using these specialists in accordance with their training; the concentration of physicists, chemists and so on especially in industry, education, science and health care; the number of scientific researchers increased more than 4-fold in the economy as a whole and very rapidly in the branches of material production, which helped to raise the scientific and technical level of production; foremen and technicians are concentrated especially in industry, construction and agriculture. Bigger increases occurred in health care and education, as a result of the growth of the technical-material base of these branches and the necessity of maintaining it and providing at a suitable level the training in production for pupils and students; personnel with management positions increased only 33.2 percent, due to the concentration and specialization of production, the creation of strong economic units and the preparation and application of the uniform structural standards. These measures led to the reduction of administrative positions, and a large number of engineers who worked in functional departments of the various organizational links were directed toward production, research and design activity; recordkeeping personnel dropped substantially in all branches, except for science, due to the preparation and application of the personnel quotas and the wide introduction of electronic technology for record-keeping and computation.

The expansion of the analysis to a longer period (1956-1977), according to groups of professions, revealed a few trends in the evolution of specialized personnel. Thus, there are professions that /are evolving rapidly/ (analysts and programmers, biologists, botanists and geologists, mathematicians and physicists, scientific researchers, chemists and biochemists, foremen, engineers and subengineers, and so on) and /others more slowly/ (economists, architects,

physicians, professors, technicians and commodity-science experts), just as there are also /professions in which the number of personnel is dropping/ (pharmacists, lawyers, planners, statisticians, accountants and so on).

The analysis of the data permitted there to be distinguished a number of professions of great significance for modernizing the economy that are extremely dynamic: engineers and subengineers, scientific researchers, physicists, biologists, chemists, biochemists, mathematicians and so on.

Regarding the evolution and structure of specialists according to levels of qualification and types of training, we note the fact, first, that the number of specialists in all specialties increased, with the most substantial increases occurring for specialists with a technical, economic, medical and pharmaceutical, and university and pedagogic specialty, and, second, that, due to the different rates of growth, important structural changes occurred. Thus, there were established, for some specialties (health, cultural and artistic, technical and economic), the faster growth of personnel with secondary education, in order to secure rational use of personnel with higher training, and, for others (economic, and university and pedagogic), the outstripping of the growth of the number of personnel with secondary education by that of specialists with higher training, in order to raise the quality of the activity done.

The most important changes consist of: /the rise in the percentage of personnel with a technical specialty/, both those with higher training and those with secondary education; the rise in the percentage of personnel with university and pedagogic higher training and the drop in those with pedagogic secondary education; the drop to half in the percentage of personnel with higher training with a medical and pharmaceutical specialty and the rise in the percentage of secondary personnel with a health specialty.

Of course, the evolution of the number and structure of specialized personnel--a general synthetic expression of the conditions specific to each branch and the choices and processes for developing and modernizing our economy--also includes, naturally, specific traits from one country to another. A comparative analysis becomes not just useful but even indispensable if we consider the correlation existing between the level of development of the economy and the evolution of specialists. Unfortunately, the published data are quite limited and their degree of comparability between various countries presents difficulties caused especially by methodological differences. Overcoming these difficulties entails putting the data in forms that would permit comparability. In this regard, we will resort to the CEMA data on the number of specialists with higher and secondary training.

According to these data, Romania is in third place among the socialist countries with which the comparison is made.

The fact that both the rates of growth and the structure of specialized personnel in Romania are close to those achieved in the other socialist countries indicates the great effort made by our country to train specialized personnel. They reflect the closeness of Romania's supply of specialists with higher and secondary training to the developed socialist countries. At the same time,

however, the gaps existing with regard to gross national product indicate, among other things, a less efficient utilization of specialists in our country.

An examination of the evolution of the situation of personnel with higher training shows us that important changes in the structure of specialists have occurred in the socialist countries, changes concretized in the rates of growth, the level of the percentage, and the trends manifested:

a) As regards the rate of growth, Romania is in the following places: second in industry, third in construction, fourth in transportation and telecommunications, commodity circulation and science, and fifth in agriculture;

b) As regards the level of the percentage, Romania is in the following places: third in industry, agriculture and silviculture, commodity circulation, education and administration, fourth in construction, fifth in health care and sixth in science and service for science;

c) In connection with the trends that are manifesting themselves, Romania fits into /the upward trend/ with regard to the branches of material production (except for commodity circulation), science and education and into /the downward trend/ in the branches of health care and administration (like the other socialist countries). We mention that this latter trend is also manifesting itself in industry, construction and education in some countries.

The quantitative and structural changes that have occurred have put their imprint on the change in the number of specialized secondary personnel per specialist with higher training.

The data on the economy as a whole show that the level of this indicator in Romania is similar to that achieved in the USSR and lower than in the other socialist countries.

According to branches, this indicator varies quite a lot, from one country to another and from one branch to another; nevertheless, we can note: branches with a level above 1--transportation and telecommunications, commodity circulation, agriculture and silviculture, industry, construction and health care--and branches with a level below 1--science, education and administration. In some countries, an upward trend and, in other, more developed ones, a downward trend were found in the branches of material production. In contrast, in the branches of science, education and administration, the downward trend of this indicator is manifesting itself in all the countries analyzed.

The analysis made demonstrates that the evolution of the number and structure of specialists in Romania fits into the general trends manifested in the other socialist countries.

The current dimensions of the Romanian economy and the accentuation of the intensive factors of growth are amplifying considerably the role of specialists in the multilateral progress of our socialist society.

The research done permitted us to distinguish a few more important aspects:

- a) The evolution of the number and structure of specialized personnel varies from one country to another according to many factors on which the level of economic development puts its imprint;
- b) The growth in the percentage of conceptional labor in the total volume of labor. Under the conditions of the speedup of technical progress, the more and more marked reduction of the life cycle of products and the continual assimilation of many new products and technologies, the volume of the documentation that must be drawn up in the process of preparation, guidance and control is rising faster than production, which has caused, in the final analysis, the growth in the number and the improvement in the structure of specialized personnel with higher training;
- c) The wide promotion of the gains of the scientific and technical revolution in economic practice is changing the professional composition of highly trained specialists and is causing the appearance of new professions and specialties;
- d) The growth in the percentage of technical and economic personnel represents the most important and most stable change in the structure of specialists in the developed states. Engineers and technicians, who are increasing their number and percentage in proportion to the development and modernization of production, stand out clearly in this category;
- e) Personnel in science, research and development are registering the highest rates of growth under the conditions of the modern economy;
- f) In the socialist countries, management and administrative personnel are registering a slow evolution or are leveling off as a result of the improvement in the management system and the wide-scale use of modern technology for record-keeping and computation.

In proportion to the development and modernization of the economy, these trends will have conditions for manifesting themselves more strikingly in our country too.

Along with the growth in the number and the improvement in the structure of specialized personnel, special attention must be devoted to fully and efficiently utilizing the capacity of the specialists for work. Growth in economic efficiency entails a qualitative leap in the activity of specialized personnel in the sense of utilizing to the utmost the entire potential for intelligence and raising the efficiency in all sectors of activity.

