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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2408

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TRANSPORT SECTORS QUARTERLY PLANS OVERFULFILLED

AUL51411 Tirana ATA in English 0900 GMT 15 Apr 83

[Excerpts] Tirana, 5 Apr (ATA)--In the three kinds of transport, railway, motor road, and sea navigation, the Albanian working people fulfilled the tasks of the first quarter of the current year. Hence, the working people of railway stations of the country, implementing the tasks laid down by the 8th Congress of the PLA [Party of Labor of Albania] and the 5th Plenum of the Central Committee of the Party, fulfilled the tasks of the first quarter in ton and ton-km. Likewise, passengers' transport surpassed the planned figure for this period.

As compared with the same period last year, the volume of work in ton-km was 13 percent higher.

Likewise, the volume of work in ton and ton-km was overfulfilled by 1.2 and 2.3 percent respectively by motor-road transport. The volume of work carried out by the trailers alone was 2.5 million ton-km larger than at the same period last year, whereas the coefficient of the use of lorries increased by 1.5 percent.

In the meantime, numerous crews of the merchant fleet informed of the fulfillment of the plan of the first quarter of the current year ahead of the time limit.

CSO: 2020/31

EDITORIAL OUTLINES POSITIVE ASPECTS OF SMALL PRIVATE BUSINESS

Sofia ANTENI in Bulgarian 20 Apr 83 p 1

[Article by Veselin Yosifov: "Owners"]

[Text] Nothing could be more terrible than the owner: like the ancient slaves, he is tied to the bench of galley of his property. Greece has wonderful taverns. They look like a combination of our old taverns and modern clubhouses. Service is lightning fast, accompanied with lots of nice smiles and the wish to see you come back. I have never had the opportunity -- from the "Boyanskoto Khanche" to the "Zlatnata Ribka" in Varna to be so valued as someone who would like to eat and drink something. I deliberately repeat this itinerary, for to me its significance transcends geography. Otherwise, my recollection of both establishments is good. But to go back to the story: Everywhere, in the Greek taverns, the Turkish coffee shops, the Israeli restaurants and the Cypriot artistic exhibits of appetizers, everywhere one feels the good common Balkan and East Mediterranean spirit which has tied us to each-other for so many centuries that one does not even have to shut one's eyes to feel at home!

The owner, the boss, whose name is on the sign hanging over the door, keeps running in all directions, and so do his hired help of boys, girls, old kind waiters who act like diplomatic councillors, and the servants who are not ashamed of their job and do not hate you for your being seated while they are on their feet! It's a job!

The owner's galley must reach its destination daily, regardless of the ebbs and flows of the daily competition storm. Such is universally the case in the world of capitalism where, alas, so many daily anonymous shipwrecks occur. In Italy, every week the store owners refill their stocks at the warehouses of the large companies. Every day store owners in Hamburg must know the price of the fish and the fresh fruits coming from the south. Generation after generation the owners of large and small stores in Paris try to keep the respect of their customer, be they around the world or in their home district.

The large piratical supermarket companies with overseas names sink to the bottom thousands of small boats and schooners of small owners. The multinational monopolies are the sharks which swallow the sardines of the local factories and plants. Regional banks pull their shutters down the moment a few ounces of gold raise or lower the local currency rate. Even the

rankest amateur can compare the capitalist economic crisis to the inevitable plague of the Middle Ages. There were less noise and flashing in the fall of Sodom and Gomorrah than the rumbling in the world of capitalism and the lights along the streets and boulevards of multi-million cities of the world of urbanization and impoverishment.

It is then that we, the people from the world of real socialism, have the opportunity to assess our real advantages as people and citizens who are also the owners of our national property. Let economists keep studying our advantage! The time has come for us, the ordinary citizens of a socialist society to make a decision through own personal individual-psychological way regarding our responsibilities as the owners of this property assessed in the billions. We are a billionaire nation. We are billionaires in our own Bulgarian leva, the property earned through our labor, the goods produced according to our taste by workers, peasants and intellectuals who do not lose their wits in the presence of any foreigner in Western clothing, like Anko Razpopcheto, Vazov's character!

It is precisely now, as such owners and managers that we must reach the level of the dynamics needed by establishments and stores, in services and production, with the smile and politeness of the owner who hides his fear of the morrow behind his smiles and politeness. We must rise to the level of our own real socialist possibilities the good Balkan and East Mediterranean spirit, hang our national shingle even higher and carry out our tasks to the end, tasks which can be considered by near and far peoples only as a remote possibility.

The people are the owner. Every one of us is the manager. All of us are both owners and managers. Let the world see us exactly as such!

5003

CSO: 2200/88

EFFECTS OF CSSR R & D COOPERATION WITH CEMA SUMMARIZED

Prague PLANOVANE HOSPODARSTVI in Czech No 3, 1983 pp 40-43

[Article by Engineer Zdenek Puchmeltr, Federal Ministry of Technological and Investment Development: "Results of Czechoslovak R & D Cooperation With CEMA Countries"]

[Text] R & D cooperation within CEMA during the past two years was based on the CEMA Coordinated Plan of Multilateral Integration Measures for 1981-1985. This plan had been adopted in June of 1981 at the 35th CEMA session held in Sofia, and it contained 13 of the most important R & D problems. During the first half of 1981, consultations were completed, and the plans and programs were approved, also for bilateral R & D cooperation between individual CEMA countries. Under the current five-year period, Czechoslovakia is participating in the solution of a total of about 200 [multilateral] R & D problems, and of more than 600 problems within the framework of bilateral cooperation. In Czechoslovakia most of these problems have been included in the state plan for the development of science and technology.

--In bilateral cooperation between Czechoslovakia and the Soviet Union, practical results have been achieved in the research and development of automatic manipulators and industrial robots. In cooperation between the Vukov National Enterprise of Presov and the ENIMS [Experimental Scientific Research Institute of Metalworking Machine Tools] of Moscow, two prototypes have been built of the Um-16 program-controlled automatic manipulator for machine tools, and their production documentation has been prepared for the Czechoslovak enterprises. Vukov of Presov and ENIKMASH [Experimental Scientific Research Institute of Forging and Pressing Machinery] of Voronezh completed the joint development and production documentation of the AM-5 industrial robot for servicing forming machines; the built prototype is now undergoing testing. Also in the phase of testing is the prototype of the MTL-10 automatic manipulator with programmed control, for removal of the castings from machines for pressure die casting; the prototype was built within the framework of cooperation between Vukov of Presov and the NIISL [Scientific Research Institute of Steel Casting] of Odessa.

--Likewise favorable are the results of contractual cooperation between the General Directorate of Czech Gas Industry and the enterprises of the USSR Ministry of the Gas Industry, for optimizing the operation of the compressor stations along the gas pipelines and for designing the diagnostic system of the transit gas pipelines' turbocompressor sets. The costs of cooperation in Czechoslovakia

were 5.7 million korunas, and the proceeds from the transfer of the results amounted to 1.9 million korunas. For Czechoslovakia the overall gain from the solution of this task is 310,000 korunas per set and year; for the 128 sets at the time of realization, the annual savings will amount to about 40 million korunas.

--Within the framework of cooperation between Czechoslovakia and the GDR in the supply of electronic components, Tesla of Roznov and the ZFTM [expansion unknown] of Dresden developed the HCDV 54 [expansion unknown] and HCDV 52 equipment that will be produced in the GDR in cooperation with Czechoslovakia. The HCDV 54 is fully comparable to similar equipment from capitalist countries; in comparison with the traditional atmospheric technology, it increases labor productivity tenfold and reduces about fivefold the costs of raw material and energy per unit of product. The design of the HCDV 52 is likewise original and has been patented. In terms of its quality of operation, the HCDV 52 belongs among the most productive equipment of this type in the world.

--On the basis of the results of R & D cooperation between Czechoslovakia and Bulgaria, the first member of the Czechoslovak part of the "Joint Series of Air-Break Switches"--type V 100 E--was assigned to production in 1981. Its parameters are fully comparable to those of air-break switches made by the most advanced firms in capitalist countries.

--Within the framework of multilateral cooperation, the technology of producing polycrystalline silicon of the desired geometric shapes was developed and mastered; also gas pumps have been perfected whose introduction in the Czechoslovak economy will produce savings by increasing the energy efficiency of the furnaces in engineering by 20 to 50 percent over their design efficiency. In accordance with the multilateral program of R & D cooperation entitled "Diagnostics of VVER Nuclear Power Plants' Operating State," a unique series of monitoring cassettes DK 1 (Soviet type) and DK 2 (Czechoslovak type) was developed. This cooperation saved Czechoslovakia foreign exchange equivalent to 10.2 million korunas.

--In the area of developing hydraulic equipment, for example, development was completed in 1981 of gear pumps, hydraulic actuators and hydraulic motors rated at 21 MPa. This made it possible to reduce their size and weight, whereby about 800 tons of aluminum can be saved in 1985, at a planned output of 250,000 pumps.

The course and results of Czechoslovakia's multilateral and bilateral R & D cooperation with the other CEMA countries in 1981 are summarized in the following table [see next page].

In comparison with 1980, the gains from R & D cooperation rose substantially (to 1.14 billion korunas in 1981, from 400 million korunas in 1980). At the same time, there were in all 1586 R & D outputs for realization (1370 from bilateral and 216 from multilateral R & D cooperation), of which nearly 1000 will be introduced into production in the coming years. About half are new machines, instruments and equipment, while the rest are realization outputs of a nonphysical nature (including about 20 computerized process control systems and 26 other computerized management systems).

R & D Cooperation in 1981	Bilat- eral	Multi- lateral	Joint- ly
Number of projects in the investigated year	2,293	895	3,188
Number of successfully completed projects	402*	83	485
Number of Czechoslovak specialists sent abroad for consultations	9,021	1,690	10,711
Number of foreign specialists received in Czechoslovakia for consultations	8,746	2,200	10,976
Number of sets of R & D documentation transferred by Czechoslovakia to socialist countries	2,117	1,607	3,724
Of which:			
Design and technological	623	223	846
Reimbursed	61	5	66
Number of sets of R & D documentation obtained for Czechoslovakia	2,828	1,265	4,093
Of which:			
Design and technological	662	156	818
Reimbursed	138	4	142
Prototypes, models transferred to socialist countries			
Number	3,347	644	3,991
Reimbursement, million korunas	14	-	14
Prototypes, models obtained from socialist countries			
Number	3,305	304	3,609
Reimbursement, million korunas	27	-	27
Licenses sold to socialist countries			
Number	-	-	15
Value, million korunas	-	-	23
Licenses purchased from socialist countries			
Number	-	-	21
Value, million korunas	-	-	22
R & D contracts through foreign-trade organizations			
Number	-	-	36
Value, million korunas	-	-	89
Total gains from R & D, million korunas	929	215	1,144
Of which:			
Increase of production volume	249	72	321
Saved noninvestment costs of R & D	174	36	210
Saved fuel and power	72	69	141
Export expansion (import substitution)	277	9	286

* Predominantly one-time requests

Last year [in 1981] Czechoslovak organizations concluded 15 contracts for the sale of licenses, worth 22.7 million korunas, with organizations in other CEMA countries; and 21 contracts for the purchase of licenses, worth 22.5 million korunas. At the same time, total proceeds from the sale of licenses to socialist

countries last year were 19.2 million korunas, and total payments for purchased licenses were 35.7 million korunas. The sale to the Soviet Union--for 16 million korunas or roughly 70 percent of the total proceeds from the sale of licenses--of a license to produce contact lenses contributed significantly toward balancing the sale and purchase of licenses. A further improvement in this area can be expected from the more consistent implementation of the decree regulating the procedure to be followed when disposing abroad of industrial property and technical know-how.

The Research Service (a specialized organization of the Federal Ministry of Technological and Investment Development) operated essentially in the same way as in years past to ensure cooperation with the other CEMA countries in current deliveries of small quantities of rare metals, pure chemical and materials that are in short supply, for R & D purposes.

So far as the forms of R & D cooperations are concerned, coordination and direct cooperation between organizations were the dominant, accounting for 77 percent of the total number of realized projects. Only about 23 percent of the projects last year employed higher forms of cooperation (international R & D collectives, joint laboratories, contractual cooperation, etc.).

During 1981, through the appropriate foreign-trade enterprises, Czechoslovak organizations concluded 36 contracts with their foreign partners in other CEMA countries, for R & D cooperation and the conduct of commissioned research, development and experimentation worth about 90 million korunas. This is roughly equal to the average for the last three years of the preceding five-year plan. Similarly as in the preceding years, the overwhelming majority of the contracts was with organizations in the Soviet Union and the GDR.

In spite of the exceptionally high gains, it must be established that there are unutilized reserves in Czechoslovakia's R & D cooperation with the other CEMA countries. Up to now we have not been able to solve the contractual tasks for the entire cycle of research--development--coproduction (or specialized production), even though it has been demonstrated that the realization of this form would be highly effective.

In 1981, for example, on the basis of a contract between the Polytechna Foreign Trade enterprise and the Maschinenexport AHU [Foreign Trade Enterprise], the joint development was successfully completed of a passenger-coach bogie for speeds of up to 200 km/h. The drawings have been approved for a bogie that meets the set technical specifications as well as the national and international regulations, and has high technical and economic operational parameters. Cooperation shortened the development time by two years and saved 60 percent of the development costs. Preparations are being made to start the production of the bogie, in 1983 in the GDR and in 1985 in Czechoslovakia.

The ensuring of R & D cooperation on the basis of concluding international (inter-governmental or interministerial) agreements has improved. In all, 25 such agreements were concluded, including 16 multilateral agreements and 9 bilateral ones. Their subject matter, in the overwhelming majority of the agreements, is the realization of the long-term target programs of cooperation and the solution of the R & D problems included in the Coordinated Plan of Multilateral Integration Measures. At the end of 1981 there were in effect 206 multilateral agreements for R & D cooperation between Czechoslovakia and the other CEMA countries. On

the basis of these agreements there are in operation 63 international coordination centers for the solution of selected R & D problems, 8 international collectives, 2 joint laboratories, 1 international research institute, and 1 international scientific-production association.

Work continued during 1981 also on perfecting the methods and organization of multilateral and bilateral R & D cooperation between Czechoslovakia and other CEMA countries, on the international and domestic levels. It appears that this area is an important factor in the intensification of the process of CEMA integration, and of economic cooperation and mutual trade.

The basic task for 1982 was to complete the drafting of detailed work plans for cooperation, to fully unfold the R & D work agreed upon, to further expand the application of the higher forms of R & D cooperation (of international R & D collectives and of joint laboratories in particular), to intensify the sale of licenses and the reimbursable transfer of R & D documentation, to significantly increase the number of the organizations' contracts for R & D cooperation, and to reinforce the efforts to achieve specific solutions for the decisive problems in the continuous cycle of research--development--production, with expedient international division of labor and cooperation in the preproduction stages, and with timely decisions regarding specialization and cooperation in the production of the pertinent materials, machinery, equipment, instruments and other products.

1014

CSO: 2400/288

GERMAN DEMOCRATIC REPUBLIC

MOUNTING HARD CURRENCY PROBLEMS, OVERTURES TO BONN REPORTED

Austrian Commentary

Vienna PROFIL in German Vol 14 No 19, 9 May 83 pp 50-51

['GDR' feature article by Wilfried Ahrens: "'At Some Point They Will Simply Hang Us'--East Berlin Signals to Bonn Readiness for Detente. More Than Ever Before, the GDR Needs the Federal Republic's Good Will and Money"]

[Text] The GDR government announcement preceding by one day the FRG government announcement elicited amazement among FRG commentators from left to right about so much of an "all-clear" signal after still more indignation. "Conspicuously mild and lenient in its intonation" SUEDEDEUTSCHE ZEITUNG called what FRANKFURTER ALLGEMEINE, short and to the point, commented on by saying: "Honecker has joined the appeasers."

"Despite the irksome events, the GDR, as FRG Chancellor Kohl has been informed, continues to be interested in normal GDR-FRG relations," so says the key statement in a whole-page feature article published last Tuesday in the central SED paper NEUES DEUTSCHLAND after having been broadcast the evening before over GDR television.

Party and government chief Erich Honecker, who only a week before had canceled his visit to Bonn set for fall, hardly concealed in the announcement that he would like to come after all, even if only next year.

It sounds as if East Berlin no longer blames the death of West Germans while questioned by border guards on Bonn. But it actually is a document of that ancient detente which, as one knows, includes the recognition of realities--only this time the other way around: East Germans depend on the good will--and the good money--of their brothers in the west more than ever.

The GDR, after Poland the second most highly indebted East Bloc state (see table) has nowhere any credit left but in the FRG. To recover its creditability among western banks, lost since the insolvency cases of Poland and Romania, it cut back its imports from the West by an unprecedented tour de force in 1982--by 33 percent--and raised its exports to the West as drastically. Only from the FRG it bought more than ever, 16 percent more than in 1981, in January and February even 51 percent more than last year. The

point is that purchases in the FRG cost the GDR no hard currency. Inner-German trade largely proceeds without cash via a clearing account with "exchange units" at the Frankfurt Bundesbank. Furthermore, East Berlin is granted an interest-free overdraft credit of 770 million marks at present, euphemistically called "swing" but actually used only by the GDR, almost to the maximum right now.

Table: Net East Bloc Debts to the West (Source: Wiener Institut fuer internationale Wirtschaftsvergleiche)

Indebtedness to Banks and Suppliers minus Credits

	Late 1981	Late 1982
	(in billions of dollars)	
Bulgaria	2.9	1.8
CSSR	4.5	3.7
GDR	13.2	11.0
Hungary	8.8	7.9
Poland	27.2	26.0
Romania	10.3	9.9
Soviet Union (including CEMA banks in Moscow)	24.2	13.2
European CEMA countries total	91.1	73.5

This rigorous course of saving hard currency gave the GDR foreign trade balance a respectable surplus in 1982 of \$ 1.5 million, to be sure--with one million going to interest payments, however--but it put a brake on economic growth.

Instead of the planned 4.8 percent, the produced national income rose only by 3 percent. Industrial production, planned at a growth rate of 4.6 percent, only came to 3.2 percent. The--revised--growth plan figures for 1983, at 4.2 for the national income and 3.8 percent for the output of the industrial combines, are put a bit higher than the income figures of last year. Western experts therefore think they are illusory, especially since the Soviets already last year cut back their oil deliveries by 10 percent and instead ask 20 percent more this year for their precious liquid--which is likely to drive up further the GDR's debts to its big brother, now at a level of \$ 3 billion.

The reality behind these dry figures is an increasing difficulty with provisions. The public mood is down accordingly, which among the authorities evokes memories of the 17 June riots 30 years ago.

"If it continues this way," an SED functionary said to STERN with apprehension in October, "they will simply hang us at some point. Infuriation is growing more and more. One simply has had it now being stuffed with lies all the time."

Right before Christmas then East Berlin imported--from the FRG, of course, and on credit--seasonal morale boosters, 14 million marks worth of cocoa, chocolates for 30 million, cheese and coffee for 30 million each, and 600,000 marks worth of gingerbread (Lebkuchen).

The state-owned population, however, has long forgotten those nice gifts, and with their stomachs rumbling, they are mocking the Sunday sermons from the top.

"Public supplies in basic foods, except for some interference with the rhythm in September and October, have been held at the high consumption level achieved," is what the East Berlin Statistical Central Office affirmed in December, and Honecker repeated that on various occasions.

To the question "How goes it?" the rejoinder has since been in the GDR: "Like in September and October."

Only once or twice per month is there any meat in the provinces, and for days there is no butter or sausage even in large cities like Dresden. Butcher shops, as one is joking between the Baltic Sea and the Erz Mountains, are advised to put flower pots in their windows so that they not be mistaken for tileries.

There is another joke that describes the situation in the clothing market better than NEUES DEUTSCHLAND does: "A man got into the wrong store. 'Do you have shoes,' he asks the sales lady, and she courteously answers: 'This is where we don't have shirts; next door is where they have no shoes.'"

Even EULENSPIEGEL, the GDR's officially sanctioned satirical journal, recently pilloried the discrepancy between reality and propaganda in real socialism: "By an expert description of a smart blouse one can at times convince people more about how smart a blouse is than by a smart blouse itself. So it is with many things!"

The planned supply misery depresses the mood and, above all, the desire to work; it has brought Honecker the thus far biggest defeat in his 12-year incumbency at the top. Because he had made higher labor productivity through better supplies one of his most important program points. Even back in March 1969, he alluded to that program point before the Central Committee: "At the National Front Congress, Comrade Walter Ulbricht mentioned for good reason that the imperialist FRG still produced with a labor productivity that is circa 20 percent higher."

Before the same body he had to confess in November 1982 that the GDR had, to be sure, meanwhile reached the production level of Great Britain but was by one-third below that of France and the FRG.

Honecker's recipe for increasing economic growth with less foreign exchange for rationalization imports and less material and energy resources was turned by the party press, as usual, into slogans for "campaign programs" for high efficiency and quality production, increased productivity, the saving of material and energy and the "targeted overfulfillment" of the

national economic plans. Campaigns such as Andropov's against business as usual and loafing and an expansion of shift labor, even for mothers with babies, are to accomplish the rest.*

And then there are always these cheerful spokesmen following the pattern of NEUES DEUTSCHLAND: "From the burden of labor under the knout we get in socialism the joy in being at work, where one feels, deliberately and voluntarily, committed to high labor discipline."

The members of the workers' state rather feel they are back in the early postwar period. Wood-gas propelled trucks are rumbling through the towns as they did then. Diesel for transport enterprises is rationed. In Leipzig, Dresden and East Berlin, as in the cities in ruins after 1945, freight goes by streetcars.

Brown coal, without regard to environmental destruction and air pollution, is to be resorted to still more than before for producing energy and as raw material for the chemical industry. Strip mining, at present around 270 million tons per year, is to be increased to 300 million tons by 1990.

After the Erfurt SED paper DAS VOLK had praised an enterprise in January which started compressing the coal and briquette dust residues in furnace rooms into briquettes by means of a minipress constructed right there, a critical reader asked the editorial board: "What will be offered next concerning the serious energy supply problem? Will every little enterprise will get its own little briquette factory?"

To be sure, the GDR last year got from the FRG, its currency-saving import source, a few hundred thousand tons of crude oil, but not for its own consumption; it went for the export of gasoline and diesel fuel--to West Berlin.

Mainly, however, West Berlin symbolizes the export item "human relief," for which the GDR finds no competition anywhere in the world.

Under that rubric one may subsume much of the billions East Berlin itself has taken in, in the decade of the new Ostpolitik, through its "good neighborly relations," from the FRG and wants to keep doing so.

What has mounted up every year has been this:

- 700 million through special arrangements in inner-German trade such as sales tax benefits, higher prices for agricultural shipments from the GDR and interest profits through the "swing,"
- 525 million from the transit lump sum for the use of access roads to West Berlin,
- 50 millions from the road lump sum for using other GDR roads by FRG and West Berlin drivers,
- 100 million for paying for the release of political prisoners from GDR penitentiaries,

*The GDR has the highest employment quotient in the world. Of its 16.7 million inhabitants, 9.1 million are working. Virtually all women at the working-age are working. Exempt from the constitutionally guaranteed "right to work" only are female pupils and students and sick persons.

--150 million from mandatory conversion, the GDR entry fee of 25 marks per head for West Germans and West Berliners,
--85 million for settling postal and telecommunication services and 8 million for the mails in the Berlin traffic, and
--70 million for taking in refuse and 12 million for accepting sewage from West Berlin.

And then within the last 8 years there came 2.5 billions for extending the access routes to Berlin and several 10-million amounts for diverting water from the Ecker dam in the Harz to Lower Saxony.

The rates for such services in divided Germany are in part unprecedented, such as buying prisoners off, or smack of political excess.

FRANKFURTER ALLGEMEINE wrote in January 1979: "One may split the prices in half when one thinks about them--one half for the material value of a service for mutual advantage and the other half for the compliance in East Berlin that makes such projects come to be realized."

East Berlin's treaty violations, such as the doubling of mandatory conversion in 1980, have not been requited. A reduction of the "swing" to 200 million was considered for some time even within the SPD-FDP coalition but was then rapidly dropped when the GDR negotiation partner frowned on it.

More of a backbone evidently is expected of the new man in Bonn. NEUES DEUTSCHLAND, to be sure, last Tuesday threatened with more chicanery for inner-German travel: "It is not difficult to understand that the introduction of thorough controls would significantly hamper transit as well as visitors' traffic." Yet the next sentence already toned down the threat: "The GDR has thus far refrained from doing so, nor does it intend to do it in the future."

The signal has been received in Bonn. In his government announcement on Wednesday, Chancellor Kohl did not have a word to say about Honecker's canceling his visit, but he did assert: "Inner-German trade offers chances to both sides." And further: "We continue to seek practical headway. That could benefit from talks on all levels."

The change in Bonn's Germany policy East Berlin is afraid of evidently is continuing with Franz Josef Strauss in Munich.

West German Commentary

Hamburg DIE ZEIT in German Vol 38 No 17, 22 Apr 83 p 22

[Article by Joachim Nawrocki: "Inner-German Trade: Dirty Linen in East Berlin--Hunt for West Marks"]

[Text] Hanover-Langenhagen airport. A special GDR Interful flight brings a GDR delegation, headed by the SED's economic specialist Guenter Mittag, to the Hanover Fair. After having toured the fair, Mittag tells journalists the talks about further developing the trade between the two German states

had been worthwhile. Trade had developed well, it was "the basis for the development of relations, for continuing the dialogue, and in the interest of peace and of men we are interested in continuing this dialogue and the trade with the FRG."

Propaganda exercises of a GDR functionary which rather disguise than underscore the importance of Mittag's trip, which via Hanover went to Bonn. At the stands of Krupp, Kloeckner and Mannesmann, on the other hand, negotiations were objective and proceeded "in a good atmosphere," as they say.

If a man like Guenter Mittag goes to Bonn it is equivalent to an official state visit. Sure enough, only for 3 years, from 1973 to 1976, was Mittag a member of the GDR Council of Ministers. Yet since the SED sees itself as the leading force in the state, which it indeed is in fact, Mittag's function as the secretary for economic affairs in the SED Central Committee and as a Politburo member is of a much higher rank than that of any other official position.

For 20 years Mittag has been the party's leading economic expert. Together with Erich Apel, who under obscure circumstances in 1965, right before the signing of a trade agreement with the Soviet Union, shot himself at his desk, Mittag developed the new economic system which was to help provide the GDR economy with modern management methods, until it was watered down again by Walter Ulbricht who was afraid the GDR managers would become too independent. Today Mittag, 56 years of age, considered objective, knowledgeable and composed, still belongs to the younger generation in the Politburo. When the question of succession comes up, he might become the chairman of the Council of Ministers, one day perhaps even the general secretary of the SED.

Thus Guenter Mittag was the proper emissary to talk about Erich Honecker's intended trip to the FRG in the chancellery. Yet the most important topics Mittag raised in Bonn were economic matters, and it once again turned out that the trade between the two German states is among the most uncontroversial parts of inner-German relations.

Inner-German trade last year rose by circa 12 percent to DM 14 billion--more than the rest of German trade with the East and more than the GDR's other foreign trade. The GDR managed even to reduce part of its debts to the FRG by means of its favorable balance. In contradistinction to other East Bloc states such as Poland or Romania, and in spite of owing the West roughly \$ 9.5 billion, it still rates as a serious debtor.

Even so the GDR has hard currency trouble that puts a permanent burden on its economy. The Soviet Union has confined its oil shipments to the GDR to 19 million tons annually. What the GDR needs in excess of that, it has to pay for in free currency. In the fall the GDR had to buy unplanned foodstuffs from the West, mainly meat preserves, cheese, chocolates, wine, feedgrain and textiles as well, to improve domestic stocks at least for Christmas. The GDR's intention to reduce its debts to the West by an export offensive and import defensive could not be sustained.

From the GDR's foreign exchange scarcity also arise the problems existing in inner-German trade. The GDR economic functionaries are hunting for every mark. That explains the growing pressure from GDR products on western markets. As its economy--apart from some exceptions--cannot compete so much through the quality of its goods, it keeps trying more and more persistently to enter the business by way of its prices. Mainly consumer commodities and chemicals are being offered at lowest prices, which western competitors keep perceiving as mean market interference. When it comes to services, offers are similar.

For more than a year, for example, West Berlin laundries have been complaining the GDR is taking work away from them by low prices one cannot compete with. Circa one-fifth of West Berlin's hotel laundry is being done meanwhile in East Berlin. And if there were no stiff disinfection regulations for hospital linens, part of that would probably also already be laundered in the GDR.

"First the Senat subsidizes the building of hotels to create jobs," the owner of a laundry complains, "and then those hotels may have their laundry done in the GDR, which does away with jobs in our field." The large West Berlin laundries, having lost the hotels as customers to East Berlin, now seek to attract small private customers, which again intensifies competition within West Berlin.

Sure enough, the GDR did not figure out the laundry trick all by itself. Two smart young entrepreneurs one and a half years ago rented a garage, bought a truck and, after negotiations with the GDR, made some favorable offers to West Berlin hotels. Meanwhile others have entered the deal, like the Stollwerk chocolate factory which bought a long established laundry that now hands over the large orders to East Berlin; GDR trucks make the deliveries regularly.

These enterprises do not come out openly with their cost accounting, of course. It is being rumored in the field that the GDR cleans a kilo of laundry for M 1.17. The price of the West Berlin Senat laundries is around M 2.20. Which means no one can compete with the GDR prices. A price check by the federal trade office still came to nothing. "Competition enlivens business" is what one official dealing with the matter had to say.

Such price checks are initiated when there is suspicion that the GDR interferes with western markets by means of dumping. If necessary, separate permits for getting goods from the GDR or even quotas can then be ordered. Normally the announcement of such measures is enough for the GDR to stop all too drastic undercutting--except when it has a strong customer, perhaps a large department store concern that makes its purchases from the GDR dependent on price concessions.

As for that, the number of price checks was twice as high last year as in the year before. The checks were applied, among other things, to upholstered furniture, dolls, and clinical thermometers. It shows to what extent GDR merchants have gone to capture West German markets by what they charge.

Other trade problems are also caused by the GDR's foreign exchange scarcity, as were discussed between Quenter Mittag and the FRG minister of economics, Count Lambsdorff. For instance, the GDR is asking for longer and longer payment terms as they are customary normally only in the investment business. There are some goods they want to pay for not until a year later.

Reciprocal business is what the GDR insists on more and more. He who wants to export to the GDR should accept goods from the GDR at as equal a value as possible. These demands partly even extend to all the financing costs so that a West German supplier often has to accept up to 145 percent of his own delivery value for GDR products. After all, the GDR, to cut back energy imports, consumes more and more of its own brown coal, which then again cuts down pit coal imports from the FRG.

But the GDR also thinks it has reason for complaint about its trade with the FRG. Thus GDR functionaries call the few remaining contingents--applying to only circa 7 percent of all deliveries from the GDR--FRG protectionism. Other western states are likely to be much tougher trade partners at that. If the FRG also had a textile labeling duty as France has, the sale of GDR textiles would be much more difficult here. The label "made in the GDR" does not make for sales.

Yet in spite of all such problems, the trade between the two German states is relatively smooth. Larger investment transactions have, however, not been going on anymore for some time. This also shows the GDR's foreign exchange scarcity; besides, the GDR has obviously reduced its investments. The investment emphasis is placed on modernization, on the use of microelectronics and on robot technology and on measures for saving energy and tapping domestic raw materials. Business deals on supplying factories valued at several hundred marks are a matter of the past.

In spite of that, the big ones in the business with the GDR express fair optimism about the future of inner-German trade. Krupp's press spokesman Rainer Lommatzsch has said: "Trade with the GDR is solid and permanent and can be further developed. Our turnover, around 155 million in 1982, is going to be much higher this year."

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CSO: 2300/244

BOGNAR DISCUSSES ECONOMIC REFORM

Budapest OTLET in Hungarian 31 Mar 83 pp 4-5

[Interview with the economist Jozsef Bogнар by Pal Emod: "Reform With World Economic Background"]

[Text] Upon the invitation of the secretary general of the United Nations 15 economists gathered recently in New York to discuss the topical problems of world economy. Academician Jozsef Bogнар, director of the Institute of World Economic Research of the Hungarian Academy of Sciences also participated in the meeting.

[Question] Did you take into consideration that world economic depression nears its end and that the decline in oil prices (\$29 for the barrel) might stimulate an economic recovery?--This was our first question addressed to Academician Jozsef Bogнар.--

[Answer] The teaching of economic sciences distinguishes between upsurge and recovery in the economy. Nowadays no one talks about recovery but only about upsurge. This is true also for the Western economists who view the present situation with relative optimism.

Conditions now are basically different from those of earlier years. In the first place because certain relations of dependence emerged in the world economy which did not exist earlier. Twenty years ago it was most likely that an upsurge in American economic growth of--say 3 or 4 percent--will be followed by an economic recovery in Western Europe and in Japan, since the United States had imported more from those areas than it does now, thus stimulating production in them and thereby benefitting the other regions of the world. This hypothesis is no longer valid, since the U.S. economy no longer has its earlier driving force. It is not at all certain that a 3 percent American economic growth rate will automatically propel a West European-Japanese economic recovery.

The other factor is the contradictory situation of the international monetary system and credit market. It is now questionable whether international finances could foster a recovery, particularly in the developing countries, whose external debts amount to \$1,800 billion. This means that the debtor countries have to

sweat out annually \$110-120 billion between interests and capital amortization, and therefore they must have a positive external trade balance of that magnitude in order to meet their commitments. This is unlikely to happen, but another problem is that the higher the interest rates are the more money is needed for interest services and the less money remains for financing imports. Thus, I think, economic recovery in the real sense of the word would require a global harmonization of economic policies. We have discussed precisely these problems in New York. For, if this will not come about, the efforts of a country (for example Brazil) to increase its exports would be useless, if the other countries are obliged to curb imports.

[Question] In other words two things cannot be done at once....

[Answer] No, since for example Brazil cannot carry out its economic plans because of the aforementioned contradiction. An upsurge in the world economy will only then be followed by what we might call a new type of recovery when serious changes will occur in the international monetary system and in the so-called anti-inflationary policy.

[Question] At the closing of the discussions you said that the financial system established in 1944 in Bretton Woods should be revamped and that accordingly the specialized financial agencies of the United Nations, for example the International Monetary Fund, should also change their policy.

[Answer] In the long run--i.e. within 3-5 years--we could set up a new financial system based on new premises. But even in the meantime we would need certain changes. Part of these, for example a 50 percent increase in the IMF quotas, which raised the credit-taking potentials of the member countries, became a reality. But even more important would be a change in the structure of the credits. The proportion of short-term loans is too big, i.e. approximately 50 percent, amounting to a total of \$400 billion. Thus in a situation in which certain countries cannot yet increase their imports, while others have to increase their exports--for example Brazil--we need a breathing pace, we have to gain time.

[Question] Do you think about re-scheduling the debts?

[Answer] Concretely I think that the short-term loans should be changed into medium-term ones of 5-7 years of length, strictly according to the rules of international finances with no allowance for negligence. Presumably the medium-term loans should also be converted into long-term credits.

[Question] Another topic of the consultations in New York was the role of the United Nations and its agencies in the new world economic situation. Before leaving New York you said that the GATT was too much specialized and the UNCTAD too irresolute. If the existing organizations cannot give an answer to the questions arising, what kind of chances has a new body to be created?

[Answer] We ought to have a look into what kind of new decision-making mechanism has developed in the most important economic questions. Obviously the paramount economic problems are intertwined with political and security decisions and thus economic questions are not settled by experts but by the holders of power (prime ministers, presidents).

I therefore proposed already 5 years ago that the representatives of power should hold a world economic meeting. At our conference in New York this idea was proposed in the form of a summit of the leaders of the 10-12 economically most powerful countries. At such a meeting all the economic, political and security aspects, including the advantages and disadvantages should be weighed.

Thus we did not propose in New York the foundation of a new U.N. agency but the establishment of a consultative committee in which the representatives of the state could constantly consult each other about the possible international impact of their economic policy and could find out where are they at cross-purposes with the others and where could they help. At first this should be started on a voluntary basis in order to establish confidence, lest the danger of a world economic depression will subsist.

[Question] The problem of the Hungarian economic reform may appear to be even more interesting against the world economic background we have just sketched. Your lecture at the Hungarian Academy of Sciences delivered a year ago amounted in fact to another unfurling of the flag of the reform.

[Answer] I think and I wrote this in various essays that the best road to progress in a socialist society is that of reforms. It is impossible to govern a country with day-to-day government decisions alone. Thus I consider it logical that the reform efforts are motivated by economic considerations. Both the impact of the world economy and the development of certain domestic conditions are corroborating that we need this reform.

I used to say that the essence of the 1968 concept was that we should introduce all the economically viable reforms with a minimum of political risk. But what we need now is such a continuation of the reform process that includes changes in the relationship between state and society and reforms of the interaction between the various organs of the state.

[Question] Does this include also institutional reforms?

[Answer] Definitely, since we need this in order to build an efficient economy that is able to renew itself in a quickly changing era.

[Question] After all, the conclusion is that the braking of our reform process, that with some exaggeration we might call its freezing between 1974 and 1978, weakened our ability to accommodate and increased our external indebtedness.

[Answer] I agree that between 1974 and 1978--to use my expression of a year ago-- a deadlock developed in the balance of forces. The enemies of the reform were not strong enough to call it off and its friends could not continue their work.

[Question] Is the balance of forces unambiguous now?

[Answer] Unambiguous situations are rarely given. Yet in my opinion the friends of the reform are now strong enough to act. In politics less (or different) energy is needed to maintain a given situation than to change it. Obviously the latter requires more added energy.

At present we envision a reform of various stages; among these the following could be immediately tackled: the economic moves, for example, dissolving the trusts, recruiting managers on a competitive basis, building internal democracy in the enterprises, solving certain price problems, creating a more liberal flow of capitals between the enterprises possibly related with the issuing of bonds.

All this should be started progressively beginning in 1985. The innovations in this connection: changes in the state administration and the problem of division of labor between state and society could be undertaken and solved at a later stage. Yet these latter moves form part of a sound reform conception, together with the tasks mentioned before.

[Question] In other words we now realize that an efficient economic reform can only be implemented in conjunction with a social reform.

[Answer] In 1968 it was still conceivable to carry out economic reforms independently. I still do not consider this wrong. But now changes in the economy can only be accomplished if accompanied by a social reform. However we always have to consider both the domestic and the external circumstances.

After all, I think, if we achieve all what we have planned, then we shall set in motion new types of enterprises which are independent from the state administration and are managed by qualified leaders (selected by competition), an effective internal enterprise democracy in step with this leadership, liberal flow of the capitals and the establishment of commercial banks. In this way a wide gamut of interrelated enterprises will emerge that may lend a new structure to our domestic economy.

[Question] Are you satisfied with the pace of progress?

[Answer] If it depended on me the reform would already be in operation. But we must be objective since many things are to be taken into consideration. Our starting point is essentially that in 1979 we went over to a more reasonable economic policy but thus far did not yet complete the reform of the mechanism, above all because as a result of changes in the world economy it became difficult to repay our accumulated external debt.

[Question] Thus survival was a prime concern?

[Answer] Indeed so. But since now Hungary's economy has already been consolidated time is ripe to undertake reforms. However, the reform does not imply at once an abundance of resources (reserves) it means only that we have to wrestle with our debts accumulated between 1974 and 1978. It would indeed be easier to introduce the reform without the onus of the debts, but this is not the real situation.

In fact there are many who say that we should introduce the reform only when we can start from scratch--i.e. without the burden of the debts. I, on the other hand, wish to point out that if we could repay our debts without resorting to reform, I would be among the first to suggest that we should not make the reform now. Yet the continuation of the reform is precisely necessary to overcome the present difficult situation structurally and institutionally rather than through day-to-day efforts.

12312

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TYPES OF PRICING EXPLAINED

Budapest OTLET in Hungarian 31 Mar 83 pp 4-5

[Article initialed M.S.: "The Area of Prices"]

[Text] In the beginning the price was fixed by the authorities. The prices of the merchandise in the shops was established by the Ministry of Domestic Commerce acting as price authority. Then in 1968 our price structure was radically changed and the four price categories which are still in force have then been formed. Three of them are the so-called official prices, i.e. fixed, maximized or restricted by the authorities. The latter means that the authorities are fixing the percent that can be added to the officially established overage price. By the way, this price category seems to be vanishing and the number of goods pertaining to it declines from one year to the other.

The fourth category is the so-called free price. The new price system reflects correctly the changes that occurred during the last two and a half decades. Thus while in 1968 86 percent of food and consumer articles had an official price, in 1980 only 72 percent belonged to this category. In the area of clothing at present 99 percent of the prices are free in contrast with the earlier one percent. The prices in the metal-technical sector also underwent changes: in 1968 13 percent of such products were freely priced, in 1980 more than two-thirds of them. The prices of fuel remained in the fixed category. Insofar as the services category is concerned, in 1980 44 percent of them were officially fixed, the rest were free.

The consumer is probably only interested in the price of the product or service rather than how it came about. Yet it is interesting to have a look at the price categories since official announcements make a sharp distinction between "official price provision" and the changes in the free prices.

Hot water and electric energy have, for example, a fixed price, as well as propane-butane gas, motor gasoline, daily papers and magazines, most meat cuts, consumer cow-milk, granulated sugar, cooking oil, white bread, breadrolls, fine alcohol, domestic cigarettes, flour and cream of wheat.

Mail and railway services are at our disposal at fixed prices, but most stoves and other heating equipment, theater tickets, electric appliances and kitchen equipment, laundry and dishwashing detergents and rinses, mouthwashes and baby-care articles have maximized or officially limited prices.

Childrens' clothing and shoes, some food items, like lard, poultry, dairy cream, baby food preparations, breads containing rice or potato, diet products, rice and canned meat belong to the category of goods with maximized prices.

In the range of freely priced goods we should not be surprised if we find the same merchandise priced in one shop differently than in another, since these prices are "locally" established, i.e. by the sales firm.

Such freely priced items are the raw materials and semi-finished products of the wood industry, most furniture, imported cigarettes and liquors; among the food items meats in jelly, sausages, deep-frozen products and some dairy and baking products.

12312

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STREAMLINING OF EXPORT SALES MARKETING, PRICING SYSTEM URGED

Warsaw GOSPODARKA PLANOWA in Polish No 1, Jan 83 pp 6-12

[Article by Urszula Plowiec: "The Economic Reform and the Pro-Export Orientation of the Economy"]

[Text] 1. The development strategy of the Polish economy cannot, at least for the next decade, be a matter of choice, because it is predetermined by the pro-trade (i.e. pro-export and pro-import) orientation. This is due to several factors.

First, Poland is moderately rich in raw materials and fuels and markedly late in developing compared with the developed capitalist countries. Hence the development and production and consumption largely depend on the following imports:

--fuels and raw materials, e.g. crude oil, metal ores, wool, cotton, grain, rubber, apatites, phosphorites;

--advanced technical thought (e.g. machinery and equipment, licenses, knowhow) and

--consumer goods (e.g. tea, coffee, spices, citrus fruits).

The share of imports in meeting the final demand, i.e. the sum of consumption, investments and exports was and remains high. According to estimates (in constant 1977 prices) this share was 15.4 percent in 1960, 19.8 percent in 1970 and in 1972--when it had reached its peak--25.8 percent.* Since then the import-intensiveness of final demand has been declining, but so slowly that in 1980 it still had been 23.7 percent and in 1981, 22.2 percent. This post-1976 decline has almost exclusively been due to restrictions on investment imports.

The dependence of production on imports of fuels and raw materials is substantial. In many subsectors lack of imports means that production has to be halted. In the mid-1970s the share of fuels and raw materials in imports was about 60 percent, whereas now it is 70-75 percent. During 1972-1976 investment imports grew at a rate of 28.4 percent per year (in constant prices), while during the subsequent 5 years (1977-1981) their growth rate was 15.8 percent per year.

Forty to 50 percent of machinery installed in Poland in the 1970s derives from imports. The share of consumption imports in total imports has remained at the level of 10-15 percent.

*See B. Wojciechowski, "How It Is Really," POLITYKA--Exports-Imports, No 2, 1982

Given our economic situation, funds for imports can be chiefly derived from expanding the volume of exports of products and services.