A substantial improvement in the degree of utilization of specialists presupposes, in essence:

- a) The creation of the conditions for raising the percentage of conceptional labor of the specialists in each organizational link and each field of activity, by drawing up programs that would require the utilization of the knowledge acquired and the accumulation of new knowledge. In many sectors of production, there is being felt the need to increase the number of technicians, who would take over a big part of the current operational tasks that are now performed by engineers, to the detriment of conceptional labor;

b) The priority assignment of specialists with higher training and, in particular, engineers to the sectors of design, technological engineering and factory scientific research. Economic efficiency now depends, above all, on the conception of the products and technologies. The constructive and technological improvements must lead to a substantial rise in the index of utilization of raw materials and supplies, to the economization of energy and fuel and to the growth of labor productivity and of the competitiveness of Romanian products;

c) The improvement of the information system in such a way as to supply good-quality and timely information to each specialist with higher training, in order to make it easier to know and improve all economic and social aspects and phenomena. The absence or the unsuitable quality of information affects the quality of the technical, technological, economic and organizational conception and the quality of the decisions made on all organizational levels. The innovative changes that are occurring in the production process on a world level at shorter and shorter intervals must not only be known but also be stimulated in order to impart a modern character to the economy;

d) The formation of interdisciplinary creative staffs in each economic unit, continually oriented toward promoting the new in all sectors of activity, composed of specialists and workers who would know in depth the respective problems and to whom there would be provided conditions for documentation and for making studies and experiments in order to improve the production process in various respects.

A substantial change in the role of engineers in the production process, a true qualitative change in their activity, will be able to be obtained only through the continual studying of the production process, of the technologies, equipment and installations that produce, by the very specialists who make use of them and can know them best. But, in order to do this, they would have to be relieved of a number of current operational, organizational and administrative tasks. Our economy now needs specialists with solid professional training, but also with an economic way of thinking, who, within the production process, would produce not only material products but also new ideas, solutions and principles that would lead to the growth of economic efficiency.

12105

CSO: 2700/106

ORGANIZATIONAL PROBLEMS IN DEVELOPMENT OF SMALL INDUSTRY

Bucharest REVISTA ECONOMICA in Romanian No 51, 23 Dec 83 pp 17-18

[Article by Eugen Hanca: "Some Organizational Problems in the Development of Small-Scale Industry"; passages enclosed in slantlines printed in boldface]

[Text] The dimensions of the 1984 development plan and the qualitative orientations of the national economy in the following years, as they result from the documents of the recent plenum of the Central Committee of the party, necessitate the utilization of the potential existing in each branch and enterprise, in each county, city and commune, at higher levels. Big tasks regarding the volume, diversity and quality of production and services, the harnessing of natural local material resources and of reusable ones, and the complete utilization of the work force are also set for small-scale industry, an economic sector with wide possibilities and prospects of development.

As an effect of Law No 2/1980, the coordination of the units in small-scale industry--regardless of their subordination and the form of ownership--by the local bodies was undertaken on a territorial basis; under the conditions of a certain diversification of production and services, a process of development of the network, concentration of some units, and consolidation of the material base occurred. This new form of specialization also constitutes, in fact, a new experience in matters of organization and management.

This year, despite the outstanding progress, the results have not reached the level of the plan. Comrade Nicolae Ceausescu stated at the plenum of the Central Committee of the party: "We have a rather large number of counties which are very weak in small-scale industry and to which greater attention must be devoted. At the same time, each county will have to take all the necessary steps, in conformity with the plan provisions, to eliminate the shortfalls and to secure the proper development of services, in relation to the requirements of the working people, of the population."

In the following, we will refer to some organizational aspects whose resolution can help to speed up the development of small-scale industry and to utilize better the resources that can be involved in its activity.

Varying Forms of Management and Organization

The great variety of activities necessitates forms and methods of management and organization varying according to hierarchical levels, from the foreman's formation to the enterprise (cooperative) as a whole. (Moreover, the very application of the economic and financial mechanism in this sector should start from the preparation of the income and expense budget at a work-formation level, supplemented with suitable forms of operational recordkeeping, in which single-entry bookkeeping would find a natural field of application.)

The foreman's formation in small-scale industry is rarely composed of workers with the same specialty. As a rule, the formation leader ought to be qualified for the specialty that has the highest percentage within the formation--a situation that presupposes coordination at a higher-ranking level for each specialty, by highly qualified specialists. For the formation leader, therefore, a dual subordination arises: on the one hand, to his superior (the shop or section foreman) and, on the other hand, to the coordinator of the production and technology for each activity that the formation performs.

We will thus have specialists in the branches of wood processing, garments, textiles, power engineers and so on, or even in the utilization of certain categories of local or reusable materials, who would provide specialized micro-technologies, particularly for recyclable resources. This would lead to the appearance of a management-organization element new to our economy--the position of /product supervisor/, dictated not only by the production and technological necessities but also by those regarding the qualification of personnel and the improvement of their vocational training, as well as by other responsibilities, by the provision of higher parameters to the entire activity in the respective specialty.

As an example regarding a specialized activity within small-scale industry, we will refer to the role of the product supervisor with a specialty of power engineer. Besides the contribution of conception and supervision, with direct responsibility, to the reduction of fuel and energy consumption in the current production of the units in small-scale industry in the locality (county), this specialist can make a direct contribution to the economization of energy resources, the utilization of local ones and the introduction of unconventional ones for other uses. Let us consider, for instance, the most elementary combustion process--the heating of dwellings with solid-fuel stoves. As recent research proves, wood consumption can be cut by up to 45 percent by utilizing in stove construction economizers that provide preheating of the air. Within the activity of small-scale industry in urban and rural localities, such solutions can be applied to the activity of construction and repairs on dwellings not connected to central-heating systems--which will also lead to the development of the production of terra cotta. Also along the line of the economization of energy, it is possible to develop activities of thermal insulation of dwellings, for reducing the heat losses--by sealing the doors and windows and reducing the heat transfer through walls (which is considerable in prefabricated apartment houses)--which would be of interest to both the heat supplier and the tenant. Depending on the natural conditions, small-scale industry can participate in the utilization of new energy resources, by making or setting up small solar, wind, hydraulic and biogas installations, at reasonable prices.

Since the activity of small-scale industry is performed by units belonging to the people's councils, to the artisan cooperative system and to the cooperative system for contracting for, purchases and sales of commodities, by agricultural production cooperatives and by shops of individual artisans, for those groups of products (activities, services, technologies) that are common or tangential, within the county, to several units, the product supervisor would have his place in the one with the principal percentage, he being invested with the task of operational coordination, on matters in his jurisdiction, for all producers (service providers) in the territory.

As I indicated, the diversity of production necessitates a relationship of order that can be provided by the product supervisor (or, more correctly put, the supervisor of branch production), which can permit, at production's level, the application of the method of management by exception. The informational structure suited to the method starts from the inventorying of usable local resources or of natural ones, an inventory that must be updated continually. The resource-utilization process entails the establishment of a list of products and technologies, there being created for each resource as big a data base as possible, which would be utilized by the product supervisor, the one who engages the material flow up to selling.

With selling being an element for verification of production on the market, there must be a /marketing activity/ that would provide information for self-regulation especially in the sphere of production, in order to act promptly to adjust it to the requirements of the market. Marketing has the regulative role in the resource-production-selling chain for these units strongly influenced by the requirements of the market. Regardless of the accuracy of long-term evaluations of the assortment structure of production, they will be able to cover a volume of only 60-70 percent, and the remaining 30-40 percent will be new products that must appear as a result of the changes in the structure of the resources and in the requirements of the market and of technological evolution. It follows that in the planning of small-scale industry there becomes necessary a specific system of development, including in the calculations a "new activities and products" chapter--which, although it can be relatively big in the total volume of the plan, will cause relatively low general development, since it will offset the disappearance of current products and activities for which a demand and possibilities of efficient achievement no longer exist.

Management by Objectives and by Exception

The level of coordination on a territorial basis (the county people's councils) and that of the units in small-scale industry are suited to the application of the method of /management by objectives/, which confers on the decisions additional scientific support and efficiency in outlining the long-term orientations and in adopting the decisions for solving current problems. In the case of the unit in small-scale industry, among the objectives it would be possible to include the development of existing activities, the supplementation of them with other, new ones, the inclusion of as large a number of localities as possible in the network (particularly for services), and the expansion of home-work--to which the approach (with the assistance of the county planning commission) and solution would be based on advisability, feasibility and profitability

studies. The next level, for regulating the production process (a prerogative of the product supervisor and the section and work-formation foremen), offers ground for /management by exception/. Starting from the periodically updated inventory of reusable material resources (coming from industry and other activities in the county's range--materials whose recycling is not done, as in the case of metallic, paper, glass and other refuse, in the specialized units) and of local materials, this method would have a big role in the selection, implementation and utilization of the most suitable technological processes for utilization and production. In this way, the product supervisor and management by exception would confer greater flexibility in the resolution of a big range of problems, permitting at the functional level the adaptation of the method of management by objectives, suitable for the problems that are raised by the relationship between the unit and the territorial area in which it performs its activity.

Let us illustrate concretely what can become an objective for the functional level, referring to the practicing of homework, which offers advantages for both the unit and the one who works under such conditions. The problems raised by this objective are quite complex, a fact that has led to some failures. It is not easy to coordinate production, to provide the necessary supplies and to collect the finished products from workplaces scattered like this. This is precisely why a program of action based on extensive information and a wide exchange of experience are necessary for expanding this form of labor.

The expansion of the content of the services is also an objective for the units in small-scale industry. If we take furniture repairs, for example, we find that, besides repairs proper, the customer can ask that some modernization also be done, which poses for the doer problems not only of professional ability but also of knowledge of aesthetics and utility; consequently, we can see that the unit has an objective to attain that is difficult, but important for its own development.

As I indicated, one of the objectives that must receive the attention of these units is /the development of the activity in as many localities as possible in the territory/, starting from a study that would evaluate the possibilities of expanding the specific activity and of supplementing the specialty with new activities. However, the current practice has demonstrated that such studies--when they are made--are very rarely utilized, if a /nucleus/ that would provide the starting point does not exist in the locality taken into account (especially in the rural area). In other words, the existence of a precedent in the field stimulates development. But, in fact, are such nuclei really absent?

As is known, Law No 2/1980 (Art 1, Par 2) establishes the direct subordination of the performer of milling services to small-scale industry. The mill in the commune could constitute that starting point. An auxiliary farm with a plan for raising poultry and small animals can be set up around it, with the offal resulting from milling being utilized for feed and with the time of the employed personnel being used efficiently. A stand for selling the products of small-scale industry can be organized within the mill, the aim being to meet the need for some agricultural tools and for objects for household use. The determination of the available manpower according to periods and of the

possibilities of expansion of homework and the finding of usable local resources or of resources in the immediate vicinity of the commune would substantiate the activity-development programs, with the material and information flow for the production decision having as a coordinating headquarters for the respective locality the constant element--that is, the mill. Moreover, it is possible to go on to the taking of orders for the performance of services (for instance, construction work, either for the population or for socialist units). Through these mills, products from the population's farms can be collected for processing--hides for tanning and furriery and wool for carding and spinning. Through prices and rates that would reflect in a correct and balanced manner the value and utility of the respective products and services--taking into account also the fact that, at present, for many of them, undoubtedly, the demand exceeds the supply--it would be possible to provide suitable profitability and, thereby, the basis for further developing such activities.

The variety, the one-of-a-kind or very-small-series character of a big part of production, the difficulty of the processing of reusable materials, and the more modest technical facilities give to labor in small-scale industry a complex character and necessitate well-rounded training, elements that should also have a correspondent in the area of pay, through a closer correlation of its ranking and level with those practiced in national industry for the corresponding branches of activity.

Coordination of the Sector on a National Level

Although directly connected with local needs and possibilities, the development of small-scale industry cannot be done unilaterally but must take into account the balanced contribution to the resolution of general requirements of the national economy.

Many and various problems of coordination are posed, of which I will point out a few. First, a clear definition of the /strategy/, which, starting from the coordinates of the sole national plan, would also describe in detail, besides the tasks exclusively specific to small-scale industry, those for supplementing the range of products and activities that the national sectors are not able--nor would it be rational--to cover completely. A strategy that would correlate the own objectives of bodies like UCECOM [the Central Union of Artisan Cooperatives], CENTROCOOP [the Central Union of Consumer Cooperatives], the National Union of Agricultural Production Cooperatives, and the Committee for Problems of the People's Councils.

Second, /the organization of cooperation between counties/ in the field of small-scale industry, both along the line of resource utilization and along a line of production and sales, and /the resolution of common problems with the industrial ministries, the synthesis bodies and the foreign trade system/.

Third, the perfecting of a mechanism for /studying the domestic and foreign market/ for the products of small-scale industry, with the involvement of the specialized institutions, which would better orient production toward satisfying the requirements of the population and achieving increased, diversified exportation with high profitability.

The promotion of /technical progress/ in this sector is of particular significance. But such an objective cannot be attained with the relatively low potential of the units. We cannot speak of the recycling and utilization of secondary resources without applying technologies suited to the microactivities of small-scale industry. Thus, there must be, first, research of its own, which would create for each specialty prototypes of new products and technologies, with a strong involvement of design, and, second, an extensive /exchange of information with the research institutes/, which would permit the prompt adaptation of production to resources, in accordance with the requirements of the market, on the basis of the creation of an extensive library of data on technologies, utilization programs, and products possible to obtain. This also presupposes a method of /transferring, on a credit basis, the results obtained by the research institutes/, since the financial resources of many units in small-scale industry, found in the phase of consolidation, are insufficient for commissioning studies and technologies. The possibility of gradually reimbursing the research expenses, in proportion as products that yield income are achieved with the technologies applied, should be analyzed. The level of profitability of these products can cause faster payment of the debts, a fact that would create a relationship of joint interest between the partners, since, naturally, the research loan would have to be gotten by the respective institute.