Secondly, in view of the need to repay the existing indebtedness, an accelerated development of exports is indispensable. At the end of 1980 Poland's long- and medium-term indebtedness in the currencies of capitalist countries amounted to about US\$24.6 billion according to the then current foreign currency quotations.

An additional problem is the policy of restrictions, initiated by the United States, which consists in restricting loans to Poland. In practice this means that imports can be financed only with revenues from current exports.

Indebtedness in turnover with the socialist countries also is rising. In 1980 the negative balance of trade with them was 0.8 billion rubles, and in 1981, 1.6 billion rubles, or after allowance is made for the bank credit of 1.5 billion rubles granted by the USSR (and repayable over 5 years beginning in 1986 at an interest rate of 5 percent), 3.1 billion rubles. The trade agreement for 1982, too, provides for imports from the USSR exceeding by 1.2 billion transfer rubles our imports to that country.

Thirdly, and lastly, a rational development of foreign trade can accelerate the country's economic development and reduce its cost. At a time when there is a shortage of (both domestic and foreign) investment funds and in view of the decline in the growth rate of employment anticipated for the 1980s, as well as in view of the marked saturation of the economy with skilled manpower, the development of exports of services and processed products may become a major lever in developing the economy. A rational development of trade should in this connection be interpreted as the development of profitable exports and profitable imports.

2. In the late 1970s the share of foreign trade in national income was of the order of 30 percent. The above arguments give reason to believe that in the 1980s this share should increase to 40-45 percent. Such a level can bring social and economic progress only when trade will develop on the basis of a universally applied cost-effectiveness analysis of foreign turnover. Unless this condition is met, trade should not be developed because it might then only result in pauperizing the country, considering that the higher the share of foreign trade in national income is, the greater the responsibility of the authorities for a correct cost-effectiveness analysis becomes.

Cost effectiveness of production and foreign trade will be a major factor in adopting economic decisions if at least the following four conditions are met:

--cost-effectiveness analysis will be conducted by all decisionmakers, i.e. both by enterprises and by the central authorities;

--the analysis must be conducted with allowance for the prices applied in the clearing of accounts among domestic contracting parties (rather than especially calculated prices);

--the prices applied in the clearing of accounts should be objectivized (parametric) and shaped at a level corresponding to the equilibrium of supply and demand, that is, shaped under the influence of domestic competition among producers of processed products, or of foreign competition, or determined by the authorities in a manner that does not cancel out the value of parametricity;

--the decisions taken by enterprises on the basis of cost-effectiveness analysis should influence their economic performance which, in its turn, should be the principal yardstick for evaluating their performance.

Thus, the foreign trade-oriented development of the economy should be identified with effectiveness-oriented development. In any other situation the orientation in favor of foreign trade could result in reducing the level of the country's development and hence also the living standards of the population.

The principal issues in the pro-effectiveness orientation of the economy are objectivized sales prices and a system for a positive sensitization of enterprises to changes in these prices; this will cause enterprises to be interested in optimizing profits. Both these elements represent the core of the economic reform in Poland and they will begin to operate fully in measure with the elimination of barriers and provision of enterprises with the conditions for operation in a manner consonant with national economic interest. So far these elements have been introduced only partially.

3. The decrees, resolutions and other legislation adopted so far contain the following provisions promoting the pro-export orientation of the economy:

--permission to keep part of the free-foreign-exchange export revenues;

--the autonomous nature of enterprise plans;

--foreign-currency quotations in zlotys;

--sales prices of raw materials and fuels based on prices obtained in free-foreign-exchange trade;

--the eligibility of industrial and other enterprises to apply for authorization to engage directly in foreign trade activities and to freely choose exporters or importers; and

--negotiation of the commissions payable to foreign trade enterprises serving as middlemen, as well as negotiation of costs burdening the foreign-currency price of export or import goods.

The foreign trade orientation of the economy is not promoted, on the other hand, by interim solutions (e.g. a large number of operating programs or a multi-level system of marketing prices) or by practices (e.g. depositing revenues from exports of processed products in the account of the mediating foreign trade enterprise, improper level of the stabilized prices of certain raw and other materials) ensuing from the parochial attitude of one ministry or another or from lack of experience in acting in consonance with the reform.

4. the planning of pro-export orientation is primarily promoted by the autonomous nature of enterprise plans and the profit maximizing principle. These two elements, which operate jointly, prompt the enterprise to alter the structure and variety of their production and sales (to domestic and foreign customers) so as to maximize their profits with allowance for available resources of fixed assets and manpower. This is a greatly expected and salutary symptom of the rationalization of production and marketing, since it will assure adaptation to the

requirements of domestic and foreign markets. this concerns producers of processed products. As regards fuels and raw and other materials, on the other hand, decisions as to the level and distribution of output will be taken by the central authorities on the basis of the assumptions of macroeconomic analysis.

Thus, major changes are to be expected in the structure of output and exports to both capitalist and socialist countries. They will first arise in the free-foreign-exchange zone, where the commodity structure of exports is not summarily prescribed and the requirements of customers change more rapidly. In exports to socialist countries, on the other hand, which are subject to intergovernmental obligations to deliver specific quantities of particular goods during yearly and even five-year periods, these changes will be more slow. The cost of the slower introduction of these changes will--in view of the obligatory nature of inter-governmental agreements--burden the state budget and especially the compensatory account of the Minister of Foreign Trade. Since the funds in these accounts are restricted, the authorities also will be prompted to shift production and marketing so as to adapt them to the principles of enterprise-level accounts.

The development of exports can be expected in a situation when export prices will be at least as favorable as those obtained in sales to domestic customers, or when exports will yield to enterprises advantages other than price advantages, or finally when exports are made mandatory. For the time being, in view of the irrational price structure (which will be considered more fully in Point 5) the pro-export stimulus is provided by allowances of foreign exchange for imports to the exporting enterprises as well as by the treatment of exports to both [capitalist and socialist] payments areas as an operating program: this provides priority in receiving material supplies for export-oriented production and brings the exports plan closer in nature to a directive-type plan.

The introduction of bank accounts for crediting foreign exchange to exporting enterprises is a major factor in the promotion of exports, because it creates an automatic linkage between the income from exports by a given enterprise and the acquisition of the funds needed for the imports of co-produced goods, producer goods, services, spare parts and even machinery and equipment for convertible currency. Thus this shows that the development of exports receives priority over production for other purposes and it also demonstrates that the enterprises producing for export have the greatest freedom in selecting suppliers. As for the prices of the goods they import, these are shaped by competition between the import prices of similar or analogous foreign-made goods and the prices of their domestically produced counterparts.

However, the current methods of calculating foreign-exchange accounts display certain shortcomings. It is necessary to introduce a minimum foreign-exchange allowance for the producer-exporter in order to stimulate pro-export processing of domestic raw materials. The rates of such allowances should be linked solely to income from profitable exports; in the event of unprofitable exports these rates should be correspondingly lower. In addition, these rates should not correspond to the level of the imports-intensiveness of exports, that is, they should not favor imports-intensive exports. Funds for such exports should be given the lowest priority. Lastly, the scope of the goods that can be acquired with such allowances should be broadened in order to further encourage the final producer and his co-producer to develop exports.

In sum, given the present scope of application of the economic reform, foreign-exchange allowances granted to exporting enterprises promote exports but still do not adequately promote effectiveness. The latter hinges on the level of foreign exchange rates and the nature of marketing prices.

5. As regards foreign-exchange rates, marked progress has been achieved owing to the reform. The rates for the conversion of the zloty to the foreign-exchange zloty have been abolished and uniform transfer-ruble quotations as well as exchange rates of foreign convertible currencies have been introduced for both foreign trade and tourism. The introduction of these quotations has been combined with a roughly 60-percent devaluation of the zloty, which revealed the extent of the inflation but at the same time made the value of the zloty somewhat more realistic.

Given the existing acute lack of equilibrium on the domestic market and the shortage of foreign-exchange reserves, both the principles for determining the exchange rate of the zloty and the changes in that rate are extremely difficult to establish and debatable. The absence of any pressure of domestic competition among producers of processed products and the lack of foreign-exchange reserves needed to introduce an effective competition between domestic and imported products result in a situation in which every devaluation of the zloty burdens fully the production cost; this, in its turn, is bound to result in changes in retail prices and hence also in wages on a scale requiring the re-introduction of compensation payments instead of indexing. In such a situation, changes (devaluations) in the exchange rate cause not so much an expansion of the scope of profitable exports as an increase in the prices of imported goods and their domestically produced counterparts, which results in an increase in the prices of exported products and adversely affects the quality of the currency conversion factor. Thus, it becomes indispensable to consider jointly the levels of exchange rates and prices.

Pursuant to the principles of the reform of marketing prices, introduced in the beginning of 1982, the domestic marketing prices of imported, exported and exportable fuels and raw and other materials are fixed at the level of the average foreign-trade prices applying in turnover with the second [capitalist] payments area, and stabilized for a yearly period. In mid-1981 the exchange rate for the American dollar, at which a majority of the exports was profitable, was about 50 zlotys and was adopted as the yardstick for these prices.

The prices of the other domestic means of production, on the other hand, continue to be fixed according to the cost formula, that is, according to production cost--in the absence of competitiveness of production--plus profits. In exports, if they are profitable, the producer is paid the transaction price (minus the commission of the exporter if he mediates the exports).

The prices of imported means of production correspond to the sum total of the transaction price plus eventual customs duty, turnover tax and the exporter's commission. This has led to a heterogeneous and multi-level price system. Its advantage consists in the gradual introduction of correct relations among the prices of fuels and raw and other materials, corresponding to the relations among the prices of these goods on the world market (at the beginning of 1982 it became evident, besides, that the price levels of certain raw materials were improperly fixed). Its disadvantage, on the other hand, is the differentiation of marketing-price levels as well as the considerable non-objectivization of these prices. The stabilized prices of fuels and basic raw and other materials--cf. Appendix No 3 to the 1982 Resolution of the Council of Ministers on the

Functioning of Enterprises--were based on the exchange rate of 50 zlotys to the dollar, whereas the prices of other imported means of production have since the beginning of 1982 been determined on the basis of the mandatory exchange rates of 68 zlotys to a ruble and 80 zlotys to an American dollar, while the prices of domestic processed products--being free prices--are much higher in view of the extremely limited available supply of goods. In the absence of domestic competition, the prices of goods belonging in the third category are non-objectivized. Thus, it is not justified to apply these prices in cost-effectiveness analysis and, for the same reasons, it is not rational to maintain the principle of enterprise self-financing. In such a situation, self-financing is disadvantageous from the standpoint of public interest.

The above features of the marketing prices of processed products result in that the export prices, as based on official currency exchange rates, are uncompetitive in relation to the prices applying on the domestic market. Thus the current system of sales prices of processed products is a major obstacle to the development of exports and moreover detracts from effectiveness. It approves, as it were, the entire existing inefficiency and technological backwardness of production, low labor productivity, etc. As a result, the development of exports cannot be linked with improving their effectiveness, because this requires maintaining the institution of foreign-exchange allowances (extra benefits from exports), an extremely broad commitment and compensatory accounts for exports of goods to both capitalist and socialist countries as well as the existence of a cost-effectiveness analysis of exports based on corrected pricing of the fuels and raw and other materials used in the production of export goods (this concerns pricing based on free-foreign-exchange transaction prices calculated in accordance with current exchange rates).

Commencing a rational pro-export orientation requires changing the principles of determining the prices of goods designed for export as well as of analogous domestically sold goods, i.e. goods produced by an analogous technological process or meeting the demand. A precondition for this change is a rapid analogous or similar verification of the price level of basic fuels and raw and other materials, i.e. the determination of these prices at the level of the free-foreign-exchange transaction prices based on the current official exchange rate of 80 zlotys per the American dollar. Such a change in the prices of fuels and raw and other materials will make realistic the production costs of processed goods and promote an improved appraisal of the quality of the current official exchange rates. Then it will be possible to determine which part of the exports of processed goods is unprofitable and decide whether to maintain the current exchange rates or further devalue them. In the latter case it will be necessary to gradually increase the prices of imported and domestic fuels and raw and other materials until they reach the level of the prices applying in free-foreign-exchange trade.

Irregularities in the system of the official prices of basic fuels and raw and other materials also have led to distorted proportions among partially substitute goods classified in different price categories. For example, the official prices of wool are much lower than the controlled prices of imported waste and rags and thus even lower than the uncontrolled prices of domestic waste and rags. Similar deviations occur among the prices of lumber, mine timbering, etc.

If the principle--just, in my opinion--of pricing all imported and domestically produced fuels and raw and other materials according to the prices applying in free-foreign-exchange trade is adopted, the level of the exchange rates of

foreign currencies will be determined by the cost of acquiring these currencies through exports of processed products as well as by the supply and demand for these currencies, that is, by the foreign-exchange market. The lack of foreign-currency reserves prevents commencing, even on the tiniest scale, the sales of foreign currencies to producers at market-rate terms. Hence, the level of the exchange rates has to be of necessity based on just one price element, i.e. on the cost of the acquisition of foreign currencies through exports of processed products. In the absence of foreign and domestic competition these rates undoubtedly are exorbitant and unjustified, offering protection for all and not just the protected producers. The more organizationally discrete levels of the processing of products exist, the higher is the accumulation component of the domestic price of the final product and the lower the quality of the exporter's performance and the weaker the marketing network abroad are, the lower is the product's price in foreign currency.

A way out of the situation--and at the same time the salvation of the reform's principle of providing incentives for enterprises to raise labor productivity--is provided by a forced acceleration of competition among domestic producers and also by bringing the sales prices of processed products closer to the prices applying in free-foreign-exchange trade. This would mean posing tight requirements for effectiveness to the processing industry. In the former case, i.e. in the case of official promotion of domestic competition, these requirements would be much milder than in the latter. (The scope of this paper does not permit a more detailed presentation of this case.) The success and effectiveness of the latter case, i.e. the case of bringing the sales prices of processed products close to their prices applying in free-foreign-exchange trade, depends on the strength of the export incentives and hence also on the development of the exports of processed products. For domestic sale prices can be brought close to export prices when the exports of a given product account for a substantial part of its output. This solution has been introduced in Hungary, where the rule is that if free-foreign-exchange exports of a product account for at least 5 percent of its output, the entire output is priced in the prices applying to free-foreign-exchange trade in that product. This causes producers to become tremendously interested in improving the effectiveness of exports and hence also in their technological level, customer service, sales markets, the marketing network and the level of commissions paid to domestic and foreign middlemen. For the higher the export price, the higher the sales price of the commodity on the domestic market becomes. Moreover, in this system the prices of imported goods are higher than those of their domestic counterparts because of customs-duty surcharges. Thus such a solution promotes the rationalization of imports by means of economic instruments. In Hungary--owing to the considerable share of processed goods in its exports--a competitive zone accounting for an estimated 60-70 percent of production has arisen in industry. In the Polish situation the lower share of processed goods in free-foreign-exchange trade would make any eventual competitive zone in the economy correspondingly smaller during the initial stage. But if free-foreign-exchange exports were to benefit enterprises by enabling them, for example, to keep for themselves a share of foreign-exchange revenues that could be used to acquire a broad variety of goods, marked interest of producers in developing exports could be expected.

The first step toward bringing the sale prices of processed goods closer to their transaction prices applying in free-foreign-exchange trade lies in granting to producers the right to directly engage in export sales on their own account or through the mediation of foreign-trade enterprises in return for payment of a commission. Then the producers are paid for their goods in prices applying on

the free-foreign-exchange market or in clearing-trade prices. The free-foreign-exchange price is essentially a market price and a free one in the sense that it is shaped through free negotiation among independent parties. By contrast, the so-called free prices of processed goods that currently apply in this country represent prices dictated by producers owing to the absence of a domestic market and attendant bargaining, and thus they are arbitrary prices.

From the above ensues the conclusion that the practice, introduced early in 1982, of depositing revenues from exports of processed goods in the accounts of foreign-trade enterprises is inconsonant with the assumptions of the reform. It prevents the producers from benefiting from transaction prices plus any eventual extra payments from the compensatory account of the Minister of Foreign Trade. In the current situation the producer instead receives a price agreed upon between the producer and the exporter at a level equal or close to that reached in sales of goods to domestic producers. Thus, foreign-market prices influence the level and structure of production only if the exports of processed goods are profitable. The current practice reduces this influence to a minimum and in fact, compared with the practice in the 1970s, it is a step backward. In 1982 the practice applied in this respect dates from the first half of the 1970s.

Moreover, supposedly free domestic prices operate in a strong pro-import direction, because as a rule they are higher than import prices plus customs duty, which in such a situation remain unrelated to the prices of domestically produced counterparts.

6. As introduced at the beginning of 1982, the practice of free (or rather arbitrary) sales prices simply preserves the paradox that production continues to be always profitable but the exports of processed goods are mostly unprofitable. The unprofitability of the production of certain subsectors should be publicly revealed and the society should decide whether it wants to subsidize these subsectors. Pursuant to the decree on planning, the Parliament each year approves the state budget--which includes subsidies.

In countries in which enterprises operate on the principles of self-financing and decisionmaking autonomy, the subsidizing of any production is deliberate and is temporarily or regularly maintained owing to social considerations (e.g. the development of a backward region, the provision of jobs for women, employment of the handicapped), or owing to defense or development considerations (e.g. subsidies for basic research in chemical processing of coal). Such subsidies operate under close social supervision, meaning that they are linked to a program or strategy for the development of particular subsectors and are based on such terms as:

--legislation that authorizes subsidizing a particular activity (most often, parliamentary legislation);

--duration of subsidy;

--form of subsidy (interest or fund rates, loss reimbursement, discount transportation rates, lower loan interest rates, reimbursement of part of exhibition costs, etc.);

--estimated budgetary allotments for individual years;

--conditions for granting subsidy (e.g. changing the level of employment, cutting losses).

In the event of the introduction of sales prices based on free-foreign-exchange transaction prices, it should be assumed that subsidizing the production of unprofitable subsectors will be accompanied by programs containing analogous elements. The scope of these programs and the level of production subsidies will depend on the level of the exchange rates of foreign currencies. And conversely, the higher the domestic prices of foreign currencies are, the lower the requirements for improving production effectiveness, the smaller the number and the lower the level of discounts and the higher the prices of imported goods become. The lower the domestic prices of foreign currencies are, the tighter the requirements for improving production effectiveness the larger the number of subsectors that are either subsidized or condemned to decay, the higher the level of discounts, and the lower the prices of imported and domestic goods become.

The level of exchange rates in the immediate future will thus also be decided by the feasibility of the program for subsidizing selected activities and adherence to that program. It is also worth noting that the introduction of prices of processed goods based on free-foreign-exchange transaction prices need not lead to a low level of the retail prices of these goods. The revenues for funding the program of subsidies for selected subsectors could be derived from the turnover tax, which adjusts the price of a product to the level of supply and demand on the consumer goods market.

7. The pro-trade orientation of the economy should be promoted not only by the price system but also by other elements of the economic-financial system of enterprises. If the system of free prices of processed goods in the absence of domestic competition is further retained, it will not be possible to provide incentives for enterprises and their workforces to improve export profitability. Free prices in such a situation are generally higher than transaction prices and hence exports of processed goods will be rarely profitable. Thus, enterprises should not be encouraged to maximize their profits. In such a situation, pro-export orientation can be encouraged only by rewarding the enterprises for attaining a particular level of exports estimated in transaction prices, or by their so-called target rewarding associated with the fulfillment of tasks specified in agreements between the Minister of Foreign Trade (or his representative) and the producer. Both types of rewards are not linked to the effectiveness of exports but rather are financed from external--outside the enterprise--sources and their application should be confidential.

If, on the other hand, the sales prices of processed goods will be based on free-foreign-exchange prices for the competition zone and on free prices in the remaining zone, it will be necessary to introduce milder progressive income tax rates in the competition zone. This is because achieving profits in transaction prices will be much more difficult than in the case of free prices. Thus, the differentiation of income tax rates will reflect their adaptation to the nature of prices and the equalization of the conditions of prices and operation of enterprises in both zones rather than an expression of preference for exports. The funds for rewarding the enterprises in this case would derive from the net profits of the enterprise, and it would be within the competences of enterprise management to determine such principles for the participation of the workforce in these funds as would promote the development of exports and improvement in their effectiveness.

The pro-trade and also pro-effectiveness orientation of the economy would also be promoted by restructuring and altering the functions of banking institutions, including those which serve foreign-exchange turnover. In particular, producers who handle exports and imports on their own will need the assistance of the banks in selecting the foreign currency in which payments are to be made, bearing the risks involved in the fluctuations of exchange rates and discounting the value of the sales invoices used as collaterals. Currently some of these functions exist in a rudimentary state while others do not exist at all. Thus the producer acting on his own account would be swamped with new expenses and responsibilities that would at times overwhelm him. Broadening and strengthening the functions of the banks is a highly important factor in the pro-export orientation of producers.

As envisaged in the ultimate solutions, various forms of economic-legal ties between suppliers and exporters as well as between consignees and importers (purchases on own account, commission agreements, mixed forms of agreements) should also promote pro-trade orientation, chiefly owing to the flexibility of these forms and the negotiation of all elements affecting the cost of implementing foreign turnover, both in foreign-currency terms and in terms of the zloty. The central authorities would have a say in ties among partners only with regard to trade in goods to which official prices apply, that is, in particular--basic fuels and raw and other materials. Trade in these goods is done in behalf of and to the account of foreign-trade enterprises, and their profit margins are determined by the Minister of Foreign Trade. As regards trade in other goods, the legal forms and elements of trade relations can be agreed upon and are subject to negotiation. This means in particular that the scope of the services rendered by the foreign trade enterprise (consultation in financial-payments matters, conclusion of entire transaction, marketing and post-sale services) is subject to negotiation, as is the attendant level of costs expressed in zlotys, as well as the level of foreign-currency costs such as the level of outlays on acquisition or the level of brokerage fees for foreign middlemen.

The solutions adopted for the year 1982 are of an explicitly interim nature. For example, the form of economic ties among partners in exports of processed goods has been determined centrally (see Point 5), as have been the principles for forming the acquisition fund. Work is being continued on the financial system of foreign trade enterprises and perhaps the situation as regards the clearing of accounts will be changed.