We also note--without exhausting at all the list of fields in which active, effective coordination is essential--the necessity of a specific form of /further training of the personnel/ in small-scale industry, further training that (given the extremely diversified vocational range) would involve, in particular, economic training and training in the field of organization, adapted to the conditions of the sector.

Since, on a territorial basis, the management of small-scale industry devolves upon the local bodies, we consider it right that, on a national level, the coordination be provided by developing a specialized sector within the Committee for Problems of the People's Councils.

The importance that our party and state are now according, within the economic policy, to the development of small-scale industry must stimulate the continual improvement of the forms and methods of organization of its activity, within the general framework set by law, so that this sector may occupy and justify its proper place in the national economic complex, increasing its contribution to satisfying the needs of our socialist society.

12105

CSO: 2700/106

ROMANIA

BRIEFS

DANUBE-BLACK SEA CANAL--In a cable extended to the RCP Central Committee and Comrade Nicolae Ceausescu, the builders of the Danube-Black Sea Canal reported that basic work has been completed on all worksites and that preparations are under way to open this waterway for navigation shortly. Along with specialized units of the Ministry of Transportation and Telecommunications, brigade workers of the national youth worksite, and the military of our armed forces, practically the entire country participated in the construction of this canal. [passage omitted outlining cable]. [Excerpts] [AU292045 Bucharest Domestic Service in Romanian 2000 GMT 29 Dec 83]

CSO: 2700/114

ROLE OF SELF-MANAGEMENT IN ECONOMIC CRISIS ARGUED

Papic on Unnamed Critics

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1719, 11 Dec 83
pp 18-20

[Article by Zarko Papic: "On the Subject of 'Real Self-Management' and the 'Consensus Economy'"; passages enclosed in slantlines printed in italics]

[Text] The discussion about the crisis in our country, about its causes and character, displays an enviable degree of confusion in every respect. It is quite normal for this discussion to be highly politicized. But it all becomes somewhat different when the high-pitched tones in the critical accusation of our "situation" become sufficient unto themselves, and arguments are sought according to their "heightening" the pitch of the criticism and in the absence, it must be admitted, of a normal effort to establish the causes and character of the crisis. I fear, then, that our examination of the crisis is excessively scholastic.

It is certain that we were not the first to discover the bureaucracy's inclination to defend its own position by playing down the magnitude of the problems a particular society confronts. But it does not follow from that that the "method" of analyzing our situation which is based on the viewpoint "the better it is, the worse it is" is an emanation of an antibureaucratic and historically progressive position.

The situation under discussion is one in which the assessment as to whether our crisis is "economic" or "social," is determined not so much by an actual insight into the state of affairs as by a prior "method."

However obvious it is that we are in an economic crisis, it is equally obvious that socialist self-management is not in crisis, either as practice or as a concept of social development. Since our practice is variegated, it is the statist and technocratic practice that is in crisis, and in a social sense it is the generator of the economic crisis.

The remarks which follow can perhaps illustrate the evaluation that the discussions of the crisis are scholastic.

1) It seems that the tardy identification of the real scale of the problems in our economy led to exclusiveness with respect to assessment of their causes and identification of the "internal" causes as virtually the only ones. Of course, that level of self-criticism is worthy of praise, and it certainly is not a question of playing down the importance of the domestic roots of the crisis of our economy.

It is a question, however, of a need to avoid the danger of underestimating the external causes of our problems, not from the standpoint of justifying our mistakes, but from the standpoint of seeking real solutions in the long run.

The "exclusive concern" with "domestic causes" implies acceptance of everything that happens in international economic relations as a situation that is definitive and normal. Then, on those premises there is a real danger that our strategy of getting out of the crisis might become defensive. We are not referring here to specific terms and conditions of international financial organizations. Yet the necessary acceptance of those terms and conditions does not signify staying with that, but it also demands an activity which in future will signify creation of a situation with alternatives, that is, the possibility of choice and of our active position in that connection.

Only Our Own Crisis or Only a World Crisis

It is still more important perhaps to understand the character of the policy of the leading forces of capital for emerging from the world crisis and in relation to that character develop in good time mechanisms and forces of defense both as a part of the international community and nonalignment movement, and also as an individual country.

2) It seems that the "exclusive concern" with "domestic causes" has favored that type of diagnosis of the causes which has been more a reflex of the discussions in our economy over the last 15 years or more than a real analysis of the situation. The essence of that doctrinaire reflex lies in the position that the principal cause of our economic troubles is "an economic system wrongly set up from the outset," and that is where the first blame should be put.

This view is backed up with the argument that our economic system is a product of the "voluntaristic mind" of the League of Communists and that there were two reasons why it was possible:

a) Because the politicians did not listen to our economic science, while it was opposed from the outset.

b) Because a narrow group of economists were "in power" and they were "listened to."

The methodological foundation of this, if we might call it so, political "economy" of our everyday situation is that the development of society is basically determined by disputes between economic "schools" and by the favor which "politics" shows toward some particular one of them.

Since at the outset of the seventies one school did win out through the favor of "politics," it had the opportunity to create society according to its own doctrine. The troubles which we have had show that the favor of "politics" was wrongly bestowed and that the hour has come for the mistake to be corrected and for the reconstruction of society to begin on the basis of another doctrine.

In all of this it is not just a question of possible criticism of these views for being scholastic, nor of a warning that with respect, say, to the OOUR [basic organization of associated labor] the SFRY Constitution is not a subjectivist act, but the normative legalization of a real process of development in our direct self-management since the mid-fifties and the development of the work units up to the present day, the result, then, of the class struggle of the workers and not of the "fault" (or "credit") of someone's theory. It is a question of the viewpoint of a political "economy" of the everyday situation to the effect that society can be shaped according to the balance of power between theories, especially economic theories, and that the direction of that shaping was long ago given in doctrinaire fashion.

Have We Gone Too Far

In this methodological context the causes of the crisis and the ways of overcoming it remain exclusively doctrinaire; everything was already known in the kingdom of our doctrinaire debates, and nothing has happened in the meantime, at least not in social practice.

As for that "methodological" criticism, it is more essential that a major portion of our discussions has remained aloof from an elementary insight into the real problems of our practice, into what is happening or is not happening within it. At this point the scholasticism we have referred to harbors a serious danger of an erroneous assessment of the causes and a placement of the directions for getting out of the economic crisis on the wrong foundations.

The need for additional work and changes in the economic system is beyond debate. The gist of the matter is that the line of change leads toward a strengthening of the real power of the working people and development of self-management, not toward casting them back into the doctrinaire "realisms" of the early sixties.