8. The solutions adopted under the reform as regards the organization of the foreign trade apparatus are explicitly pro-trade and pro-effectiveness. They enable the producers of processed goods to gain the right to engage in foreign trade if they export at least 25 percent of their output (regardless of whether the enterprise is large or small) or if their exports exceed 1 billion zlotys per year. In addition, such producers should assure proper staffing and organizational and technical services for the trade under concession. If an enterprise has co-production links with foreign contracting parties or manufactures products from raw materials entrusted by these parties, it can apply for a concession even if it does not meet the terms mentioned above.

On the other hand, concessions are not granted for trade in goods of basic importance to the national economy, that is, centrally balanced standard goods whose turnover does not require direct contact between producer and customer. Combining the acquisition and sales of these goods in individual foreign trade enterprises serves, in its turn, to obtain more favorable prices and other terms of purchase or sale.

In sum, the adopted solutions are moderate and represent a compromise. They provide greater freedom of action to processing enterprises with a pro-export orientation, while at the same time preventing an excessive (non-rational) dispersal of the exports of processed goods. It is estimated that the quantitative terms required for receiving a concession are met by 320 enterprises of the state industry which account for 35 percent of the total value of exports.

Foreign trade also is promoted by the ordinance governing the freedom of the scope of action of state enterprises (cf. Article 49 of the Decree on Enterprises), under which the domestic supplier and consignee of processed products is enabled to choose the exporter or importer, while they in their turn are enabled to choose suppliers. So far this freedom has sometimes remained purely academic whenever turnover in a given group of commodities is handled by just one foreign trade enterprise (e.g. the CIECH Export-Import Center for Chemicals). Freedom of choice of partners will become a reality if an enterprise lacking a precisely defined scope of action is established. In Hungary the "Generalimpex" is such an enterprise. In Poland the DAL International Trade Society, for example, could become such an enterprise.

So far no major changes have yet been noted as regards turnover at individual foreign trade enterprises, but producers clearly prefer to be provided with both export and import services by just one foreign trade enterprise as this reduces the problems of contacting many middlemen. It can thus be assumed that foreign trade enterprises (which would like to specialize in particular types of trade, though) will in time develop their mutual ties. For example a foreign trade enterprise that supplies most of the imports needed by a given producer will act as the general supplier by concluding mediation agreements with other specialized foreign trade enterprises. So far the reform has not yet been extended to the organization of the foreign marketing network, but this will be inevitable as producers become more and more interested in improving the effectiveness of their exports. But even now it can be expected that this will result in the adaptation of the number of partially Polish-capitalized foreign companies to a level justified by the scope of our trade turnover.

9. Summing up the above reflections, it can be stated that the ultimate assumptions of the Polish economic reform favor foreign trade and effectiveness, even though they have not always been defined unambiguously. The current initial stage of application of the economic reform is marked by both pro-effectiveness and pro-trade elements and anti-effectiveness and anti-trade elements. The proportions between these two groups of elements vary and depend chiefly on the quality of marketing prices, that is, on the extent of their parametricization (objectivization). Were every marketing or sales price to be a parameter, the economy would be strongly effectiveness-oriented and hence also trade-oriented. So far, however, parametric elements in marketing prices have been extremely weak and hence also the pro-effectiveness activities of the enterprises have been limited. In such a situation the slogan of the pro-export orientation of the economy is not adequately reflected in its manner of functioning; translating this slogan into economic reality requires, in particular, a forced streamlining of the system of marketing prices so as to objectivize them and bring them closer to the level of free-foreign-exchange trade. Thus, with respect to the matters considered here, the central problems of the economic reform are: an active policy on foreign exchange rates, accelerating the parametricization of marketing prices and the development and disciplined implementation of a program for subsidizing the production of selected enterprises. These problems concern not just individual ministries but the entire economy.

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POTENTIAL, FLAWS OF REFORMED ENTERPRISE SELF-FINANCING SYSTEM DISCUSSED

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[Article by Jan Szczepanski: "The Role of the System of Financing Enterprises in the Context of the Inaugurated Economic Reform"*]

[Text] 1. General Comments

It is very difficult to define the exact role of financial mechanism in the context of the inaugurated economic reform.

There are many reasons for this. The most important of them are:

- a. not enough time has passed since the beginning of the reform;
- b. there are specific economic and political conditions of the reform;
- c. institutional elements have limited the scope of the reform.

In practical terms, first there was a period of preparing and discussing the idea of the reform, based on principles and guidelines adopted by the Ninth PZPR Congress. Then a reform of enterprises' management was initiated as a result of the Council of Ministers' resolution No 243. The resolution defined principles of functioning for state enterprises in 1982, effective 1 January 1982. Basic principles defined in this document are in accord with the resolutions defining the content of the reform, which were subsequently prepared and adopted in February 1982. In this article we are concerned with the resolutions regulating financial management of state enterprises and taxes for state-operated economic units. The new economic mechanism needs some time to achieve expected results, after basic changes took place in directives. The results include more efficient functioning

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of economic units, better economic effectiveness, and linked to it better labor productivity, more efficient employment, better use of fixed assets, lower energy-and-materials intensiveness of production, more efficient and changed export and import structures, and gradual balancing of the national economy.

The reform is implemented during a difficult sociopolitical situation, martial law, and deepening economic crisis. We experience a total decrease in production, real income, and living standard of the society. These factors do not facilitate efficient functioning of economic mechanisms. Erroneous impressions of the need to suspend the reform are sometimes created as a result.

Restrictions and orders-directives-type limitations were imposed on functioning of the new economic mechanism. They include state control of supply and consumption turnovers, activities taking place in the framework of broadened operational plans, and suspension of some functioning principles of the economy during the period of martial law. In view of these and other causes, both negative and positive evaluations of the inaugurated reform and its initial results should be conducted with caution.

A special role is played by the financial mechanism in the system of economic reform. Firstly, this is because, according to the idea of the reform, economic units can increase effectiveness and inventiveness and achieve economic balance mainly through the increased role of money and its activation. Secondly, financial-credits system is in charge of basic instruments regulating and motivating economic processes.

Thus, a success in this area is a necessary factor of implementing the economic reform in its initial phase.

A critical evaluation of implementing the new financial system of enterprises and of the system's functioning in the initial phase can be attempted only by accepting the point of view and the qualifications presented above.

We want to give special attention to those issues and practical aspects of the reform inauguration process which hinder increased effectiveness, financial autonomy, and self-financing of enterprises.

2. Issues Concerning Prices, Unprofitability, and Budget Supplements

A proper price system is the first condition of effective functioning of the enterprise's financial system. Prices of goods and services, as well as of production factors (for creating financial surplus) constitute the basic channel for regulating the flow of financial resources to the enterprise. Creating of sale surpluses, as compared with outlays, is an important issue. It is independent of theoretical criteria for evaluating the price system mechanism, regarding both sales and costs.

Price policy is a complicated economic, social, and political problem. It should be said that there is practically no chance of building a price system that would fulfill all expectations. Every system requires some corrections, such as bringing in and taking out financial resources to and from both sales and outlays. It seems that the less the present price system is compatible with socioeconomic needs, the greater becomes the importance of regulating instruments, such as taxes and subsidies. Unfortunately, their role is then limited mainly to eliminating results of the faulty price system.

This seems to be the present situation. One of the important causes of this situation is the adopted price system concept. Its correct functioning is questionable under conditions of a deep economic crisis that we now experience. The reasons why this concept may not be the best are as follows:

a. There is no unity in the concept, and subsequently, in the structures of the price system. The central authority sets prices indirectly and not in a unified way. Furthermore, there is a broad area that is not influenced by the central authority. The basis for setting prices, even within the framework of those either set or influenced by the state administration, varies depending on the product. In some cases the set prices are close to those required at international markets. In other cases prices are based on average subsector costs with unspecified (because it is defined by self-financing) profit surcharge. Contract prices are set freely since the producer has the monopoly and the demand is greater than the real supply. Thus, it is difficult to speak about a supply-demand structure. However, it should be said that in many cases prices are not set by the producer since legal criteria for setting prices are lacking.

We have three kinds of prices, and each kind can have a different structure. This does not help calculate correct cost-effectiveness and conduct external evaluations, including those conducted by banks. Furthermore, the inconsistency affects market balance and goes against the principle of a unified system.

b. As a result, prices cannot perform as the state's instrument for regulating production, in some cases. It seems wrong to adopt such a price structure concept under conditions of serious market imbalance. Considering the indirect management system, prices should be the basic decisionmaking parameter, directed from the economic center to the producer. For the producer prices should constitute the external element of calculated cost-effectiveness. Otherwise, in the situation of economic imbalance combined with the producer's and the seller's monopoly, both the producer and the seller dictate the prices they desire and use them as a decisionmaking criterium. This is a paradoxical situation, but, even if this description is slightly exaggerated, it can be viewed as close to reality since there are no incentives for setting realistic prices when there is no competition (these comments do not concern so called luxury products and individually ordered goods).

c. With a broad scope of contract prices there is danger of pressure to limit consumption of low-income population. This is because it is impossible to correct a decrease in real wages caused by higher prices for manufactured goods. On the other hand, a shortage of those goods in the market creates a convenient situation for the producer, who can set maximal prices without increasing either production or turnovers to increase profitability. In view of our country's situation concerning payments, this danger is increased by the lack of competition from imported goods.

In addition, prices of basic domestic raw and other materials are not compatible with real prices of transactions. They have a basic impact on the level of domestic production costs, despite the principle, according to which they should be based on world prices. This is because prices exchange rate, according to which a U.S. dollar equals 50 zlotys. However, since new domestic prices were introduced, a U.S. dollar equals 80 zlotys. Excessively low prices of basic raw and other materials result in high losses for the raw-materials industry and in a necessity for substantial subsidies. In the meantime, prices for some processing industry products, set on the basis of higher costs and excessive profits that include the expected addition, cause a very favorable financial situation for those enterprises, which is economically unjustified.

In the area of retail prices (in a group of state-controlled prices), there is still a need to subsidize food products, despite a substantial increase, for which the population was compensated. The required amount equals over 200 billion zlotys. This is a result of such factors, as unsynchronized procurement price increases and a retail price reform. The unacceptable ratio of prices for food products, as compared with other goods, is continued. It is caused by a system of artificially low prices. This system could have been overcome during the February reform since the population was compensated for its cost anyway. The regulation system, needed to control demand, is another reason for this ratio. It seems that there was a chance of a greater price increase over 200 billion zlotys countrywide, in view of the substantial compensation that was given.

An increase of contract prices, in addition to the need to broaden the list of official and state-controlled prices and the scope of regulation of goods covered by those price systems, will lead to more increases of budget subsidies for producers of that group of goods since without increases there will be no incentives to produce them.

The concept of basic raw and other materials prices only theoretically (considering the above qualifications) links producers with the world market. Furthermore, principles for setting contract prices limit incentives to export production, especially under conditions of unfulfilled domestic market. This is a dangerous phenomenon in view of the current situation concerning the balance of payments. Thus, solutions in the area of prices are not compatible with the solutions for encouraging exports increase.

Despite the view of many economists and politicians to the contrary, the officially favored way of achieving balance by broadly applying contract prices is dangerous, even if it is fiscally advantageous to the state.

Thus, it can be stated that there are significant problems concerning price levels and ratios and actual prices (including both producer and final-product prices).

Without going any deeper into causes of this situation, it should be noted that much of the existing unprofitable production is a result of subsidies. It affects the planned functioning of the financial mechanism directed toward increasing real management effectiveness in the enterprise.

However, some subsidies to enterprises which operate at a loss, i.e. some product [goods and services] subsidies can be justified by social needs. They can also be justified by the present economic situation, particularly in the area of importing goods that are cheaper than the domestic equivalents. Our country's payments situation may force us to produce certain goods for a while. Such production would have anti-import character, but it would be necessary for normal functioning of the market. Also, product subsidies may enable the central authority to influence the size and the structure of production. However, such subsidies also have a negative impact on lowering production cost, when the depression range has not been previously defined.

A system of organizational-unit [plant and equipment] subsidies has no positive features whatsoever. It only creates problems. As a result of such a system, the production of goods which are sold for a loss becomes permanent. Cost decreases are counteracted, and it becomes impossible to influence the production structure. Furthermore, such a system effectively prevents a bankruptcy, as shown by the practice of the first half of this year. This happens because the founding bodies, by awarding subsidies, do not only protect potential "bankrupts," but also forfeit their right to influence them in order to make management of enterprises more effective. Even indirect subsidies to the development fund considerably limit the role of earning performance as an incentive since the earning performance can be partially a result of product subsidies. However, in such cases the central authority links subsidies to the size and structure of functioning. This helps enterprises utilize financial surpluses independently.

3. The Role of Earning Performance and the Distribution of Earnings Under the Reformed System of Enterprise Financial Management

Legal regulation of financial management tipped the scale from the "income" variant to the choice of the "profit" variant. Thus, institutional solutions should be directed at interesting the work force in shaping the earning performance, particularly in the area of incentives. Up to now this interest has been limited to self-financing the assets. When the interest is strong enough, the enterprise has a reason to be concerned with profits. The bank's credit policy may also go in this direction.

In capitalism profit is an evaluation indicator and serves as an incentive in the area of economic activity because of natural reasons, i.e., the reasons that are a result of the way the system works. However, in the socialist economy the workforce is primarily interested in emoluments. This concerns especially principles governing personal income of employees. Thus, for the earning performance to become the driving force of the enterprise's functioning, the workforce has to have tangible collective and personal benefits in addition to self-financing increases in assets. There may be doubts if institutional solutions should support the earning performance as the basic evaluation indicator. However, even though, obviously, profits express the economic effect of activities, only they can justify demand for production means. This particularly concerns such issues as achieving their maximal utilization ratio and putting a stop to excessive demands for superficial production means and labor force.

Interest in earning performance depends on many nonfinancial factors, such as prices (discussed above) and financial system instruments regulating distributable profits from the outside.

The influence of the price system on earning performance and interest in profits does not contribute in practice to real improvements in economic effectiveness. Of some importance is also the functioning distribution system. If the system, through tax regulations and obligatory reserves fund causes the part of profits that is to be used by the enterprise according to its autonomous decisions to equal only its insignificantly small percentage, either interest in earning performance will disappear or it will be very limited, as practice has shown. This is contrary to the objective of increasing economic effectiveness of the enterprise.

The problem of regulating the amount of profits remaining at the enterprises is discussed in a separate place in this article, because of its importance. Here we will just mention that awarding in practice (not just in theory) appropriate rank to earning performance is the most important and basic factor of effective functioning of the enterprise's financial system. When the market and price system become stable, the profit will not have to play a fundamental role as an incentive anymore. For example, this is the direction of solutions that will go into effect 1 January 1983 in Hungary. As a result, increases in emoluments will be more dependent on earning performance.

Strengthening the role of profits should solve the problem of influencing costs, increase the role of banks, and create a rational basis for self-financing of assets. The increase in the role of profits can be accomplished as follows:

- a. Financial instruments should be rid of elements that discourage achievement of rational maximal profits;
- b. either wages should be linked to earning performance or a substantial part of emoluments should be linked to profits (this would mean an increased importance of bonuses).

4. Making a Start Equal for all Enterprises and Consequences of This Approach

An important controversial problem concerning implementation of the reform was the problem of making conditions for financial management equal for all enterprises. The argument for choosing this avenue was the fact that at the outset of the reform some enterprises experienced less favorable financial situation than other, which was not always their fault. The present situation varies, even though accounting associated with reappraising of inventories was conducted (funds were not awarded yet to "poor" enterprises). In the national economy the level of financing resources with money owned by enterprises equalled 27.2 percent and in the "industrial" sector it equalled 27 percent (including construction materials--10.6 percent and metallurgy--8.2 percent). In the construction sector the balance of funds owned by enterprises is negative (6.8 billion zlotys). The balance of allowances for the development funds grew considerably (about 40 percent of takings from depreciation, 40 percent from distributable profits and 20 percent from other sources).

The persisting unequal financial situation of enterprises is a result of a shortage of 40 billion zlotys worth of means for concentrated in the NBP [the Polish National Bank] calculation of estimated resources. It is also caused by considerable differences in the level of distributable profits left to enterprises and needs in the area of self-financing.

Considerable obligations of enterprises concerning payments for investment credits received in the past are an additional element complicating financial management of enterprises. The total sum of the payments equals almost 900 million zlotys. Such payments are divided in various ways, and in many cases the assets of enterprises acquired as a result of the investments are not utilized because of supply shortages. This burden, combined with graduated income tax, is sometimes too great to manage. However, often profits are burdened with credit payments because of decreased financial interest of enterprises in earning performance.

Putting the subject of this article aside for a moment, we should say that the problem of equalizing losses of enterprises should also be viewed in the context of the system of double outlays for supplying enterprises in raw and other materials. This only seems as a nonfinancial issue since some enterprises ensure their supply sources mainly by joining operational plans. This gives enterprises an almost free use of bank credits and puts them in a privileged position. Conditions of functioning in the framework of the reform and effectiveness measured by earning performance vary depending on supply and sale prices. The situation is especially drastic when one part of supplies is acquired according to state-controlled prices and another part according to official prices. Thus, enterprises that function within the framework of operational plans and sell their goods according to state prices are in the best position.

5. Elements of a System for Taxing Enterprises

The turnover tax is an important instrument of financial policy toward enterprises. Its effectiveness can be assessed according to tasks implemented by enterprises. The first question concerns varied abilities of turnover tax to fulfill price-setting function. The tax does not play this role in the area of official prices. Rather, it is a result of the defined price level that limits its function to fiscal tasks and regulating the level achieved through the sale of earning performance. In the area of state-controlled and contract prices the tax constitutes an element of calculating prices as previously defined obligations. In this way managing units significantly influence prices.

Much attention has been given to the excessive fiscal character of turnover-tax payments (its drain effect) in cases when the tax rates are higher than the amount specified for luxury goods but do not concern such goods as some light industry products, spare parts for cars, cosmetics, artistic porcelain, and china). Similar objections are caused in some enterprises by fluctuating turnover-tax rates and some disproportions among them. There are also difficulties concerning monitoring and collecting taxes for goods which are also supply goods (not taxed) and market goods (taxed). However, it seems that when the market settles down after the price shock, the turnover-tax structure should be examined again. This character of the tax is a result of its basic structure, which may be necessary during the inauguration of a new price system while its effect on the economy is not yet assessed. Furthermore, this type of a tax structure is, because of its simplicity, comparatively convenient from the point of view of the budget for planning, implementing, and monitoring income.

In any event, the discussed tax, as it was shown above, has a particularly fiscal character for reasons including the establishment of uniform rates for most products. This instrument is insufficiently utilized as an incentive for production growth of socially preferred goods. In the present market situation the range of differential tax should be broadened, and there should be a return to more individualized rates.

The income tax, and especially its structure, needs more thought. This structure is a result of the concept of decreasing the cost of materials through substituting it by direct labor and offering enterprises incentives linked to undertaking labor-intensive activities. The practice shows, however, that it was a mistake to make the tax contingent on profitability as evaluation factor, which is what it became, in spite of the theory. Of course, its functioning is contrary to the way the tax would function if economic advantages for both the enterprise and its workforce were dependent on its maximal growth. In other words, the taxpayer's strategy is based on decreasing the profitability indicator. Thus, the profitability indicator may counteract production of those goods whose profitability may result in a higher tax. This is especially true for state-controlled prices. The indicator can be adjusted for tax purposes. Either both

production and profits can be decreased, or low-profit production can be undertaken. Of course, low profit does not necessarily mean low price and low cost. Actually, the higher the cost, the better it is for the enterprise, so long as there are no losses. Another avenue is also possible. Even the total profit can be increased, and even more so the denominator, i.e. the cost of processing. Then lower profitability is used to set the tax. On the other hand, it does not seem necessary to increase the enterprise's interest in prices through institutional solutions.

For reasons that are often accidental the profitability indicator fluctuates, and is difficult to predict on both micro- and macroeconomic levels. This is shown by increasing income tax payments to the budget, as compared with the annual plan. Thus, 93.8 percent of those payments were made at the end of July 1982. It should also be noted that processing costs vary from one enterprise to another depending on the branch and technology level.

The average profitability equalled 47.9 percent in industry in the first half of the year and it was already 49.07 percent after 7 months. In seven subsectors profitability was lower than the average for the first half of the year. It was 8.3-47.4 percent for coal, metallurgy, ceramic, nonferrous metals, construction materials, food, and energy industries.

Higher than average profitability, from 60 to 81 percent, was achieved by precision, chemical, paper, electrical, electrotechnical, leather, transportation means, glass, and textile industries.

The record profitability level, 136.4 percent, was achieved by the fuel industry (mainly production of liquid fuel and charcoal).

The remaining sectors of the national economy, excluding foreign trade, where profitability reached 160 percent, achieved lower profitability than average. The construction industry achieved 25 percent, transportation and communications--34.2 percent, and domestic trade achieved 40.2 percent. The above numbers represent balanced profits, i.e. they cover profits of profitable enterprises minus losses of unprofitable enterprises. In open calculation profitable enterprises had 90.1 billion worth of losses. These facts show that the profitability factor for processing is incommensurable to the needs of self-financing assets. The graduated tax adds to problems and even profitable enterprises cannot manage because the tax is calculated based on processing costs, especially when the development fund is burdened by high rates for investment credits.

Undoubtedly, enterprises criticize earning performance because of faults in the system of taxing it. Therefore, it is proposed that graduated tax should be replaced by relative (linear) tax. In addition to making it possible to raise the rank of self-financing, this step would create incentives to lower production costs.

An additional argument for taking this avenue is that a substantial profit increase that took place as compared with 1981, is really a result of the price increase, not of lower production costs. The high graduated tax did not counteract the price increase. At the same time enterprises were not interested in cost decreases (as shown above), especially of processing costs. Such decreases would lead to greater profitability of processing and increased income for both the enterprise and the state (through higher income tax). However, although cost of materials leads to higher profits, the high graduated income tax eliminates advantages for the enterprise, leaving it only a negligible amount of distributable profit. That is why higher costs, especially processing costs, result in a better financial situation for the taxpayer, i.e. the enterprise. Thus, a view can be formulated that the income tax in its present form has anti-effective impact on enterprises and needs to be restructured. This view is fully supported by the economic practice.