The class aspect of the problem must be brought back onto the stage of our discussions.

3) Our discussions of the crisis have been under a strong pressure from an offensive by the technocratic and petit bourgeois consciousness, which has rightly referred to itself as a concept of "real self-management."

It is still interesting that numerous vigilantes (budnici) on our antibureaucratic scene are not in the least interested in the emergence and elaboration of this new category nor in the possible associations which it evokes.

The essence of the criticism of our situation from the standpoint of "real self-management" is that we have gone too far in the development of self-management, we have conceived the system utopistically, that things do not function for that reason, and that we must make a realistic retreat, the sooner the better. Of course, this line of thought, which for the present is spontaneous, demands and will continue to demand its own theoretical articulation. By the logic of things it will find it in opposition to the consistent theoretical interpretation of socialist self-management and in opposition to the view that the causes of our problems should be sought in reality, not in the commitments in and of themselves.

Specific forms of elimination of any "real self-management" of anyone else's theoretical view, which are, of course, untheoretical in nature, have also been developing in this context. Thus the phrase "consensus economy" would be coined; its clear function is to move the discussion from the terrain of theoretical arguments and criticism to the plane of "common sense" in its petit bourgeois conception. The need for supporting arguments and discussion is eliminated by repetition of the phrase (and this "makes it clear" to the common sense of our petite bourgeoisie that it has actually been right all along).

The logic in this is that the consciousness referred to is not aiming "only" to get out of the crisis, but to get out of the crisis in a direction that signifies giving up the "radicalism" (of course, "utopistic") of the LCY along the line of socialist self-management.

From the standpoint of the directions being taken by this frame of mind, an extremely interesting criticism of the Long-Range Economic Stabilization Program has now emerged.

These documents are certainly a fundamental response to the economic crisis we find ourselves in, and, regardless of the possible theoretical discussions of the "perfection" of each of its theses, it is undoubtedly an appropriate and constructive program worthy of full support. Its basic attribute concerning our practice is to reaffirm the concept of social development that was initiated in the seventies, that it did not, then, give in to the pressure of the ideology of "real self-management." For that reason the consistent and rapid implementation of the Long-Range Program ... is a condition both for resolving the accumulated economic problems and at the same time they would be resolved in the direction of the further development of self-management. Any "blockade" or slowness in carrying out the Long-Range Program ... is not only intolerable from the standpoint of the clear commitments of the LCY and of authentic resolution of the problems, but it also opens up the possibility of the operation of "programs" which have not been founded in self-management. In the final analysis resistance of the Long-Range Program ... is opposition to self-management.

The 10th Congress and the Platform

Whereas several sharply critical observations made during the drafting of the Long-Range Economic Stabilization Program, coming from what we might refer to

as "the left," are remembered only as episodes, it now seems, after its adoption, that it confronts a far more serious critical "danger." This is that criticism which perceives the long-range program as a "betrayed love," as unfulfilled expectations from the historical horizons of "real self-management." In that context it is critically interpreted as a "minimal program," as something whose specific interpretation from the standpoint of "real self-management" signifies only a cracking of the door to what constitutes the totality of that view of the world.

The interpretation of the Long-Range Program ... as a discontinuity in the commitments of the LCY as well as the ideologization of that discontinuity is extremely interesting in this regard. It is a question of ideological criticism of the 10th LCY Congress through criticism of the platform for preparation of that congress.

The arguments are as follows: a) the platform for the 10th congress insisted exclusively on a "consensus economy"; b) the resolution of the 10th congress rejected "almost in its entirety" commitments of that kind (whereby the congress itself only appeared to be "in favor," and that, it seems, in that "phase" of public activity); c) the economy on which the Long-Range Program ... insists and the "consensus economy" are "not only two policies, but also two ideologies."

The entire system of arguments is based on the fundamental piece of disinformation that the 10th congress "rejected" the platform.

By contrast with that, the truth is as follows: the 10th LCY Congress was held after numerous social "upheavals" in our country, in 1971 and 1972, after the surmounting of the nationalistic and technocratic-liberalistic tendencies which even had their factional aspect in governing bodies of the LCY. The direction taken in preparing the 10th congress was to create firmer unity in the entire LCY on a constructive program of new steps in development of socialist self-management. Those two functions (unity and long-range orientation) were supposed to be performed by the platform for preparation of the congress. The matter was regarded as important enough for the 10th congress itself to be held more than a year later than the 4-year period which is customary between LCY congresses.

The 10th LCY Congress accepted the platform both in essence and formally and incorporated it into its own positions.

The resolution of the 10th congress, entitled "The Struggle for Further Construction of Socialist Self-Management and Tasks of the LCY," states the following in this connection: "Intensified activity of the LCY has created conditions for /the platform for preparation of views and decisions of the 10th LCY Congress to present clear assessments of the road that has been traveled, for the basic programmatic views of the LC to be further developed and updated, and for the directions of its political-ideological struggle in action to be defined/ (emphasis mine--Z. P.).

"Public discussion in the LCY and in society at large has supported and confirmed the views of the platform. /This document represents a synthesis of the knowledge and experience gained from the very recent struggle of the LCY to develop socialist self-management/ and a confirmation of its leading political-ideological role. /The basic content and views of this document have been incorporated into the resolution of this congress./" (The preamble of the resolution is to be found in "The 10th LCY Congress--Documents," "Kommunist" Publishing Center, Belgrade, 1974, p 200.) Also "the 10th LCY Congress ... /obligates all members, organizations and governing bodies of the LCY in their activity and in implementing views to take as their points of departure this and other resolutions and documents of this congress and the principles and provisions of the SFRY Constitution and widely accepted commitments of the platform for preparation of the views and decisions of the 10th LCY Congress./" (p 243)

Tito said in his address at the 10th congress: "With the critical analyses which we have made in various meetings of governing bodies of the LCY, with the formulation of goals, the constitutional amendments, the Letter, and the platform for the 10th congress ... we have put an end to the debates with respect to policy and the tasks of party members and have given them a clear ideological and political direction for the struggle in the coming period. Precisely this has made it possible for us to break up the factionalism and to firm up the unity of the LCY once again" (p 62), as well as the following: "On all the essential issues I have spoken about here as the essential factors in the future development of our socioeconomic system, /definite and clear positions have been taken in the constitution and sufficiently definite and clear substantiation has been presented in the platform/ for this congress. That is why there is no need for me to enter into all that here in greater detail. /Our task now is to begin to change things on that basis./" (p 42)

It seems rather clear, then, that the platform cannot be "separated" from the 10th congress which adopted it. In this context, however, it is not just a question of radical criticism of the 10th congress through criticism of the platform.

Creative Continuity

The real content of this set of arguments lies in the implicit setting of the Long-Range Stabilization Program in opposition to the 10th congress, which in and of itself is a piece of ideological fantasy.

The logical and real content of these arguments is as follows: The platform was based on the "consensus economy," while the Long-Range Program ... is "another ideology" with respect to that "economy"; since the 10th congress did really adopt the platform, then the Long-Range Program ... is set in direct opposition to the 10th LCY Congress. The appearance of a "favoring" of the 10th congress thereby, of course, ceases to be in effect.

Of course, the platform did not insist on the "consensus economy," nor are we dealing with theoretical matters. The platform insisted on consistent

development of socialist self-management in exercising the power of the working class, and disputing it by means of a fabrication about the identity of the platform and someone's theory is only a transparent attempt to cloud over ideological rejection of the platform and the 10th congress as well as the attempt to return to the "upheavals" in society which we had in 1971 and 1972, but now from the position of criticism of the LCY and rehabilitation of what was at that time defeated both in ideology and practice.

I do not, of course, think that the texts of party documents represent truth that has been given once and for all, nor that any of them is critical discussion. Nor do I think that the continuity in the policy of the LCY can be conceived as a mechanical verbalism of reiterating the same general passages.

We are dealing with something else here, with a "construction" of our more recent history in a manner which rejects the basic commitments of the LC, which is done from the standpoint of the urgent interests of an increasingly ambitious technocratic liberalism in our country.

I think, to conclude, that the Long-Range Program ... and the positions of the LCY related to it should be defended quite clearly against ideological hit-and-run attacks of this kind.

Response From Nis

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1722, 1 Jan 84
pp 19-20

[Article by Dr Caslav Petrovic, docent for political economy and the economic system in the School of Philosophy at Nis University: "The 'Powerful' Against Self-Management"]

[Text] There are several reasons why I do not agree with the article entitled "On the Subject of 'Real Self-Management' and the 'Consensus Economy'" by Dr Zarko Papic: first, it is a kind of monologue, which does not issue an invitation for a dialogue; second, it is not a professional and scientific line of argument, since the facts presented do not support the positions it takes; third, the author is waging polemics not addressed to anyone, yet every phenomenon and every event has its own protagonist, someone with a first and last name; fourth, abstract discussions of this kind have no value whatsoever, and as a rule they are self-serving. I will therefore present my own view of the problems and events treated through several critical remarks:

1. The author's attempts to point to the basic problems and features of our crisis remain exclusively within the bounds of an attempt. He even has a fear that "examination of the crisis is excessively scholastic." The crisis is not discussed at all in a "scholastic" way. The Long-Range Economic Stabilization Program is by no means a "scholastic synthesis," and the party plenums of the LCY Central Committee and republic committees are by no means "scholastic gatherings." I was also surprised by the author's dilemma as to whether our crisis is "economic" or "social." In intellectual and scientific circles there are no such dilemmas. Learned people know that the crisis

occurred because of disturbances in social relations which have brought about changes in economic relations as well. The resultant of these disturbances is manifested at a certain level as a "crisis." The dialectical unity of the productive forces and production relations confirms this view of mine concerning the rejection of any dilemma about the existence of a merely "economic" or merely "social" crisis. I agree with the author that "statist and technocratic practice in the social sense is the generator of the economic crisis," but it is not the sole generator. Why has the free manifestation of "statist and technocratic practice" been permitted in our socioeconomic system, when it is reliably known that they are the protagonists of social and economic destruction?

2. The dialectical unity of internal and external causes of the crisis is well known to learned men. Much more important, however, is the question of which of them has the stronger and which the weaker impact on the crisis? Yugoslavia's scientific community and public are mainly aware of the external causes of the crisis, but they are not sufficiently familiar with the internal ones. I am not underestimating the effect of the external causes, but the internal causes are much more significant from the strategic standpoint. Successful discovery of appropriate mechanisms and instruments which will be capable of opposing the effect of the external causes of the crisis depends on recognizing them. Comrade Papic does not have a clear position on these questions and he makes the observation: "Exclusive concern" with the "domestic causes" implies acceptance of everything that happens in international economic relations as the definitive and normal situation.

3. I do not agree with the author's observation about the "exclusive concern" with the domestic causes of the "crisis." I think that the essence does not lie there, the domestic causes have been constantly suppressed, there has been an absence of a real desire to identify them and to seek solutions through their identification. The external causes have been constantly glorified, accompanied by the sentiment that "we can solve all the problems spontaneously."

4. I do not agree with the observation that this is an "economic system ... wrongly set up from the outset." But I do agree that its functioning has been rather disharmonious, and that mainly because of the voluntaristic decisionmaking at various levels. This is confirmed by the fact that there has constantly been a difference between the formal and the essential, between the declarative and the actual, and so on. As far as I am aware, no one even today has rejected Marx's view concerning the planned guidance of a socialist economy, which is proof that the plan is the principal instrument for achieving harmony in the development of a socialist economy. Realization of planned proportions in development of the Yugoslav economy has long been neglected in our practice. Those proportions are reflected only formally in the resolutions for the coming year as a kind of extrapolation of the average trend and are not binding upon anyone.

All this has created a favorable climate for voluntaristic decisionmaking even on such important issues as the construction of new (sometimes even duplicate) production plants, the acquisition of outdated technology and a

large number of licenses, creation of representative offices abroad mainly for purposes of importing instead of exporting goods, and so on. That is the basis on which Obrovac, DINA, Vlaknatica in Despotovac, FOB in Belgrade and others came into being. Had there been uniform criteria governing construction of new production plants, the severity of the crisis of our economic system would not have been so great. The unified economic system has been sketched out only in certain parts of the laws embodying the system; otherwise it has been functioning as a system of eight more or less autonomous economies.

5. The division of "economic schools," in Papic's opinion, into those "in power" which have been listened to by "politics" and those "others" (?) I reject with indignation, since it cannot be accepted even as fanciful.... I do not know where Papic puts himself, since as far as I know he was executive secretary of the Presidium of the Serbian LC Central Committee, participated in the formulation of policy, and was an economist listened to, and now he is attempting to deliver an impersonal sermon to us.

6. "The political economy of the everyday situation" was very skillfully inserted into the text as a phrase, but by using it the author revealed his attitude toward all those who under particular conditions have criticized the functioning of our economic system. However, he did not tell us anything about those economists who for years have been "in favor with politics" and have participated in the creation of the features of the economic system and the economic reform, but who today figure as critics of all previous solutions.

7. I agree with the view of returning the "discussion to the class aspect of the problem," but the question has to be answered Who abandoned the class aspect of the discussions? Any return to original commitments would not be a repetition at all, but in the dialectical sense it should be a step forward in the development of our self-management system. The absence of class discussions concerning our problem has led to stratifications in society which have become one of the strongest generators of the crisis. The emergence of a large number of billionaires, who did not achieve this with their work, nor indeed even through exploitation, but through speculation and by getting around the prescriptions of the law, by appropriating public property, and so on, has had a serious impact toward deepening the crisis. The billionaires and other rich people, along with those who made it possible for them to obtain what they do not deserve, have formed their own "powerful people" in society, and it seems that a sufficient struggle is not being waged against them.