Another proposal should also be considered. Tax deductions can be applied to some branches, especially those experiencing substantial needs concerning self-financing of assets and processing costs are relatively low. It seems, however, that even investment deductions and lower graduated tax cannot be enough. A slightly modified tax cannot become a permanent element of the economic reform. Graduated income tax collected depending on functioning of enterprises is not usually applied in other countries, because it has anti-incentive impact on management effectiveness.

One of the main principles of the reform in the area of enterprise management is providing incentives for increased effectiveness. This principle can be implemented only when the situation of enterprises concerning their income becomes stable, and the basis is created for rational planning of expenditures implemented from profits using financial resources accumulated in various funds. A stabilizing tax either limits or excludes this type of action because it always decreases the amount of resources available to enterprises.

Anti-incentive impact of this approach manifests itself also in the lack of activities directed at implementing all the functions other than those implemented by income tax. In addition, the system of financial regulation becomes unclear. Speaking from a psychological point of view, such a tax weakens the system's impact, because enterprises lose faith in profitability of increased effectiveness since its results and subsequent advantages can be taken away from the enterprise by a single preemptory enforcement ruling. Thus, there is a danger that economic units will be discouraged from increasing effectiveness.

6. Financial Instruments Regulating Employment and Wages

The legally adopted reform principles regulating wage funds link graduated payments on behalf of the State Vocational Activation Fund to increases in average wages, instead of limiting general increases to emolument funds.

Contrary to other socialist European countries, Poland experiences now excessive, as compared to the real producing capacity, employment in the area of material production, particularly in industry and construction. At the same time, there are many positions available in nonmaterial sectors, community management, trade, and agriculture that affect the society's living standard. Institutional solutions contained in the financial management law and the budget law for 1982 do not contribute to a decrease in employment and costs per capita and better labor productivity. On the contrary, since it is necessary to ensure substantial increases in nominal wages for the best employees, those solutions actually increase a demand for low-paid labor force. The latter does not even have to produce to benefit the enterprise. Its task is to lower an increase in average wages through their own low wages. Such a tax system is a result of the fear that enterprises may give up excessive employment on their own. This is clearly shown in this year's experience, which saw production decrease in processing industry) in its physical size, of course), accompanied by only a slight drop in employment. The discussed solution makes it impossible to link labor productivity to wage increases effectively, which is one of the most important conditions for coming out of the crisis. The obvious truth should be kept in mind that an increase in labor productivity can take place even if there is a total drop in the production volume.

Taxing average wage increases results in higher cost per capita caused by excessive employment. As it was shown above, such increases are advantageous to the enterprise if principles of taxing earning performance are considered. However, there is no significant argument for maximal profit increases. Thus, the per capita costs are practically limited by the sale size corrected by turnover tax and product subsidies on one hand, and by the size of the expenses (mainly for materials) not included in processing.

From the point of view of the financial system a proper cadre management can be ensured, and excessive payments to wage funds can be halted if increases of the total sum of emoluments are taxed. In accord with the autonomy principle, this approach will enable enterprises to rid themselves of excessive employment on condition that the resulting "wage fund savings" remain at free disposal of the enterprise. This will create "for today" a real possibility of conducting wage reform without experiencing an additional cost inflation. The reform would make it possible to implement the principle, according to which wages should depend on quality and quantity of work. After all, labor productivity can increase even if production increase is lower, as long as there is a corresponding drop in employment. It should not be feared that enterprises will experience difficulties in undertaking labor-intensive production in view of current use of labor force. Also, taxing total wage increases will protect profits. The work force will develop greater interest in profits if its participation in earning performance is taxed according to rates much lower than those on payments from wage fund. The new tax system may cause problems only in cases when investments requiring increased employment are accepted for use. However, in such cases deductions for justified employment can be applied. But at present such a situation would be an exception.

To sum up, emoluments increase tax may counteract higher per capita cost and contribute to forming earning performance. It can help put employment in order and create conditions for increased labor productivity and a considerable increase in nominal wages for those employees that are necessary to the enterprise's functioning. Modifications in the economic system of enterprises for 1983 are going in this direction. However, more lenient taxing is linked to higher sold net production, which makes this system similar to the regulation of emoluments applied during "nagoski" period, with all its consequences. However, this seems only a temporary solution, designed to encourage enterprises to increase supply of goods, in view of small effectiveness of the "effectiveness methods" at present.

7. Self-Financing of Development

Self-financing of development is the central problem of the enterprise's financial management. This is because on one hand it is an element of the enterprise's material interest in earning performance, and on the other, it is a factor of rational economic growth. Implementation of self-financing process is hindered by many elements, including the following:

- a. the price system that does not afford either the same or close chances for development;
- b. a sincere interest of the enterprise in its development under conditions of economic imbalance;
- c. regulatory significance of the tax system, and especially the income tax;
- d. Prior obligations concerning either implemented or not implemented investments.

As it was noted above, the price system does not give, from the point of view of institutional solutions, equal chances for development. This causes either high outcomes or severe shortages.

It would seem that the excessive demand, as compared with supply, would be a factor of a strong interest in the enterprise's development. However, problems are often caused by supply shortages, rather than by production capacities. To correct disproportions in production capacities, high outlays are required. Our economy cannot afford them. At the same time, the "starved" market accepts almost every price and quality. This does not contribute to the enterprise's interest in either innovation or reproduction of assets, since the decreasing production also ensures the producer's existence. Because of differences in profitability level many enterprises, which, despite statements made above, must invest to offset the threat of depreciation, are not able to gather adequate funds or ensure bank credits since payments for credits would be spread too much in time.

Of importance is also the method of setting income tax. Depending on processing profitability, it causes accidental, as compared to the needs, amounts of distributable profits. However, during the first half of 1982 about 55 percent of profits were taken away from enterprises and put into the budget. There also will be a stabilizing tax.

Chances for self-financing are also affected by depreciation fund. Its amount, as compared to needs of reproduction, are varied. It is a paradox, that the more the machinery is used (the older it is), the smaller the depreciation fund becomes. This is because fixed assets were not estimated at the outset of the reform. At the same time, a part of depreciation was funded from the budget in 1982 and 1983. This causes serious problems, e.g., in food industry, even in profitable branches, such as beer production. Food industry is seriously threatened by depreciation of assets.

During the first half of 1982 enterprises had about 180 billion zlotys worth of profits and 71 billion zlotys worth of depreciation funds earmarked for strengthening development fund. They also had 80 billion zlotys available from before. Thus, they had a total of 331 billion zlotys for self-financing, as compared with about 40 billion zlotys worth of shortages in their own funds in turnovers and debts resulting from central investments and investments of enterprises that equalled 950 billion zlotys. At the same time, the share of credits for financing economic organizations equalled about 80 percent of the total investment outlays in 1982. This data shows that payment rates on credits constitute the main way for utilizing the development fund. As a rule, investors take advantage of income-tax deductions, which enables them broader reproduction of the production potential.

The current act of providing enterprises with funds for their own disposal, which is an expression and a basis of real self-financing is, according to the surveys*, criticized by the majority (72 percent) of the polled enterprises. They claim that the share of funds owned by enterprises is much too low in turnovers, making self-financing difficult and increasing expenses. Several enterprises suffered major losses as a result of the operation that consisted in channeling a part of resources acquired from estimated supplies away for the purpose of central calculation. After the first half of the year almost one-third of the polled units cover working capital out of their own funds in the turnovers equalling less than 30 percent. This is linked to the shortage of means acquired from the assessment and the necessity of financing it out of bank credits and allowances from the development fund. According to the data gathered during the first half of 1982, the latter process was not easy for the polled enterprises. A total of 66.7 percent of them did not increase the statutory fund through financing turnover resources out of the development fund. Payments

*The surveys conducted by the Ministry of Finance concerning functioning of funds in enterprises, prepared by J. Szczepanski.

for investment credit rates and necessary investment needs were covered instead. However, there are substantial differences in the level of funds owned by enterprises in turnovers, from 16.3 to 52 percent in polled enterprises. But in most cases it is about 30 percent, which creates possibilities for additional financing of turnover means by the bank.

Opinions presented here concern financial situation of enterprises and financial instruments for regulating and creating incentives for their functioning. They concern a chosen group of problems, which, based on the analysis of the system and the date (gathered mainly during the first half of 1982), suggest difficulties and a need for a formulation of specific postulates. They are presented together with arguments in this article. The article is an attempt at bringing forward sensitive elements of the discussed topic in order to set off a discussion about the need and the possibility of verifying some elements of the system. This will help come up with successful and effective solutions for the economic reform.

9959

CSO: 2600/721

MINISTER INTERVIEWED ON POSTAL, TELECOMMUNICATIONS PROBLEMS

Warsaw TRYBUNA LUDU in Polish 15 Apr 83 p 3

[Interview with Prof Dr Wladyslaw Majewski, minister of communications, by Andrzej Kozminski: "The Crisis Has Not Halted the Development of Communications"; date and place of interview not given]

[Text] [Question] Efficiently operating communications is a sign, and at the same time a condition, of the efficient functioning of the state. But postal service users have two basic grudges against the post office: delays in mail delivery, and long lines at the postal service windows. What is the ministry doing to improve the functioning of the postal service? I address this question to Prof Dr Wladyslaw Majewski, minister of communications.

[Answer] It is not my intention to hide the fact that the effects of postal service activity are far from ideal.

Our customer holds it against us if he is served improperly at the post office. But it is the sum of predominating proper actions and less numerous cases of improper activity which provide the objective result of the work of the post office. Of course, our goal is to eliminate everything that is improper in the work of the post office.

One also should consider the conditions in which the postal service operates. Within the last 10-year period there has been a sharp increase in postal services. The post office has become a bank: the number of financial operations has more than tripled. The post office not only accepts and delivers money orders, rent, and pensions, it also accepts payments of many kinds, such as payments for housing, energy, registration and insurance of motor vehicles, and recently it has been issuing licenses for gasoline refueling. And, moreover, it collects trade receipts, in large part directly from the shops, it transports money for payments to many work establishments, and it pays out what is due to farmers for agricultural products furnished to the state. Finally, for citizens it is the closest savings bank which performs banking functions by order of the PKO. Turnovers at postal service posts totaled 2.5 trillion zlotys last year.

Parallel with this, the number of letters and magazines delivered by the postal service increased--to 1.9 billion in 1981, while in 1982 the number decreased, assuredly temporarily, to 1.7 billion. Increasing sharply since 1980, the six-fold increase in the number of packages from abroad--which exceeded 10 million in 1982, with 12 million domestic parcels--considerably exceeded the technical and organizational possibilities of the postal service. The postal service's lack of investments in previous years was revealed with full clarity. The situation is most difficult in the cities, where the number of residents per open post office window has increased by more than 430 since 1978. We need to build 45 post offices in Warsaw alone by 1985. The lack of transport, including mail cars and delivery trucks, also has a negative effect on the work of the postal service.

We are also short about 7,000 workers, including 1,500 mail carriers, 1,500 telephone operators, 400 telegraph operators, and many functionaries in the postal guard, which is indispensable to protect our posts, and after all, many of these people accomplish millions of turnovers. Work in the postal service is not among the easy jobs--it is characterized by changeability, work on free Saturdays, knowledge of many regulations is required, and a good physical condition is required in the dispatch and delivery services. Meanwhile, the average pension in the operating services is approximately 2,500 zlotys lower than the national average.

[Question] But after the recent increases in charges for postal services, one can expect improvement in the work of the post office.

[Answer] The need to introduce these increases resulted from the increase in costs, and we never promised that the increases in charges would bring about immediate improvement in the work of the post office. The rate increases make it possible for the postal and telecommunications services to operate at a profit. Without these increases we would not make a profit, and within the framework of reform profitability is indispensable. These rate increases also will make possible reasonable development which will allow for the further, gradual improvement of postal and telecommunications work.

[Question] Then how, in this situation, do you evaluate the work of the postal service, Mr Minister?

[Answer] I shall furnish data which can be the basis of an objective evaluation. Well, last year mail delivered to an addressee in the course of three days was comprised of 85 percent local letters and cards, 42 percent out-of-town letters and cards, 87 percent local parcels, and 67 percent out-of-town parcels. But this year we have already improved the timeliness of letter deliveries by 6 percent, and every 1 percent represents 17 million letters, cards, and magazines. But that is little consolation for the addressees of the remaining postal matter, which takes longer to send, and I myself know of cases of a letter's taking two weeks to reach the addressee. Thus, we are not satisfied with these results, although the railroad bears part of the blame for the delay in the delivery of postal matter.

On the other hand, great progress has been made in delivering parcels from abroad by shortening the trans-shipment, customs clearances, distribution, and dispatch from several weeks to several days. This became possible thanks to the organization of eight new departments and 31 emergency postal-customs clearance centers and thanks to the great involvement of the work forces.

[Question] What are the prospects for the further improvement of postal services?

[Answer] We have worked out two programs to streamline the functioning of the postal service: an immediate program for 1983, and a program that will evolve up to 1990. They were adopted at the All-Polish Conference on Postal Services held in Bydgoszcz in January 1983. The first is a plan to utilize reserves and to improve organization, and in principle it does not require investments. But the second plan requires considerable outlays--about 20 billion zlotys in the course of 7 years. For marked improvement in the functioning of the postal service can be achieved only through basic modernization of the network of postal communications and through indispensable supplementation of the cadres.

The implementation of these programs is supposed to lead to a reduction in delivery time for 85 to 90 percent of letters to 48 hours, and of parcels, to 72 hours. The simultaneous consolidation of the network of posts, increasing the number of postal windows that are open, and introducing new systems for regulating [należnosci] financial obligations should conspicuously shorten the waiting time for the transaction of postal services.

Beginning on 1 January 1983 the post office reverted to work on free Saturdays: all shipping-transmittal offices are open, and the delivery service is operative. For postal matter mailed in the second half of the week, this means a 24-hour reduction in delivery time. Work is done on free Saturdays on a voluntary basis.

[Question] The matter of the post office's magazine subscriptions continues to prompt many reservations: the scope of this service has been very reduced in comparison with the long-term tradition which post offices around the world are continuing.

[Answer] The statement about the reduction in the scope of the subscription services is unjust. All along, newspaper and magazine subscriptions were accepted in the villages without restrictions. But in the cities, actually as a result of workers' demands--in some sense justified--subscriptions were stopped. At present in the cities there has been a return to magazine subscriptions, and to subscriptions only to those newspapers issued outside of the places of residence of subscribers. It seems to us that there is no need to provide subscriptions to local newspapers in cities where they are readily available. But individuals with any disability can subscribe to all the local newspapers inclusively, without restrictions, in any locality.

In the cities, the "Press-Book-Traffic" Worker's Cooperative Publishing House [RSW "Prasa-Książka-Ruch"] takes care of subscriptions, but it is the postal service's responsibility in the villages. The postal service's role in the

cities is limited to supplying newspapers and magazines to subscribers on the same principle on which letters and other postal materials are delivered.

In January 1983, the first month of operation of subscriptions on the new principles, there were still--and this was for various reasons--disturbances in the delivery of subscription newspapers and magazines, but this is only a matter of making the new system a success. Therefore, the matter was settled according to the desires of the newspaper and magazine subscribers.

[Question] The state of telecommunications is inadequate both in relation to Poland's economic potential and in comparison with the other countries in Europe. After all, an effective economy--and that is the main goal of the reform implemented at present--requires efficient communications. Is it not necessary, even in a period of crisis, to think about the future and about the need to make up for a delay of many years in this field?

[Answer] That is true. For every 100 residents we have less than 10 telephones, when the world average is more than 19, and the average in Europe is nearly 25. In Europe we occupy a dishonorable next to the last place in this regard. But lest we become too dejected, I will remind you that we have already begun to make up for these delays and in the years 1970-1980 there was a doubling of the number of telephone subscribers: from 1 to 2 million. By now nearly all [soleckie] villages have obtained telephones, and a telex system has been installed in every gmina [parish]; and there has been considerable development in automating telephone links both in the local networks and in intercity and international networks. The greatest rate of growth of telephone subscribers, of about 100,000 telephones annually in the years 1977-1978, has diminished somewhat lately, that is, to more than 86,000 new subscribers last year, but in the present 5-year period we intend to install a total of 410,000 telephones, and, thus, only 60,000 fewer than in the previous 5-year period. The crisis has caused a decreased rate of development but has not brought it to a halt.

[Question] What is the ministry doing for the immediate improvement of telecommunications?

[Answer] For immediate improvement we can do something--even for the short term--in the post offices, for there is a large share of manpower there and a low degree of automation. In telecommunications all reserves were exhausted long ago: free numbers have been connected, and the networks are fully utilized. Nothing can be done here without investments.

[Question] And is that possible now, in the period of crisis?

[Answer] Reform gave us an economic system based on healthy principles assuring our own assets for investments and making possible real planning for the growth of funds for particular years. In the past we were dependent on central allotments granted in 5-year plans and in practice reduced in annual plans. Now we ourselves are deciding on the use of sums from our profits. Therefore, we can calmly and systematically plan the development both of the postal service and of telecommunications. And with this, we already have a developed national

telecommunications-engineering industry, although its production strengths, too, will soon be insufficient for our possibilities and investment needs.

But deficit materials, cubature construction, and specialized construction have remained the main barriers blocking the development of communications.

8729

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SPECIAL CURRENCY EXCHANGE RATE TABLES PUBLISHED

Exchange Rate Table No 14

Warsaw TRYBUNA LUDU in Polish 5 Apr 83 p 7

[Text] Announcement of Exchange Rates Table No 14/83, effective 5 April 1983, by Stanislaw Majewski, president of the Polish National Bank, on 5 April 1983.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 12,017.99 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

Exchange Rates Table No 14/83

Country	Curr Symb	Currency	Foreign Exchange		Money		Aver- age
			Pur- chase 4	Sales 5	Pur- chase 1	Sales 2	
Saudi Arabia	771	1 rial ¹	25.12	25.38	-	-	25.25
Australia	781	1 Aust. dollar	74.86	75.62	73.74	76.74	75.24
Austria	786	100 schillings	505.68	510.76	498.06	518.38	508.22
Belgium	791	100 francs	179.17	180.97	176.47	183.67	180.07
Denmark	792	1 kroner	10.01	10.11	9.86	10.26	10.06
Finland	780	1 markka	15.77	15.93	15.53	16.17	15.85
France	793	1 franc	11.86	11.98	11.68	12.16	11.92
Greece	724	100 drachmas	103.03	104.07	89.30	105.62	103.55
Spain	785	100 pesetas	63.08	63.72	62.13	64.67	63.40
Holland	794	1 florin	31.56	31.88	31.09	32.35	31.72
India	543	100 rupees ¹	864.81	873.51	-	-	869.16
Ireland	782	1 pound ¹	112.23	113.35	-	-	112.79
Japan	784	100 yen	36.03	36.39	35.49	36.93	36.21

Yugoslavia	718	100 dinars	107.32	108.40	93.02	110.02	107.86
Canada	788	1 Can. dollar	70.20	70.90	69.14	71.96	70.55
Kuwait	770	1 dinar ¹	295.62	298.60	-	-	297.11
Lebanon	752	1 pound	20.82	21.02	20.50	21.34	20.92
Libya	651	1 dinar ¹	291.51	294.43	-	-	292.97
Luxembourg	790	100 francs	179.17	180.97	176.47	183.67	180.07
Norway	796	1 kroner	11.95	12.07	11.77	12.25	12.01
Portugal	779	100 escudos	89.07	89.97	77.20	91.31	89.52
FRG	795	1 mark	35.55	35.91	35.02	36.44	35.73
United States	787	1 dollar ³	86.40	87.26	85.09	88.57	86.83
Switzerland	797	1 franc	41.56	41.98	40.93	42.61	41.77
Sweden	798	1 kroner	11.45	11.57	11.28	11.74	11.51
Turkey	627	100 pounds	38.32	38.70	33.21	39.28	38.51
Gr. Britain	789	1 pound ²	125.64	126.90	123.74	128.80	126.27
Italy	799	100 lira	5.97	6.03	5.17	6.12	6.00
Iran	646	100 rial ¹	102.24	103.26	100.69	104.81	102.75

Exchange Rate Table No 15

Warsaw TRYBUNA LUDU in Polish 11 Apr 83 p 7

[Text] Announcement of Exchange Rates Table No 15/83, effective 11 April 1983, by Stanislaw Majowski, president of the Polish National Bank, on 11 April 1983.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,840.05 zlotys per 100 rubles is applied.