For the powerful self-management is a relative thing, the laws are not binding on them, they do not have to execute court decisions, they can build projects where there are no raw materials, they can keep foreign exchange abroad in order to realize larger differences in rates of exchange; after the drive was initiated on the basis of "you have a house, give back the apartment," they purchased 25 percent of the apartment and in that way obstructed that drive; they have income from three, four, or indeed even five jobs, and so on. The freewheeling and dealing of the powerful has completely removed

any real measure of human value, has equated immorality with morality, the irrational with the rational, and lawlessness with the law. All of this can be taken as one of the reasons for the decline of productivity, for the system of distribution according to work having been supplanted at many places, for the group-ownership character of income instead of the social character, the erosion of morality, and so on.

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TRAINED PERSONNEL NEEDS IN KOSOVO DISCUSSED

Belgrade BORBA in Serbo-Croatian 12 Dec 83 p 5

[Article by Murteza Daci: "An Open Door to Able People"]

[Text] Over the past decade, specifically since 1970, Kosovo's overall development has occurred at an accelerated pace. The facts state that in that period SAP [Socialist Autonomous Province] Kosovo experienced an authentic rebirth in its cultural, economic and other development. This accelerated pace of development was achieved through the efforts of the working class and working people of the province, along with important support and solidarity from Serbia and Yugoslavia. Credit for this kind of success should also be paid to young trained people who received their schooling and professional training in the postwar socialist construction of our society.

However, recently, especially since the counterrevolutionary events in 1981, the question has been raised ever more frequently in the broader Yugoslav public: Does Kosovo have capable trained people or not?

There are two answers to this question, depending on who asks it. That is, some people say that Kosovo does not have trained personnel and that without broader aid from Yugoslavia as a whole it is futile to cast on this ground the billions which the working class of the entire community is setting aside for continued and faster development of this most lagging part of the country. But others say that Kosovo does have enough young trained people, a large number of whom are still outside the production process, since there are not enough jobs to employ them, and also that there are quite a few graduates who have not yet found jobs.

PhD's Outside the Production Sector

We attempted to learn the real truth about all this by leafing through numerous documents of the League of Communists of Kosovo and by reading more widely as well as in interviews with certain of the higher sociopolitical officials and business leaders in the province.

The a priori statements to the effect that "Kosovo does not have enough trained personnel" or to the effect that "Kosovo does have enough trained personnel of its own"--certainly cannot be accepted. The situation has to be examined realistically.

At the end of September 1982 SAP Kosovo had an employed labor force of 192,234. They included 322 PhD's in the sciences, 524 MA's, 11,667 workers with senior postsecondary schooling, 14,156 with junior postsecondary specialized training, 14,939 highly skilled workers, 44,433 skilled workers, and so on.

This level of education and composition of the labor force with respect to skills is quite satisfactory and is not below the national average. However, the questions of the extent to which this personnel potential is employed on the job, how much experience these people have, and how many of them are actually in production, are another matter.

The facts indicate that this force, however large it might be, is not well distributed. The greatest shortage of personnel is in the economy and direct production. For example, of the 328 PhD's in the sciences there are only 10 in the economy! (In Titovska Mitrovica only 1 of 16 doctors of science is working in the economy, in Pristina only 5 of 297 doctors of science are employed in the economy.) Much the same is true of the MA's and other personnel with higher education.

Recently, however, not without reason, more and more has been done in Kosovo to stimulate the work of specialists in direct production, since it is no longer possible to tolerate a situation in which supervisory personnel in the economy lack the necessary professional competence to manage a modern economy, while on the other hand able people are wasting away in offices.

"It is interesting to mention that in Kosovo we have not had a single investment mistake of any significance because of the 'shortage' of trained personnel. Take, for example, 'Kosovo B.' It was built by specialists from the entire country, professional assistance was also given by the suppliers of equipment, but quite a few young Kosovo engineers and technicians also participated in its construction, and they are today running the facility. We have put the thermal electric power plant on line, and its start has been very successful," we were told by Ilijaz Kurtesi, chairman of the Provincial Committee of the Kosovo LC, adding that there have been mistaken investment decisions even in certain parts of the country where they had trained personnel with a great deal of experience.

Make no mistake: we do indeed need certain highly trained personnel and also specialists in certain fields. For instance, we do not have enough process engineers, and we are preparing to put in operation "Feronikl" in Glogovac; we do not have enough veterinarians, though in all our development plans we have a firm orientation toward the development of animal husbandry. We do not have specialists in water management, yet we are completing the "Ibar" and "Radonjic" hydrosystems. We do not have enough pharmacists or geologists, and we are especially disturbed at not having enough medical specialists, since a number of these specialists who belonged to the Serbian and Montenegrin nationalities have moved out of Kosovo, Kurtesi said.

Too Poor for Incentives

We asked Ilijaz Kurtesi whether it was possible to attract these scarce personnel from other parts of the country?

"We are willing, not just now, but long since, to receive anyone who wants to become involved in the process of Kosovo's development. But, as is well known, the Kosovo economy does not have a large income, so that it is difficult for us to provide incentive to individual specialists. That is the main thing. Incidentally, there can be no problems whatsoever about schooling for their children or indeed about the allocation of housing.

"Those organizations who are pooling their labor and capital with Kosovo's associated labor can help us a great deal in providing incentives to personnel from outside. We are jointly building projects, so that it would be good for a certain number of experienced specialists from those places to also work in them. Aside from the income which they will receive in the new organization, their earnings should also be subsidized by the 'parent' organizations. We also see basic opportunities in the further economic activity of the economy of the entire community, in consideration of the common interest, in construction of new facilities which should facilitate creation of larger income and have an impact on the province's overall development. It is especially important to involve scientific institutions and specialized services from the entire country and to guarantee full cooperation with specialists and specialized services in Kosovo. Kosovo is open to all constructive processes, but it must be still more open to them," Ilijaz Kurtesi said.

"'Trepca' needs specialists--above all minors and smeltery workers, whom we have trouble recruiting. Incidentally, in our work organizations, with some exceptions, the question of quotas in the work force, how many supervisory personnel there are from some particular nationality, is not considered essential. After all, able people who achieve good results have always had and will have the support of the working people regardless of what nationality or ethnic minority they belong to, while at the same time the incompetents have neither the support nor the confidence of the working people regardless of the nationality they belong to. As a rule this question is articulated to a greater extent in other structures than among the workers," we were told by the engineer Sucri Keljmemdi, director of "Trepca's" smeltery in Zvecan.

"We have a relatively young, but trained work force. About 40 of our graduate engineers and technologists are not only performing all functions very successfully in the factory, but to some extent we are also a training center of personnel for Kosovo's entire metals industry. We have furnished very able people to the 'Metalac' Factory in Janjevo, which was on the verge of ruin. They accomplished nothing less than the rebirth of that collective, which is now doing business quite successfully. We also provided aid in the form of our personnel to the first factory in Vitina--'Vineks,' which was also suffering agonies because of the shortage of personnel. Now, however, the situation is altogether different. We also offered our help to the metal fabrications factory in Podujevo, which is being built with the joint capital of Kosovo and the Zenica Steel Mill," we were told by Muharem Ismajliji,

director of the shock absorber factory in Pristina, who added that it is far more difficult for small towns to recruit able and well-trained personnel, so that it is these places that need the help not only of the collectives within the province, but also those within the broader Yugoslav community.