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Australia	781	1 Aust. dollar	74.56	75.39	73.43	76.43	74.93
Austria	786	100 schillings	506.08	511.16	498.45	518.79	508.62
Belgium	791	100 francs	179.04	180.84	176.34	183.54	179.94
Denmark	792	1 kroner	10.03	10.13	9.88	10.28	10.08
Finland	780	1 markka	15.84	16.00	15.60	16.24	15.92
France	793	1 franc	11.87	11.99	11.69	12.17	11.93

Greece	724	100 drachmas	103.08	104.12	89.35	105.67	103.60
Spain	785	100 pesetas	63.35	63.99	62.40	64.94	63.67
Holland	794	1 florin	31.56	31.88	31.09	32.35	31.72
India	543	100 rupees ¹	864.32	873.00	-	-	868.66
Ireland	782	1 pound ¹	112.11	113.23	-	-	112.67
Japan	784	100 yen	36.21	36.57	35.66	37.12	36.39
Yugoslavia	718	100 dinars	103.20	104.24	89.45	105.79	103.72
Canada	788	1 Can. dollar	69.77	70.47	68.72	71.52	70.12
Kuwait	770	1 dinar ¹	294.99	297.95	-	-	296.47
Lebanon	752	1 pound	20.77	20.97	20.45	21.29	20.87
Libya	651	1 dinar ¹	290.76	293.68	-	-	292.22
Luxembourg	790	100 francs	179.04	180.84	176.34	183.54	179.94
Norway	796	1 kroner	12.05	12.17	11.87	12.35	12.11
Portugal	779	100 escudos	88.83	89.73	76.99	91.07	89.28
FRG	795	1 mark	35.57	35.93	35.03	36.47	35.75
United States	787	1 dollar ³	86.18	87.04	84.88	88.34	86.61
Switzerland	797	1 franc	41.61	42.03	40.98	42.66	41.82
Sweden	798	1 kroner	11.49	11.61	11.32	11.78	11.55
Turkey	627	100 pounds	40.79	41.21	35.36	41.82	41.00
Gr. Britain	789	1 pound ²	129.25	130.55	127.30	132.50	129.90
Italy	799	100 lira	5.98	6.04	5.18	6.13	6.01
Iran	646	100 rial ¹	101.98	103.00	100.44	104.54	102.49

Exchange Rate Table No 16

Warsaw TRYBUNA LUDU in Polish 18 Apr 83 p 4

[Text] Announcement of Exchange Rates Table No 16/83, effective 18 Apr 1983, by Leszek Urbanowicz, for the president of the Polish National Bank on 18 April 1983.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,910.47 zlotys per 100 rubles is applied

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

Exchange Rates Table No 16/83

Country	Curr Symb	Currency	Foreign Exchange		Money		Average
			Pur-chase	Sales	Pur-chase	Sales	
			4	5	1	2	6
Saudi Arabia	771	1 rial ¹	24.92	25.18	-	-	25.05
Australia	781	1 Aust. dollar	74.65	75.41	73.53	76.53	75.03

Austria	786	100 schillings	505.42	510.50	497.80	518.12	507.96
Belgium	791	100 francs	178.60	180.40	175.91	183.09	179.50
Denmark	792	1 kroner	10.01	10.11	9.86	10.26	10.06
Finland	780	1 markka	15.88	16.04	15.64	16.28	15.96
France	793	1 franc	11.85	11.97	11.67	12.15	11.91
Greece	724	100 drachmas	102.91	103.95	89.20	105.50	103.43
Spain	785	100 pesetas	63.73	64.37	62.77	65.33	64.05
Holland	794	1 florin	31.51	31.83	31.04	32.30	31.67
India	543	100 rupees ¹	865.54	874.24	-	-	869.89
Ireland	782	1 pound ¹	112.11	113.23	-	-	112.67
Japan	784	100 yen	36.25	36.61	35.70	37.16	36.43
Yugoslavia	718	100 dinars	104.61	105.67	90.68	107.24	105.14
Canada	788	1 Can. dollar	69.90	70.60	68.84	71.66	70.25
Kuwait	770	1 dinar ¹	295.15	298.11	-	-	296.63
Lebanon	752	1 pound	20.87	21.07	20.55	21.39	20.97
Libya	651	1 dinar ¹	290.37	293.29	-	-	291.83
Luxembourg	790	100 francs	178.60	180.40	175.91	183.09	179.50
Norway	796	1 kroner	12.02	12.14	11.84	12.32	12.08
Portugal	779	100 escudos	88.69	89.59	76.88	90.92	89.14
FRG	795	1 mark	35.51	35.87	34.98	36.40	35.69
United States	787	1 dollar ³	86.04	86.90	84.74	88.20	86.47
Switzerland	797	1 franc	42.19	42.61	41.55	43.25	42.40
Sweden	798	1 kroner	11.51	11.63	11.34	11.80	11.57
Turkey	627	100 pounds	39.65	40.05	34.36	40.65	39.85
Gr. Britain	789	1 pound ²	131.89	133.21	129.90	135.20	132.55
Italy	799	100 lira ¹	5.96	6.02	5.17	6.11	5.99
Iran	646	100 rial ¹	101.75	102.77	100.21	104.31	102.26

Exchange Rate Table No 17

Warsaw TRYBUNA LUDU in Polish 28 Apr 83 p 5

[Text] Announcement of Exchange Rates Table No 17/83, effective 28 April 1983, by Stanislaw Majewski, president of the Polish National Bank, on 28 April 1983.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,971.03 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

[Table on following page]

Exchange Rates Table No 17/83

Country	Curr Symb	Currency	Foreign Exchange		Money		Aver- age 6
			Pur- chase	Sales	Pur- chase	Sales	
			4	5	1	2	
Saudi Arabia	771	1 rial ¹	25.02	25.28	-	-	25.15
Australia	781	1 Aust. dollar	75.04	75.80	73.91	76.93	75.42
Austria	786	100 schillings	500.31	505.33	492.76	512.88	502.82
Belgium	791	100 francs	176.66	178.44	174.00	181.10	177.55
Denmark	792	1 kroner	9.91	10.01	9.76	10.16	9.96
Finland	780	1 markka	15.90	16.06	15.66	16.30	15.98
France	793	1 franc	11.74	11.86	11.56	12.04	11.80
Greece	724	100 drachmas	103.29	104.33	89.52	105.89	103.81
Spain	785	100 pesetas	63.35	63.99	62.40	64.94	63.67
Holland	794	1 florin	31.24	31.56	30.77	32.03	31.40
India	543	100 rupees ¹	869.61	878.35	-	-	873.98
Ireland	782	1 pound ¹	110.96	112.08	-	-	111.52
Japan	784	100 yen	36.29	36.65	35.74	37.20	36.47
Yugoslavia	718	100 dinars	103.83	104.87	89.99	106.44	104.35
Canada	788	1 Can. dollar	69.89	70.59	-	-	70.24
Kuwait	770	1 dinar ¹	296.18	299.16	-	-	297.67
Lebanon	752	1 pound	20.90	21.12	20.59	21.43	21.01
Libya	651	1 dinar ¹	291.44	294.36	-	-	292.90
Luxembourg	790	100 francs	176.66	178.44	174.00	181.10	177.55
Norway	796	1 kroner	12.09	12.21	11.91	12.39	12.15
Portugal	779	100 escudos	88.12	89.00	76.38	90.33	88.56
FRG	795	1 mark	35.20	35.56	34.67	36.09	35.38
United States	787	1 dollar ³	86.36	87.22	85.05	88.53	86.79
Switzerland	797	1 franc	41.87	42.29	41.24	42.92	42.08
Sweden	798	1 kroner	11.53	11.65	11.36	11.82	11.59
Turkey	627	100 pounds	39.25	39.65	34.02	40.24	39.45
Gr. Britain	789	1 pound ²	134.90	136.26	132.87	138.29	135.58
Italy	799	100 lira	5.91	5.97	5.12	6.06	5.94
Iran	646	100 rial ¹	102.13	103.15	100.59	104.69	102.64

Exchange Rate Table No 18

Warsaw TRYBUNA LUDU in Polish 2 May 83 p 4

[Text] Announcement of Exchange Rates Table No 18/83, effective 2 May 1983, by Stanislaw Majewski, president of the Polish National Bank, on 2 May 1983.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,958.62 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

Exchange Rates Table No 18/83

Country	Curr Symb	Currency	Foreign Exchange		Money		Average
			Pur-	Sales	Pur-	Sales	
			chase	4	5	chase	
Saudi Arabia	771	1 rial ¹	25.06	25.26	-	-	25.13
Australia	781	1 Aust. dollar	74.97	75.73	73.84	76.86	75.35
Austria	786	100 schillings	501.02	506.06	493.47	513.61	503.54
Belgium	791	100 francs	176.77	178.55	174.11	181.21	177.66
Denmark	792	1 kroner	9.91	10.01	9.76	10.16	9.96
Finland	780	1 markka	15.92	16.08	15.68	16.32	16.00
France	793	1 franc	11.75	11.87	11.57	12.05	11.81
Greece	724	100 drachmas	103.19	104.23	89.44	105.78	103.71
Spain	785	100 pesetas	63.66	64.30	62.70	65.26	63.98
Holland	794	1 florin	31.28	31.60	30.81	32.07	31.44
India	543	100 rupees ¹	866.10	874.80	-	-	870.45
Ireland	782	1 pound ¹	111.24	112.36	-	-	111.80
Japan	784	100 yen	36.41	36.77	35.86	37.32	36.59
Yugoslavia	718	100 dinars	101.49	102.51	87.96	104.04	102.00
Canada	788	1 Can. dollar	70.37	71.07	69.31	72.13	70.72
Kuwait	770	1 dinar ¹	296.41	299.39	-	-	297.90
Lebanon	752	1 pound	20.89	21.09	20.57	21.41	20.99
Libya	651	1 dinar ¹	291.14	294.06	-	-	292.60
Luxembourg	790	100 francs	176.77	178.55	174.11	181.21	177.66
Norway	796	1 kroner	12.13	12.25	11.95	12.43	12.19
Portugal	779	100 escudos	87.13	88.01	75.52	89.32	87.57
FRG	795	1 mark	35.24	35.60	34.71	36.13	35.42
United States	787	1 dollar ³	86.27	87.13	84.97	88.43	86.70
Switzerland	797	1 franc	41.92	42.34	41.29	42.97	42.13
Sweden	798	1 kroner	11.53	11.65	11.36	11.82	11.59
Turkey	627	100 pounds	37.50	37.88	32.51	38.44	37.69
Gr. Britain	789	1 pound ²	135.35	136.71	133.31	138.75	136.03
Italy	799	100 lira	5.92	5.98	5.13	6.07	5.95
Iran	646	100 rial ¹	102.03	103.05	100.49	104.59	102.54

FOOTNOTES

1. The Polish National Bank does not purchase money in these countries.
2. Valid also in clearing accounts with the following countries: Nepal and Palistan.
3. Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Iran.

ENERGY DEVELOPMENT, POLICY DURING CRISIS OUTLINED

Warsaw NAUKA POLSKA in Polish No 4, Apr 83 pp 41-61

[Article by Kazimierz Kopecki: "The Energy Industry During the Crisis"¹]

[Text] I. Introductory Remarks

The following abstract is an abbreviation of 300-page report (inclusive of an appendix) entitled: "The Energy Industry During the Crisis, an Expert's Report on Fuel-Energy Management in Poland," which is called later on: "The 82 Crisis Expert's Report" ["The 82 CER"] to distinguish it from "The 78 PAN Expert's Report" which was done in 1977/78 and is entitled "The National Economy's Raw Goods Supply, With Emphasis on Methods of the Optimal Use of Fuel-Energy Management and Ways of Intensifying the Country's Raw Goods Base." (The Polish Academy of Sciences [PAN] and the Raw Goods group of the "Poland 2000" Research and Prognosis Committee, group director--K. Kopecki). As the title of the previous expert's report indicates, the report examined the problems of materials-intensiveness as well as energy-intensiveness of our country's economy. The report indicates the forthcoming dangers and recommends preventive means and development possibilities for the energy industry in Poland². In "The 82 CER" the data portion was abbreviated to the necessary minimum length; however, the socioeconomic aspects of the entire management were presented more broadly. The expert's report was created as a result of the 1981 PAN Presidium decisions. It is one of a number of particularly important works designated for the political and state management, for interested institutions and economic departments, and also for the different organizational PAN units (for the committees, groups) and for the scientific-research units throughout the country.

The expert's report was the object of a discussion at the enlarged PAN Presidium meeting of 22 June 1982. The representatives of the interested administrative and scientific sectors participated in that meeting. As a result of the discussion, certain changes were introduced into the original text of "The 82 CER."

The full text of the expert's report, inclusive of the recommended essential changes was published in a limited edition and those interested in it may obtain it in the Office of the Social Scientific Activity [OSSD] PAN (telephone 200-211, ext. 24-91), the Palace of Science and Culture (24th floor,

room 2404) in Warsaw. The following text is an abbreviated version of the accepted complete text, in accordance with the PAN Presidium's directives.

The additions proposed at the 22 June 1982 PAN Presidium meeting will be taken care of after some further study and research. They will be included in the expert's report incorporated in the "1982-1983 PAN Program of Expert Reports of Particular Importance." That expert's report is entitled: "The 1980-2000 Fuel-Energy Management in Poland in Relationship to the World's and to the European Socialist Countries', Including a Consideration of the Problems of the Decrease in Energy-Intensiveness of Economic Development." The work on that expert's report is in progress.

II. Preparation Method³

1. In the work on the expert's report concerning the composite energy industry it was impossible, at the present stage of this research, to use such tools of systems analysis as a composite dynamic model connecting the production development and its materials-intensiveness with the profitability, limitations and with such factors of the national and international economy as resources and environmental impact. Those tools would enable us to present a developmental forecast with indications of optimal use of the process, as well as an examination of the different variants and the possibilities of substitution, and also to evaluate the influence on costs of rationalization, etc. All these topics will be included in future studies: however, these require long time and many means (compare chapters 1 and 16).

The model used as a computer model will be that described by the author⁴. Such a model enables us to conduct a dynamic multivariant examination of the occurring interdependencies and of their optimal use. This model consists of a number of submodels containing several thousand links (equations, imbalances) and encompassing [various] areas of the proper fuel-energy management, national management, international exchange, capital needs, employment demands and environmental impact.

2. This expert's report is based on the opinions of [many] experts which have been used despite the difficult work conditions caused by the state of martial law. Generally speaking, the discussion of different, contradictory views could not be included in this work, due to their voluminous size; however, such views have been considered during its writing.

3. The multivariant nature was replaced by the so-called "probability realization area." That was top and bottom-limited in time-span, for instance, the national income was limited by the lines of the weak and very weak development (section 4.2.2), the like was done for prime energy needs (section 4.2.2), investment funds (section 4.2.3), etc. That does not mean that, in some unusual cases, the realization did not go higher or lower of the set limiting lines. It is assumed, however, that the limiting area will accommodate a great majority of the future values.

The lack of "the multivariant treatment" is frequently considered to be a major shortcoming of any expert's report. In order to safeguard this work

against such an unjust opinion, it was explained (on pp 8-9) that we could afford to use only a few different scenarios in the instance of one or two of the decisionmaking variables. Because increasing the number of the decisionmaking variables increases the number of the possible variants to many thousands. In the future, having at our disposal a computer model, we will be able to examine on demand a defined variant in order to find the optimal variant.

III. The Causes of the Polish Crisis and Its Relationship to Low Labor Productivity on the One Hand, and to the Unrealistic Aspirations on the Other

4. A great portion of the work (chapter 2) has been devoted to the analysis of the causes of crisis. This is an integral part of the work, because without it, without the knowledge of the causes of the disease, we would not be able to find the remedy for it, or to warn against a repetition of the errors that burden our past and present. On the other hand, we must avoid blind condemnation of the entire past or of the people who created it. The central thesis supported in this research is as follows:

The energy-industry crisis is a part of the socioeconomic crisis in our country. That crisis, in turn, is caused by the stretch of difference between the level of the socioeconomic life to which would be entitled only a citizen of a country on a low national income level and wealth (consisting of various types of goods) and the level to which he could pretend to aspire, due to the false propaganda and the erroneous policy of the country's leaders. The measure of the actual state of affairs was the low labor productivity. Since this author sees the main way for the possibilities of "restoration of the republic" in the improved labor productivity, he devoted to it more space in his discussion. The increase in labor productivity is possible only through a concurrent radical improvement in the fuel-energy management and in the connected with it materials management. The same type of positive conditions must be created for these managements as could be for the improvement of labor productivity.

In Europe only Turkey was in 1975 behind Poland, among the larger countries, insofar as labor productivity is concerned, as measured in the value of generated national income per capita of the employed per year. To give an idea, this productivity was one-half to one-third of the West European countries' productivity. However, the aspirations [of the Poles] in reference to the level of prosperity to the shortening of working hours, to the social services provided, etc., had no support in the realities of life, even though in themselves such aspirations are worthy of striving for.

5. The main factors of the increase in the labor productivity are: material foundations, direct labor, raw goods and energy, as well as organization and learning (chapter 3). To combat the crisis, the entire effort must be placed on such activities which would improve those factors throughout the whole economy as well as in the fuel-energy management which is the basis of all the other factors.

The author tries to debate conclusively those views that state that labor productivity depends, above all, on the quantity (in time) and worker performance labor discipline. These are naturally some of the factors; however, the central factor is, above all, the actually-existing indirect labor, that is the material foundations that have been established in the past. Those foundations must be progressive, productive, economically effective and, in the Polish situation of materials- and energy-deficiency, those foundations must also have the lowest possible materials- and energy-intensiveness use of the production. The production foundations did not meet these requirements, especially during the 1970's.

The Polish energy industry did not fulfill its role as one of the central factors in labor productivity increase for the 1970's. The following has been stated about that in "The 82 ECR" (p 22 and the following pages):

"The energy industry crisis in Poland became evident long before there was any evidence of a comprehensively economic crisis. The causes of it were:

--disproportionate development of the energy-intensive industry in comparison to the fuel-energy foundations; too few means were devoted to that area, particularly starting in the sixties, and even earlier (compare, table 1);

Table 1
Fuel and Energy Industry in Poland. During the Years 1960-1977
(in percent of the total)*

<u>Area</u>	<u>1960</u>	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Investments	30.6	26.8	19.4	18.3	19.6
Fixed assets	30.2	30.4	26.9	25.3	25.1
Global production	12.0	10.5	8.7	8.5	8.4

*The numbers quoted indicate the growing disproportion between the energy industry investments (despite their relative price increase, due, for instance, to the worsened conditions in the delays of coal reserves, mechanization, etc.) and the national investments in the income divided for the increased share of consumption.

--lack of a long-range plan for that area;

--the inappropriate and obsolete structure of prime energy exploitation that put preference on the use of the hard coal; that fact obstructed the development of Polish technology that needs to have an appropriate quantity of gaseous and liquid hydrocarbons and also of the electrical energy;

--the lack of a long-term assured supply of hydrocarbons from the USSR; as a result of that, for instance the CSRS and NRD were able to import 2-3 times more per capita;

--the deliberately conscious lack of appropriate long-term development of the nuclear-fuel industry (used also for nighttime production of energy, for

pump-powered electric plants and for heat production); as a result of that policy, the still-uncertain beginnings of this development have been delayed by over 10 years;

--the lack of priority status, or lack of respect for that status, for energy industry construction (for instance, in the construction of the brown-coal mine and the electric power plant in Belchatow, the pumped-storage electric power plant in Zarnowiec); as a result of that, because equipment and machinery and the processing capacity were directed to other construction sites (such as, for instance, the Katowice Steel Mill, the North Port) their construction was delayed by a few years;

--failure to secure an appropriate development plan, requisitions and means for development of associated industries, for instance, the Elblag turbine factory, the expanded pump factories, factories of fans, the electrotechnical apparatus, etc.;

--inept organization of water-powered plant construction; lack of an appropriate sequencing of the works in Solina, Czorsztyn, Zydowo, Porabka-Zar and Zarnowiec, as a result of which a costly materials- and human-base went to waste and destruction, having been previously gathered, organized and trained for these individual jobs;

--failure to secure appropriate training and discipline of the repair crews and lack of appropriate flow of spare parts supplies, as a result of which, year by year, the quality of repairs has worsened, taken longer, had problems with the restarting and also with the shortening of periods between the repairs;

--the inadequate quality of the construction and assembling jobs on the new electric power plants, resulting in the ever extending periods of construction and assembling and the so-called "adjustments," etc.; and the lack of discipline, dirt and disorder in some of the construction sites which were not present in the electric energy industrial sites construction before;

--the forcing of the inadequate quality equipment supplies by a planned cooperation with some of the CEMA countries, for instance, poor electro-technical apparatus, and also the failure to secure spare parts supplies from these countries; as a result of which there was and continues to be excessive failure, especially in district power lines supplying rural areas; the various [calibration and sizing] of equipment that came from different sources, requiring storage of excessive reserves (wherever that is possible) and causing high operational costs;

--an economic policy which promulgates thieving ways of managing coal deposits and people (so that they work all Saturdays and Sundays), because of erroneous developmental premises (which give priority to coal export over development of manufacturing industries which require low-energy and low materials-intensiveness, and over high-processed products export);

--the crisis caused by the push to export coal without ensured appropriate management of the wastes resulting from saturation (electric heat plant construction which plans to use scrap coal) and from failure to secure the deep enrichment of poorer-quality coal, and from working difficulties encountered by electric power plants that work with coal transported long distances by rail, resulting in diminished available capacity, premature wear of equipment (wear of the boilers, mills, etc.) and from a considerable increase in the accident rate in these power plants;

--[the crisis resulting from] insufficient geological surveys (too few drillings, insufficient reserves' analysis), serious difficulties in electric plant operation on brown coal, for instance, the electric plant in Betchanow had only a 2-week supply of coal, due to an unexpectedly difficult structure and the low average calorific value of the top layer reserves, and also due to the delay in removal of the overlay after the release of its first unit (which was 2 years late for other reasons);

--industry's constantly growing energy-intensiveness (in relationship to the effected production) caused by false investment premises and by inappropriate use of technology (the Katowice Steel Mill, the cement factories operating by the wet method, the "house factories" and the wrong heat insulation of buildings, the natural gas smelting method of sulfur production, the highly energy-intensive chemical technologies in Plock, Pulawy and Wloclawek, the erroneous construction-types of the passenger cars, etc.);

--continued worsening of electric energy production in electric power plants, for instance, yields of 500 MegaWatts as compared to 200 MW, as well as large losses suffered by electric and heating networks;

--conservative attitude of designers as well as of some of the decision-makers toward technologic-economic progress, the lack of care in environment protection;

--finally, the crisis resulted from the lack of adequate care for industrial energy sites (planning, exploitation and repairs).

The fundamental thesis of this expert's report is that we must try with all our power to create amenable conditions to increase labor productivity in the entire fuel-energy economy (and that is inseparable from the same situation in the total national economy).

IV. Factors Necessary for Coming Out of the Crisis and Their Obstacles

6. The shape of our country's economy, including of the fuel-energy industry management, is catastrophic. The shortages that result from past neglect, such as internal obligations and foreign debts, seem impossible to remedy within the life of one generation. Meanwhile developmental needs connected with the population increase seem to be immense. These needs include: food provision, securing dwellings, covering the needs of domestic and export markets. However, the factors which can shorten our period of moving out of the crisis, ensuring further development, are:

- recognition of shortcomings and definition of needs;
- basing our action on the appropriate effectiveness criteria;
- cooperation between all the domestic factors;
- international cooperation, especially among the socialist countries.

The state of our economy has been defined in this report after the Main Office of the Statistics [GUS] evaluation (chapter 3, appendix A). In the recent months our economy has not yet stabilized but rather it has worsened (exclusive of exploitation of natural resource industries). That has happened despite the ardent legislative, organizational and administrative efforts of the state-management organs. However, the rate of decrease has undoubtedly slowed down; although a further worsening of the living conditions took place (on the average). It would be bad if that fact induced people to be more passive rather than to work more effectively. We must counteract that with all means.

7. The crisis of the world economy, inclusive of the very considerable increase of costs of obtaining energy-related raw goods, and the worsening of the terms of trade are particularly burdensome for Poland. Poland became a deficit country in its fuel and energy turnover. This deficit exists in terms of currency, as well as in quality of energy-production. Additionally, Poland has to pay off some serious debts (expanded mainly for the ineffective economic aims).

The course of the international policy imposed by the President of the United States adds to the poignancy of these problems.

V. Perspectives of the World Energy Industry

8. World economic development trends of the fuel-energy industry have been discussed in section 4.1. These include: a return to coal, strong development of the nuclear energy industry, search for means to satisfy hydrocarbon demand and the energy-saving needs. We ought to expect a doubled world energy demand in the year 2000 compared to present estimates and triple the present demand in 2030. The possibilities of meeting these demands exist with favorable conditions; however, an extended crisis of the world economy will most probably reduce this demand by 10-15 percent. The costs of obtaining prime energy will continue to rise in constant prices. An exception in this case may be the crude oil cost which indicates a slightly decreasing trend.

Many reasons combine to create the world economic crisis. However, one of the main reasons is the collapse of cheap energy supply in the developed countries. That released a long-growing tension. Crude oil, due to the decision of the exporting countries, became the main factor or explosion of the present world economic framework. In the 1960's crude oil became the main factor of development of industry's technical progress, in agricultural development, transportation and of residential service (heating).

As a result of the collapse in the previously manifested economic development, the demand for primary energy will go along the lines indicated in

figure 1. Therefore, it will be considerably less than was anticipated. The proportions of individual sources will also change considerably.

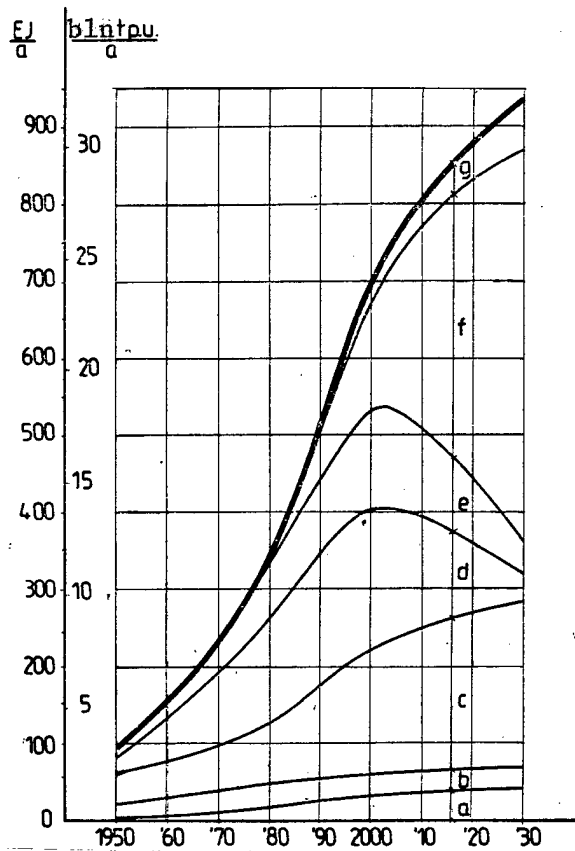


Figure 1. The World. Fuel and primary energy demand: a--water; b--wood, peat; c--coal; d--crude oil; e--natural gas; f--nuclear energy; g--"new energies"

We must note the following world trends:

1. Coal is again becoming "the king of fuels." It must have a considerable increase in quantity, although its position [among fuels] will not change in percent terms, or may even drop. In the future, coal will be used increasingly more in chemical production and in production of the gaseous and liquid fuels, especially, in the coking industry.

2. After a brief continued increase, at first of crude oil, then somewhat later of gas production, will begin to decrease. Relatively costly recovery technologies will begin to be used to obtain such fuels from nonconventional resources as sands and bituminous shales; while conventional crude oil will be recovered by costly so-called third generation methods.

3. The present plundering of noncommercial fuels recovery (such as fire wood, peat, animal manure) that the Third World nations are forced to use, will be gradually replaced by the use of biogas and solar energy. Yet even that will not prevent an increase of the scarcity experienced in these countries.

4. "New" energy sources, such as the sun, wind, geothermic and biogas energy will be gradually introduced; however, because of their high cost and the high use of raw materials, their growth will be relatively slow.

5. It will become imperative to increase the use of the nuclear energy (to over 55 percent in the year 2030). Without that it is impossible to satisfy the demand for energy and the accompanying socioeconomic needs of mankind. Developments in this area cannot be limited to the use of the present type of thermal reactors. They are usually run with light water to produce steam for electric power and heat generating plants, and are used additionally as heating sources for urban and industrial centers. The heating plant system must be gradually converted to the district electric net system, replacing present local arrangements that draw on liquid and gas fuels. In addition, fast-neutron (or breeder) reactors must be developed. That will allow a better use of the stored nuclear "fuels" and will prevent a "uranium crisis" that would be felt already in the year 2000. Finally, high temperature reactors must be developed. They are now in their initial stage of development. That will allow the use of coal in the allothermal method to produce gaseous and liquid fuels. The allothermic method uses coal as its chemical material, while the processing heat is generated by nuclear reactors.

6. Above all, this system must be based on the most far-reaching savings of fuels and energy. Such savings require a changeover of industrial and other processes to less materials- and energy-intensive methods.

VI. Energy-Requirement Developmental Premises and Accompanying Material Needs

9. As far as the Polish situation is concerned, we ought to accept a scenario of changes characterized by a degree of economic stabilization in 1985 which would hardly reach the level of 1978. However, the prime energy demand will be higher than in 1978, due to a considerable population increase, and due to necessary structural changes. This demand will be higher also due to the continued large share of the hard and brown coals, to the considerable increase in global demand caused by the necessary large increase of electric energy and connected manufacturing losses.

During the years 1986-2000, a gradual increase in national income is anticipated to reach up to 3-4 percent per annum, and a corresponding increase in prime energy demand is anticipated to reach up to 2.5-3.5 percent per annum (compare the figures 2 and 3).

An additional premise in this developmental scenario is that until 2000 all the country's energy will gradually be leveled. All the equipment will have either paid for itself, or become inefficient, the necessary exploitational

accident and repair reserves will have been obtained and the energy will have been greatly modernized. All the new equipment, plants and technologies will be meeting the above-mentioned conditions of increase in their labor productivity.

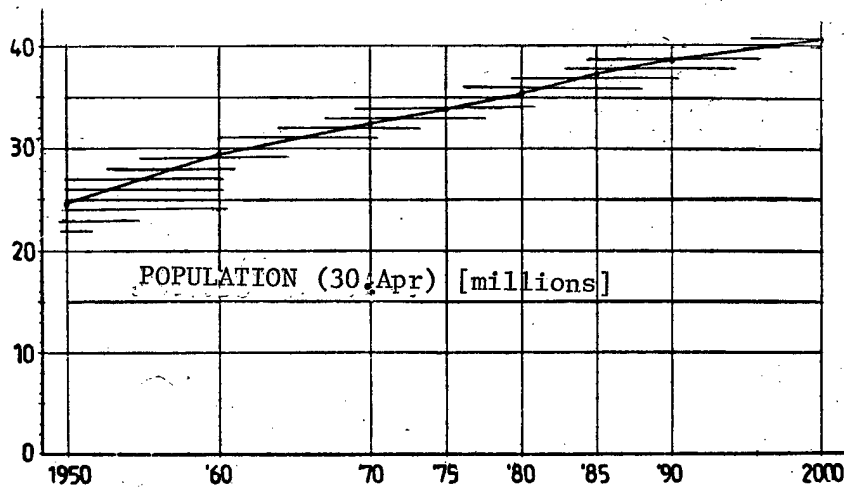


Figure 2. Poland. Population

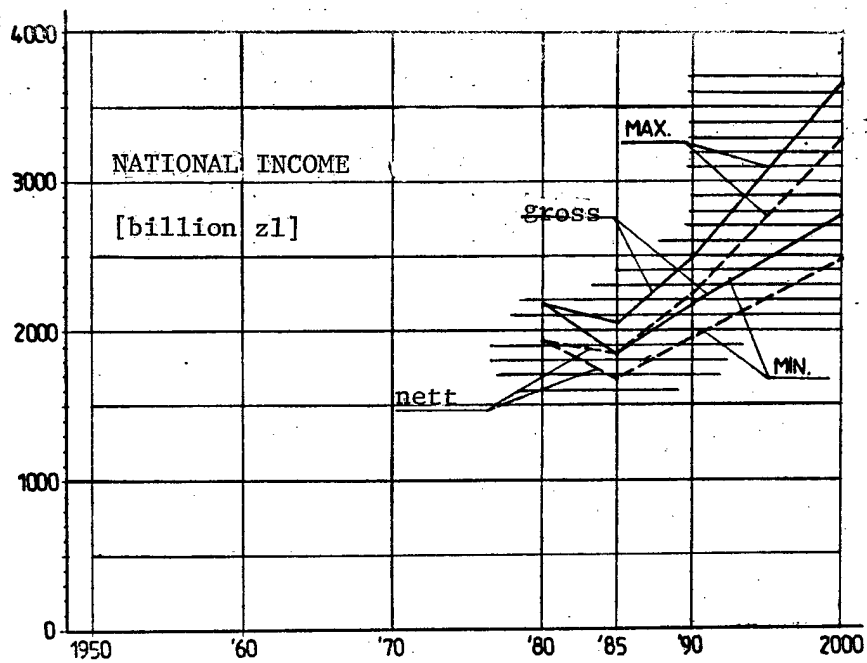


Figure 3. Poland. National Income

10. The connected outlays will be tremendous insofar as the complex energy industry is concerned. Because both current needs will have to be met in accordance with assumed economic growth, with structural changes, etc., and the outstanding problems will have to be taken care of in an atmosphere of

considerably heightened individual costs (in constant prices) existing, especially those connected to relatively significant growth in coal mining (table 2). Conditions for this mining will constantly get worse. A similar considerable outlays' increase will be connected with the needs of human and environmental protection.

11. The anticipated needed outlays are of 484-539 billion zlotys in magnitude for the years 1981-1985; 836-970 billion zlotys for the years 1986-1990 and 1,838-2,130 billion zlotys during the 1991-2000 decade (in 1980 prices). The relationship between these outlays and the gross national income will be 5-8 percent in magnitude, and naturally, due to accumulated needs, will not be coverable from current capital accumulation.

A comparison was drawn on needed investment outlays to visualize capital needs and accompanying capital goods (such as construction units, equipment, mining, electric and energy industry network, plumbing, etc.). This comparison follows a set of data concerning national income (table 2).

12. The arbitrary statement, assuming that these outlays must not go beyond 3.5 percent of national income, is unrealistic. In such a case, the assumed income will not be achieved and "Poland will fallback to the level of the least developed European country."

Table 2
National Income (Current Prices, Since 1980 the Prices of 1980)

Item	Statistics			Prediction		
	1975	1979	1980	1985	1990	2000
Gross Ntl. Income (in billion zl)	1,491.1 ¹	2,155.4 ¹	2,179.2 ¹	1,850-	2,170-	2,770-
Net Ntl. Income (in billion zl)	1,349.7 ¹	1,935.4 ¹	1,936.2 ¹	-2,060	-2,490 ²	-3,660 ³
	(90%)	(90%)	(89%)	(90%)	(90%)	(90%)
Gross per capita Ntl. Income zl/(M.a)	43,860	61,220	61,210	49,330-	55,780-	67,890-
				-54,930	-64,010	-89,710
Gross Nat. Income (in billion zl)	<u>1981-1985</u>		<u>1986-1990</u>		<u>1991-2000</u>	
Investment Complex	9,250-9,550		10,190-11,560		24,880-30,970	
Energy Industry Outlays (in billion zl)	484-539		836-970		1,838-2,130	
Percent in Gross National Income	5.2-5.6		8.2-8.4		7.4-6.9	

1. Central Bureau of Statistics, Statistical Annals 1981.
2. Annual Increase 3.24 or 3.86 percent.
3. Annual Increase 2.47 or 3.93 percent.

Undoubtedly, an accusation will be launched that "demanding" outlays increase for the energy industry is unrealistic. That accusation would be justified if the following conditions were not fulfilled:

- a) there were not a superior agency statement and fulfillment of the "priority" structure for these outlays ahead of priority outlays concerning agriculture, housing, domestic market and export management;
- b) there were not a strengthening of associated industries (inclusive of their strengthened organization and working cadres) which ought to provide the supplies to the energy industry and give means for needed import, that will be discussed later on;
- c) if unjustified industrial and construction-price shifts were not slowed down, or even checked in relationship to energy industry sale prices;
- d) if the appropriately high supply of hydrocarbon and nuclear fuels were not secured for a number of years.

Table 3
Fuel Energy Complex Development Outlays (in billions of zlotys)
(an estimate data of the 1980 billion zlotys value)*

<u>Outlays Designation</u>	<u>1981-1985</u>	<u>1986-1990</u>	<u>1991-2000</u>
Construction of new hard coal mines	64	168	640-720
Hard coal exploitation maintenance	135-140	175	490-510
Brown coal exploitation development	40-46	140-160	40-80
Gas and crude oil drilling, exploitation, transport & distribution ¹	13	10-39	50-60
Hard coal-fired steam electric power plants	19-34	13-49	15-13
Brown coal-fired steam electric power plants	44-64	51-64	29-66
Nuclear power plants	65-74	153-189	235-300
Hydroelectric power plants	19	11	54-76
Electric power plants ²	30	45	120
Crude oil refineries, transport and distribution of liquid fuels ¹	5	5	45-65
Heating industry (sources and networks)	50	65	120
Total: for the period	484-539	863-970	1,838-2,130
year average	97-108	167-194	184-213

*The accompanying industries reconstruction has not been accounted for.

1. According to the OBRGE Monograph "Poland 2000 Energy Prognosis," Katowice 1982.
2. According to the Ministry of Mining and Power (MGiE) monograph "The 1982-90 Energy Industry Development Program Aimed Directionally Till the Year 2000," Warsaw, March 1982.

VII. Primary Energy Demand in Poland to the Year 2000

13. There will be a 50 percent growth in primary energy demand in the year 2000 as compared to 1980, estimated according to the principle of full self-sufficiency. At that, hard and brown coal, natural gas and nuclear energy will assume the highest share in meeting that demand (tables 4 and 5).

More precise data concerning the primary energy demand are given in table 4, and figure 4; its structural values are given in table 5 and figure 5. Discussion of the dynamics of changes of individual sources will be found in the following sections. We must pay attention to the proposed rapid increase in nuclear energy [production] and to the faster growth of demand for natural gas as compared to crude oil. The principal trends of change are in unison with world trends discussed in chapter V. Individual energy industry sources, their importance and developmental needs will be discussed in order in the following excerpts.

Table 4
Poland. Primary Energy Demand to the Year 2000 (million tons p.u/a)

<u>Source</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>2000</u>
Hard coal and derivatives	88.4	104.0	124.8	125	128-130	150-155
Brown coal and derivatives	8.8	10.6	9.5	15	26	30-32
Peat and fire wood	2.3	1.7	1.6	1.5	1.4	1.4
Crude oil and derivatives	12.1	18.8	26.7	27	28	30-40
Natural gas	7.1	10.0	12.4	14	15-17	21-24
Hydroenergy	0.8	1.0	1.2	1.5	1.6	2
Nuclear energy	-	-	-	1	3-4	25
"New energies"	-	-	-	-	0.1	0.5
Electric energy foreign balance	-	-0.2	-0.1	-	-	-
Total	119.4	145.9	176.2	185	203-208	260-280
Number of inhabitants 30 Apr (in millions)	32.5	34.0	35.7	37.5 ¹	38.9 ¹	40.8 ¹
Per inhabitant t p.u./(M.a)	3.7	4.3	5.0	4.9	5.2-5.3	6.4-6.9

1. Estimated (compare the "78 PAN Expert's Report").

Table 5
Poland. Demand as in Table 4. Structural Values (percent)

<u>Source</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1990</u> ¹	<u>2000</u> ¹
Hard coal and derivatives	74.0	71.3	70.8	67.6	62.8	56.5
Brown coal and derivatives	7.4	7.3	5.4	8.1	12.7	11.5
Peat and fire wood	2.0	1.2	0.9	0.8	0.7	0.5
Crude oil and derivatives	10.1	12.9	15.1	14.6	13.6	13.0
Natural gas	5.9	6.9	7.0	7.6	7.8	8.3
Hydroenergy	0.7	0.7	0.7	0.8	0.7	0.7
Nuclear energy	-	-	-	0.5	1.7	9.3
"New energies"	-	-	-	-	0.0	0.2
Electric energy balance	-	-0.1	-0.1	-	-	-
Total ²	100.0	100.0	100.0	100.0	100.0	100.0

1. Average values.

2. Sum impreciseness as a result of rounding off.

VIII. Hard Coal

14. Hard coal and its appropriate level of domestic and export use excavation determines the real possibilities of stabilization and growth. The expert's report (table 5/2) assumed an increase in domestic demand from 153 million actual tons in 1982 to 215-220 million actual tons in 2000; as well as an export increase from 20-35 million tons to 30-35 million tons. These are inflated numbers. It seems that neither 247-257 million tons, nor the export will be achieved. Naturally, this will decrease export coal excavation capital needs, but it will increase the needs of associated industries' growth. These industries would guarantee an equibalanced export mass. That stresses the push to develop these industries as discussed in chapter 14 even more.

The views prevailing in the previous period stated that the possibilities of hard coal excavation are simply unlimited. Even outstanding economists and other experts stated that the recovery and raw goods export will continue to be the main factors of a dynamic national income increase. None of those experts had any idea of the real social outlays connected with coal excavation, nor did they realize its export quality (and of other raw goods, such as sulfur and copper). The views on the low cost and unlimitedness of coal excavation were reflected in the high materials- and energy-intensiveness of industry and construction, and also in the inappropriate course given to export, and to necessary equipment, as well as in the forcing, for instance, of the steel industry into an inappropriate direction (establishment of a large raw goods steel mill that uses inappropriate technology, instead of the mini-steel mills of high quality, etc.). "Thanks" to that, development of nuclear energy at the right time has been abandoned.

15. We must not forget two important postulates (p 61) [dealing with] the high enrichment of coal used for electric energy- and heat-production and protection of recoverable reserves.

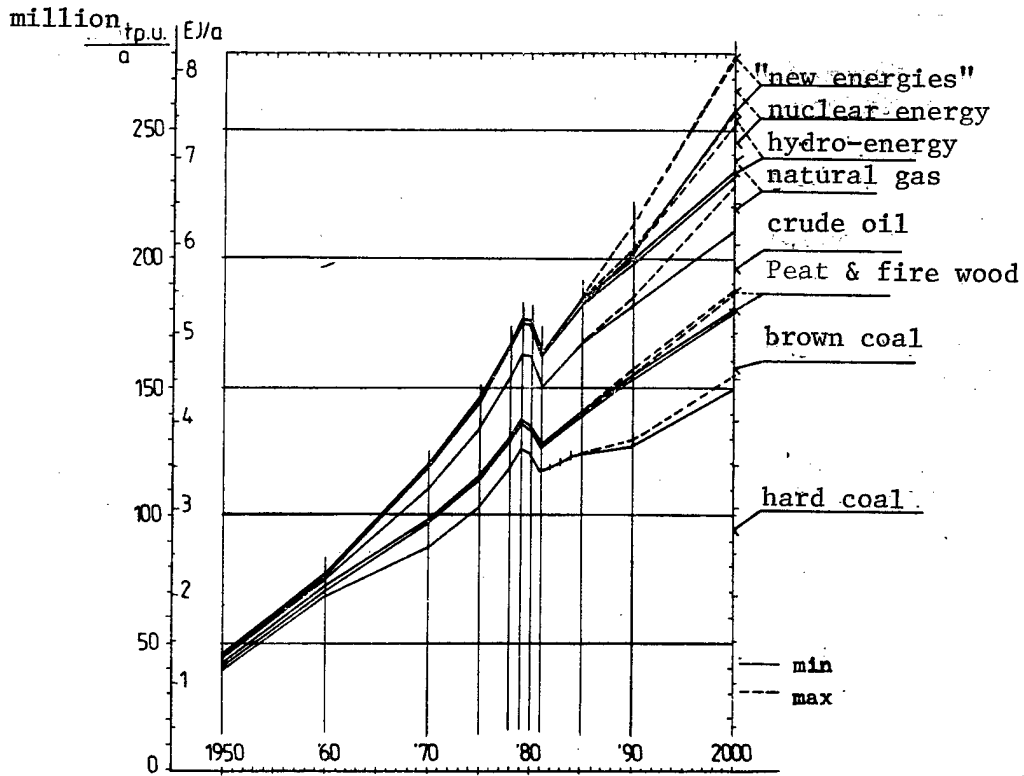


Figure 4. Poland. Primary energy demand to the year 2000.

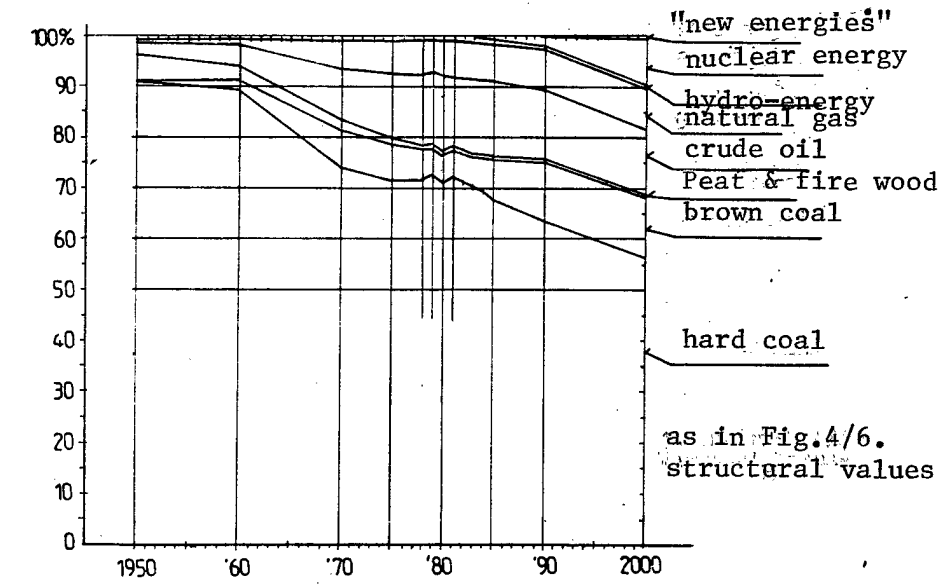


Figure 5. Poland. Primary energy demand to the year 2000. Structural Values (percent).