And Translators if Necessary

The League of Communists of Kosovo attributes immense importance to trained personnel, on whom the province's future general social, economic and political development depends. Not only at the level of the province, but also in all the major economic organizations systematic work is being done to prepare and develop personnel from among the ranks of the working class of all nationalities and ethnic minorities capable and willing to assume obligations and commit themselves in responsible functions and positions in OOUR's [basic organization of associated labor].

Incidentally, whoever we talked with about personnel these past several days in Kosovo told us that language (ignorance of Albanian) is, to say the least, an absurd consideration in the hiring of specialists. There are even specialists working here in Kosovo from several foreign countries, and then from Slovenia and Croatia, who are not expected to know Albanian, but rather, where necessary, translators are even provided. As for the normative acts which make a knowledge of Albanian mandatory for a particular position, this is now in the hands of the Kosovo Constitutional Court. That court is examining the codes of regulations and will soon present its report to the Assembly of SAP Kosovo. A small number of codes of regulations in quite small organizations of associated labor are involved, by no means all, and it especially does not concern specialists of high quality.

[Box, left]

Help to the Kosovo Economy

The Federal Executive Council has put in concrete terms the resolutions of the SFRY State Presidency and Chamber of Republics and Provinces of the Yugoslav Assembly concerning the current, above all economic, situation in Kosovo. This concerns specific steps to be taken by federal agencies and organizations which will make it possible, it is believed, for the resolutions of the SFRY State Presidency to be carried out with the greatest success.

The Federal Secretariat for Foreign Trade has assumed the obligation to study Kosovo's specific requirements for the importation of indispensable equipment intended for priority investment projects. The Federal Secretariat for Finance, collaborating with other federal institutions, will prepare a proposal to amend and supplement the customs law and the tariff law to facilitate customs clearance and other benefits in the importation of equipment which is not manufactured in the country and is to be installed in new projects in Kosovo being built with the pooled labor and capital of organizations of associated labor from throughout the country. The secretariat has been given the task of examining possibilities for furnishing the foreign exchange to import production materials and spare parts, offset by exports of surplus electric

power from Kosovo, when favorable opportunities come about in generating power.

The Federal Secretariat for Finance, in collaboration with the Federal Secretariat for Internal Affairs, will again examine possibilities for providing funds to cover exceptional costs that were incurred because of the counter-revolutionary events. A solution is also to be presented with respect to providing funds in the amount of about 600 million dinars for advancement of law enforcement agencies in the province.

These are only some of the most important measures which federal bodies and organizations will be undertaking in order to alleviate the rather difficult economic situation in the province.

[Box, right]

Trained Young People

Kosovo is no longer what it once was. It is possible here today to find young people who are educated and well-trained specialists capable of running even the most complicated technical and technological production processes. But still Kosovo continues to need university-trained specialists who will join our own people and make their contribution to Kosovo's future overall development. (Fadilj Hodza, member of the SFRY State Presidency, in a conversation with the workers of "Feronikl" in Glogovac)

There Is No Abandoning the Battle

None of us can retreat from the battle by leaving Kosovo because of the general climate and mental attitude of insecurity. Many people have left who had good jobs, a good personal income, and good housing, those who had qualified here as engineers, teachers, assistant professors, doctors of science, who had become docents and university professors. They are the ones who have the easiest time finding a job somewhere else. They are welcomed in the new community even though there are people there who have been waiting for a job for years. No one is any longer so rich that he can provide education and invest in the training of specialists at home and abroad for years. It is easier to get someone already trained. And we in Kosovo cannot start from scratch. This is something for those to think about who are leaving, those whose opportunities were all created by this society. (Sonja Scepanovic, member of the Kosovo LC Central Committee)

Diplomas Waiting for a Job

According to the most recent statistics, there are 82,675 people in Kosovo waiting for a job. Of that number 65,708 are Albanians, 11,218 Serbs, 1,145 Montenegrins, 616 Turks, 1,633 Muslims [ethnic], 1,741 Gypsies and 614 members of other nationalities and ethnic minorities. Of all those waiting for their employment book, 56 percent have schooling at the senior or junior post-secondary or secondary level, or they are highly skilled or skilled workers in various production occupations.

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DOLANC, OTHERS DISCUSS SHORTCOMINGS IN CUSTOMS SYSTEM

Belgrade BORBA in Serbo-Croatian 12 Jan 84 p 12

[Excerpt] The role of the customs services in the present economic situation was the subject of discussions in the Federal Customs Administration with Ali Sukrija, member of the LCY CC Presidium, Stanislav Stojanovic, member of the LCY CC, and Stane Dolanc, Federal Secretary for Internal Affairs.

Dolanc said, "It is very important how the customs service operates at this time, above all because of the economic policy which we are implementing. It is necessary that the customs service fit into all our efforts. For me the major problems are the situations where the customs policy regarding imported goods for our work organizations is manifested.

"First, I am deeply convinced that the broad network of customs houses throughout the country far exceeds our needs. I do not know whether any country in Europe has such an extensive network as we have. I think that such a customs network is based on local interests. Sociopolitical communities [republics, provinces, opstinas] often in this way, through the customs, carry on their own economic policy."

He spoke also about the frequent cases of so-called "useful" economic criminals. Namely, it happens that the customs officials are simply presented with an ultimatum [by business enterprises]: either give us the goods without paying duty or 500 of our workers will be out of work and we will not export.

Dolanc recalled that sometimes in such situations there is a good response, i.e., fast, which is good for the economy, but that such practice cannot be tolerated. In his opinion it would be best if these exceptional situations were formulated in the law or if a special group were formed to decide on these cases.

Members of the customs service reported that today there are fewer goods in customs depots than ever before. These are goods which we ordinarily say are goods business people have forgotten; their present value amounts to \$500 million.

Ali Sukrija said that the laws must be respected, that business people cannot act in this way toward goods they have ordered. He believes such an attitude by business people, especially communists in work organizations, is unacceptable.

Zvonko Poscic, director of the Customs Administration, said that the large number of regulations and the frequent changing of the regulations creates a lot of headaches. Certain customs operations are exceptionally difficult, and members of the customs service have been trying for years to organize with their colleagues length-of-service benefits. There is often not enough money to pay for needed personnel. But all plans are being met. There also are individual excesses on the part of customs officials. This has largely been spoken about openly.

Today one hears suggestions about facilitating the work of the customs service. Members of the service suggest that in future, smugglers have their passports taken away and that the amount of money our citizens take out of the country be changed from the present 350 dinars to 1,500 dinars.

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END