The high export and rail-transported coal enrichment for the electric power and heating plants would result in a very serious increase of job productivity, if the wastes were used on the spot.

The second problem of the recoverable coal reserves protection is extremely important for the future of our country. We are losing a great part of the recoverable reserves due to the almost exclusive use of mechanical recovery with the calibrated tool and due to the work "for overload," enabling a greatly increased recovery of coal at the lowest cost possible.

IX. Brown Coal

16. Brown coal: triple the postulated recovery growth to the year 2000 (table 5/4) is not easy to realize. Intensified research is needed along with realization of appropriate quantity and quality levels of equipment production.

The matter of brown-coal recovery is closely tied with the protection of agriculture. This has to take precedence over loss of productivity caused by problems connected with the takeover of agricultural land, worsened water conditions and acidification of the adjacent crops by the sulfur compounds discharged from the electric plant's chimneys. These are very important matters. They do not depend on the necessity of an exact prior examination of deposits before the investments' initiation.

X. Crude Oil and Gas

17. Crude oil and gas (chapter 6) must present a needed source of hydrocarbons necessary to the increase of production in agricultural breeding, chemistry, transport and municipal-residential service. At that, the obligatory principle is: "less crude--more gas"; that is, as much crude oil as can be supplanted by other sources and as much gas as is necessary to even out hydrocarbon reserves. We cannot hope for much help from the carbon chemical industry, although its development ought to be vigorously stimulated (chapter 10) for the sake of the future. The required increase in oil imports is estimated to be up to 25-30 million tons annually. The construction of one more refinery is also a must.

18. The gas supply is coverable only from the use of the tremendous reserves of Siberian deposits with the cooperation of the Soviet Union. The yearly demand of natural gas import has been estimated as 10-12 billion cubic meters by 1990. The possibilities of gas recovery from Polish sources must be used to the maximum. They are not large.

Finally, we must understand that in our country there is no chance of the labor-productivity increase without the cooperation of the Soviet Union in the area of gas recovery and transport from the rich Siberian deposits. The lack of this source cannot be replaced by anything else.

XI. Electric Energy Industry

19. Electric energy demand will be growing more intensely than other sources. To cover this demand, beside the small reserves of hydropower,

we must have the electric- and heat-power plants operate on coal, and to a progressively higher degree, nuclear energy. Anticipated production of electric energy ought to be 245-300 billion kilowatt-hours/ampers by the year 2000, therefore it ought to double in relationship to present production. At the same time, a fundamental reconstruction of regional and sometimes also local electric power networks must take place. This will enable us to cover the needs of the population, of industry, and especially of agriculture almost without failures. The socioeconomic losses of electric energy in case of a lack of supply are estimated to be 20 to 100 times its sale value.

Unfortunately, the electric energy industry is at present one of the most neglected areas in our country. The reason for this is in the combination of a considerable delay in electric power plant construction and the underdevelopment of the electric network, as well as in exploitational difficulties that result from low coal quality, lack of reserves, and difficulties in conducting appropriate quality repairs as well as from their timeliness. This causes the excessive losses in the manufacture and conveyance of electric energy.

20. There are a number of conditions that can secure the effectiveness in the production of electric energy. The most important one of those is the appropriate technical-economic progress. Such progress [can be] achieved both at the planning and in the equipment production phase, as well as in the use (repairs). We must remove quickly our existing backwardness in relationship to the world electric energy industry (that concerns magnitude and efficiency of units).

One of the main conditions is the existence and development of associated industries which would be able to supply all the necessary assortment of modern and efficient equipment, as well as spare parts. Development [of associated industries] ought to be included in long-range planning that would ensure sale of manufactured goods many years in advance.

21. In order to utilize the high-sulfur, low-grade coal, combined systems must be introduced; such as carbonization of coal, gasification combined with desulfurization, for the gas turbine (2x100--125 Mega Watts), for the steam turbine (360 Mega Watts). This process requires serious research and development.

We must say, additionally, that the low-calorie, low-sulfur-content gas production for the gas turbine, rather than for the boilers, constitutes the first development stage of the coking industry.

XII. Nuclear Energy Industry

22. Nuclear energy industry is becoming a factor enabling us to close the energy balance and it must be developed in four directions: light water reactors for nuclear electric power- and heat-plants, fast-neutron breeder reactors for nuclear fuel production, and high-temperature reactors for industry, chiefly for carbonchemical industry. We are anticipating the demand for these to reach an 11.8-14.8 Giga-Watt [GW] electric power in the

year 2000, and an additional 4.0 GW heating power. This is an enormous task that requires cooperative involvement of the entire economy. We are proposing the creation of a specialized government plenipotentiary office that would manage the matters of nuclear energy industry.

The fulfillment of the above proposal will allow a harmonious and efficient development of the nuclear energy industry and its associate industries throughout the entire national economy.

23. One of the principal problems is to secure the needed fuel supplies for many years. We must also pay attention to small domestic resources, including those that are formed from phosphorite reprocessing, and in the future, we must anticipate production of fuel elements and even reprocessing of spent fuel.

XIII. Heating Plant System

24. The heating plant system is a forlorn and backward Polish Cinderella, despite the fact that it is of essential importance to us. There are both quantitative and, most of all, qualitative shortages in that area; (there is about 30 percent power deficit in standard conditions). Therefore, there is a proposal to appoint a separate central section for heating plant system in the Mining and Power Ministry. The composite parts of other subsectors could be then transferred to that section.

The problem of the Polish heating plant industry has to be finally attended to in an appropriate manner. Communally (heating of buildings) and productionwise (industrial supply of various heat parameters), the heating plant industry is one of the most important branches of our economy. It absorbs a considerable part of outlays, often quite ineffectively, and it uses about 40 percent of the annual balance value of primary energy. The reasons for the fatal state of the Polish heating plant system are as follows:

A. in the organizational area:

--organizational fragmentation of the heating plant system sector into mining and energy industry and administration, regional management and the environmental protection as well as the voivodship offices,

--resulting from it is the insufficient coordination of the source and network development,

--lack of the uniform technological-organizational operation principles of heating plant enterprises,

--unsatisfactory state of technical and repair facilities,

--inadequate training of operating services,

--scattering of investment services,

--disorganization and frequently unplanned performance of heating plants and networks,

--an improper designing organization,

--an inadequate development of research facilities.

B. in the technology area:

--outdated heating plant technological systems,

--insufficient heating plant efficiency of heat production,

--the public-utility electric power and heat-generating plants' incomplete use of heat and electric energy production possibilities,

--proliferation of great numbers of inefficient, pseudotemporary community boiler-plants (which are permanent in reality), 50 percent of which have an efficiency level lower than 60 percent, and which are polluting the environment and are utilized in primitive ways,

--outdated and unreliable designs of heating networks (which are poor especially in their insulation) and their equipment which causes large heat losses, heat-supply interruptions, excessive losses of network water and frequent and costly repairs,

--labor-intensiveness of the construction and of heat-plant systems' utilization,

--inappropriate methods of heating-supply regulation methods and distribution of the heating factor causing excessive transport- and heat-utilization losses,

--lack of automation of the steering process, heating factor distribution and control of the functioning of heating plant structures,

--lack of modern equipment, such as pumps and heat-exchangers,

--system structures unadjusted for size and their thermodynamic parameters,

--low quality of workmanship, repairs, hodgepodge calibration of equipment which causes a shortage of spare parts.

C. other general defects in the heat-supply of our country:

--low utilization of the principles of combined [electric power and heat generation] management,

--lack of development concepts regarding the large urban centers which already experience power deficits up to 30 percent, especially in the Tri-City [Gdansk, Gdynia, Sopot] area, Lodz, the Upper Silesia-Krakow industrial region,

--lack of care for heat procurement in the initiation of closed district networks,

--lack of care for environmental protection,

--lack of definite action on the long-ago-proposed decrease for heat demand through an improvement of thermal building insulation of external partitions (among other things, continuation of the noninsulation "large panel" technology),

--the total lack of a concept of heat supply to scattered municipal and rural buildings.

To sum it up, the Polish heating plant system can be characterized as outdated and inefficient. (The large supplying systems with 4,000 Megawatt heating power do not represent the slightest progress in comparison with the 10 MW systems. They are simply the geometric magnification of the smaller systems. The same feature appears in the network systems and in the heat-generating junctions.)

Only the introduction of large blocks of BC-50 and BC-100 in public-utility electric power plants brought these to world-scale level.

We must stress particularly strongly that technological changes in the cubic-dimension construction industry brought a considerable heat demand decrease. Therefore, the fulfillment of the proposal postulated below is of particular importance. We will not be able to meet the heating needs of the country at the end of this century⁶ without fulfilling the following proposal:

25. The change-over to a less materials- and energy-intensive construction industry technologies is the most important problem in the area of energy-use rationalization. So is lowering of heat losses, through appropriate thermal insulation rating conditions for buildings. Without doing this, we will not be able to cover the primary energy demand in the year 2000.

XIV. Hydro-power Management

26. There are real links between the fuel-energy industry and water-power management. They need to be looked into in detail and the needs uncovered through that scrutiny must be met.

The main problems directly connected with electric energy production are: construction of further pumped storage electric power plants (especially the Mloty plant), construction of the reservoir and water-power plant in Ciechocinek on the Vistula River, and initiation of the next water dam facilities. We are feeling the lack of pumped-storage electric power plants proportionately to the increase in electric power demand, while the reservoir and water dam facilities are needed not only to balance electric energy production, but also because, to close that balance, we must establish nuclear electric power plants. The construction works on the Vistula River will be of a great importance to the supply of water for agriculture and industry

in the Lower Vistula region and for creating a large flow-capacity waterway, as well as for removing the threat of flooding in that region.

The aims mentioned in "The 82 CER" (p 121 and others) are different. Among those aims are to introduce water transport facilities in the region of the Upper Vistula, to supply the coal for the Skawin, Krakow-Legi and Polaniec electric power plants, and by the same, to relieve the rail transport facilities.

We must emphasize the tremendous importance of the waterworks for lowering the hidden unemployment which exists in Poland. The waterworks require relatively few import goods (bauxite and certain equipment), while the unemployment is caused by our undersaturated industry, premature retirement practices and the influx of young unskilled labor). Without lowering this unemployment we cannot even speak about increasing labor productivity.

XV. "New Sources"

27. The so-called "new sources" require quite active research and development to prepare their development in the years to come. Of these sources only the so-called "small hydropower industry" will participate in a small, yet real way of covering the energy industry balance for the year 2000. (That participation will amount to about one-third of 1 percent.)

We must put in the realistic framework the exaggerated, yet very capital-intensive, in their effect, premises concerning the so-called "small hydropower industry." We must also develop methods of solar energy use (solar collectors, biogas), treating the whole as a preface to stronger development after the year 2000.

XVI. Rationalization of Energy Use

28. Rationalization of raw and other materials (especially those energy-intensive), of fuels and energy, is the only important condition of our coming out of the crisis, and of further development. That problem was discussed in depth in chapter 13, including the attention on the relationship between the size of means for that purpose and the effects of rationalization, as well as on the difficulties of removing the backlog of wastefulness.

The problems connected with preventing a further increase of the raw goods, materials, fuels and energy waste are very important; they simply decide the economic potential and the increase of labor-productivity, therefore, they decide the rationalization of the socioeconomic needs of the country. Connected with these problems are the previously-mentioned myths about the wealth and inexpensiveness of the above factors. Developmental research must be based on cost-effectiveness, not on unrealistic slogans. Matters connected with that require great outlays for research, organization, modernization outlays, technological changes, etc. Yet we will be able to define the most effective production tasks for every branch of the economy.

To bring to life, manage and supervise that activity in different sectors, we need an organ of the Main Institute of Mining and Energy [GIGE] which would be directly under the chairman of the Council of Ministers, similar to the separate Office of Materials Management [UGM] for the problems connected with materials. We must also have a law on the energy use issued as fast as possible and independently of other legislative activities.

XVII. Auxiliary Industries

29. The energy industry's auxiliaries are quantitatively and especially qualitatively underdeveloped. (These are such as the construction equipment and building industry.) Reconstruction of these industries represents a fundamental condition of the total complex energy industry development. Its development is equally important for replacement of coal and other raw goods and semifinished products export (among those the ones which are highly energy-intensive) by highly-processed and qualitatively attractive products that can be used to cover [the costs] of fuel, energy and some equipment and technology import (chapter 14).

As far as development of the auxiliary industries is concerned, we need:

--industrial production equipment for the conventional electric energy industry, for the nuclear energy industry and for the entire heating industry (production, transmission and use of electric energy and heat),

--electrochemical and in part also electronic industry,

--industry of all kinds of chemical apparatus,

--all kinds of industrial automation industry and related calibration, steering and control equipment.

In some of these industries we lack only relatively few means to improve production quality, instead of importing them as we did before (for instance, in insulation materials). However, the whole of it lacks organization, above all, inventiveness, spirit of progress and technoeconomic consideration. Because [these industries] have an impact on the entire economy (in various sectors) we propose to create a government plenipotentiary for the above matters.

XVIII. Organization of Energy Industry

30. Chapter 15 is devoted to the organizational matters of complex energy industry. By the same token, it is a project of changing the old orders-distribution form of management into a coordinative management of energy industry which would be in accord with the aims of the entire economy, and would be self-managed and self-financing. The main thesis is to combine in one entity all of the scattered sectors of the energy industry and make it a single department of mining and energy, giving it the needed developmental independence. Many of the individual questions connected with that,

have not been solved. Especially bypassed was the problem of the deadline for realization of the proposed model.

The present organizational system of the complex energy industry is greatly antiquated. All the sectors ought to be departmentalized as self-governing and self-financing units (in the form of obligatory associations), as follows (p 163):

--hard coal mining,

--brown coal mining,

--crude oil and gas drilling industry (there are doubts whether these should not be connected with the gas energy industry),

--electric energy industry (production, transport, and distribution of electric energy, as well as the main sources of heat),

--the liquid fuels and coking chemical industry inclusive of its transport equipment and liquid fuels distribution,

--the gas energy industry (the systems-type gas industry) comprising gas networks and storages, gas distribution, possibly also the drilling for crude oil and gas industry,

--the heat-generating industry (heat-industry networks supplied by electric power and heat plants and by public utility and industrial heating plants, small local heating plants, heat distribution),

as well as a number of separate units common for all the above types.

Even though the present state of affairs is not conducive to such radical, organizational changes, it seems that those who do not understand that such changes are needed, or even are imperative (taking exception to this term), take a grave responsibility upon themselves.

In "The 82 CER" suggestions were made to form enterprises in individual sectors to create a basic organizational unit. They must be neither too fragmented, nor too centralized (as far as, for instance, electric power plants and mines are concerned), (see p 164 and the following pages).

XIX. Scientific Research

31. Chapter 16 considers the extremely crucial problem of scientific research. It recommends a few important tasks to be undertaken. In the remaining [portion] it is based on the tasks encompassed in the research-development PR-8 program [indicating] which [areas] still need to be analyzed and augmented. Of special importance are the tasks connected with the development of the scientific research cadre and with international cooperation, particularly among socialist countries.

That final meteoric chapter of "The 82 CER" is lacking in detail and it refers primarily to the research-development PR-8 program. That program encompasses a core of works (which are, anyway, quite cut down) which are anticipated for the upcoming decade.

However, a detailed mention of all the needed works would be too lengthy.

The Polish Academy of Sciences will have a great share of this research, conducted particularly in its commissions, institutes, and enterprises, as well as through its international cooperation. In the international area, a special distinction must be made of the scientific research coordinated by the Presidia of the Academies of Sciences of the socialist countries as well as the cooperation with the International Institute of Applied Systems Analysis in Luxemburg of which PAN is a member.

The Committee for Energy Industry Problems at the PAN Presidium is an organ responsible for the initiation, follow-up, development and implementation of the problems appointed to it, as is every PAN committee. Among the chief future research works, besides the cooperation with other PAN committees, we must mention preparation of long-term expert opinion, work on problems of dependence of agricultural development on heat-energy industry management and accompanying problems, projection of the premises for the creation of energy industry blocks: carbonization and gassification of coal with desulfurization; the gas turbine; the steam turbine (which were discussed in chapter 11), interest in the problems of heating industry and its optimal developmental premises, and, which will be treated in depth; problems of rationalization of fuels and energy.

In the long run, these will be model-building works discussed in the introduction. Naturally, work on these will be conducted with the broad cooperation with other units.

Warsaw, August 1982.

FOOTNOTES

1. This text is based on "The 82 Crisis Expert's Report," discussed at the 22 June 1982 meeting of the Polish Academy of Sciences [PAN] Presidium.
2. Contrary to the erroneous use in Poland of the following idea, by energy industry we mean the entire system, including the obtaining, manufacture, conveyance, distribution and use of energy in all its forms (sources). The erroneous use of this term in Poland identifies the notion of energy industry only as its quantitatively small part--the electro-energy.
3. In this and in the following excerpts chapter 17 of "The 82 CER" has been quoted literally. The title of the chapter is: "Main Hypotheses and Conclusions." The appropriate sequential points of that chapter are printed in the smaller print while any accompanying comments are in the larger print.

4. Kopecki, K.: "Rationalization..., Energy Industry Archives" 1982, No 4.
5. Primary energy is the energy gained at the sources, before their transport, or manufacture into another form. The manufactured energy is a "secondary" energy. For instance, liquid crude oil fuels, the coal-derived electric energy, etc. The energy on the consumers' clocks (primary and secondary) is called direct energy. Joule is the unit of energy [J] so is Watt-Hours (W-H) or their multiples (kilo = 1000, mega = 10^6 , giga = 10^9 , tera = 10^{12}). The (illegal) unit used in practice is a kilogram of standard fuel (kg. p.v.) at the same, these are interdependent, so that: $J = 0.2778 \text{ KW}\cdot\text{h} = 34.129 \cdot 10^{-3} \text{ kg p.u.}$
6. Very important problems of carbon chemistry have been bypassed here. Chapter 10 of "The 82 CER" is devoted to it in detail. The reason of this omission is in the technicality of these problems which require very detailed analysis. We must mention, at that, that the present results of research on that topic in Poland are highly unsatisfactory (this is the government problem PR1).

9934

CSO: 2600/776

OFFICIAL DISCUSSES STATUS OF LIVESTOCK SUPPLY CONTRACTS

Bucharest SCINTEIA in Romanian 29 Mar 83 p 2

[Interview with Vintila Rotaru, deputy minister of Agriculture and Food Industry by Ioan Herteg; date and place not specified]

[Text] The system of contracts and acquisitions is a principal source for constituting the state fund of agricultural produce destined for supplying the populace with agricultural foodstuffs and satisfying other demands of the national economy. According to the regulations in force, the contracts for cattle, sheep, pigs, milk and milk products from the socialist agricultural unions as well as the contracts and acquisitions of cattle from the farms of the populace are to be handled by the Ministry of Agriculture through the meat industry enterprises. In connection with the status of the contracts for animals and animal products for this year and the fulfillment of delivery objectives, I had a conversation with comrade Vintila Rotaru, the deputy minister of Agriculture and the Food Industry.

The current system of contracts and acquisitions is of a sort that will stimulate the agricultural units and other agricultural producers to raise the effective levels of animals and animal products, Rotaru told us at the beginning. The decree of the Council of State concerning the contracts and acquisitions of animals, poultry and animal products contains provisions which have assured that, beginning with the first of January 1982, there will be an increase of prices for contracts and acquisitions of animals, cow milk and eggs of 26 to nearly 36 percent as compared to 1981. To this are added the increases in prices for animals delivered in the period 1 December to 30 April, as well as for raised birth rate. The state agricultural units and cooperatives produce and supply the largest part of the meat and milk destined for provisioning the populace and for the food processing industry, benefitting fully from the advantages of the stimulative prices established.

It must be noted that thus far the agricultural cooperatives have fully concluded all of their cattle supply contracts for this year. Pigs, as compared with 1982, have been contracted for 800,000 additional head and sheep, for 150,000 additional head, the provisions of the plan being fulfilled. The production of meat has risen, but the realization of production and of delivery are below the objectives called for in the plan. The agricultural units have also assured larger quantities of fodder than in other years, and the physiological

state of the animals is better. All of this creates conditions for increasing meat production. It is, however, necessary, as is shown in the decree on the report of the commission of inquiry of the Grand National Assembly dealing with the nonobservance on the part of some agricultural units of the legal provisions referring to the feeding, care, health maintenance and shelter of the animals, to act firmly for respect of the animal-veterinary norms. As titularies of the plan, we have great responsibility for the fact that some agricultural units have not achieved planned levels and production. As direct beneficiaries of the contracted products, we will assist the agricultural unions in precisely applying the norms of proper care, feeding, shelter and health maintenance of the animals.

[Question] According to the legislation in force, the Department of Food Industry contracts, acquires and takes over for the state fund the entire available assets of cattle and of the farms of the populace. How are you acting to fulfill the objectives?

[Answer] Animal husbandry on farms of the populace constitutes an important source for increasing meat production. That is why the program for territorial self supply, which aims at the assurance, under the auspices of each county, municipality, town and commune, of effective levels of animals destined for meat production and their growth to an average weight established, takes in precise objectives which also deal with cattle raising on farms of the populace. In accordance with the plan, the Department of Food Industry has the objective to, in 1983, contract for and acquire from the farms of the populace 400,000 head of cattle, equivalent to 145,000 tons of live meat. The contracting process for these is underway and we are following the assurance of material conditions aimed at realizing effective levels and delivery of animals at superior average weights so as to realize the quantities of meat provided for.

[Question] What advantages do breeders have who contract and supply to the state fund?

[Answer] Legislation in force stimulates, both through the system of prices and through the granting of food concentrates as a contractual right, the breeding of cattle on farms of the populace and the delivery of these to the state fund. In a particular way, the delivery of these animals at great weight, above 351 kg, is stimulated. The breeder who supplies the state a bull of over 450 kg average weight receives a price of 18.50 lei per kg, which means 8,300 lei; at the same time he benefits from the ability to purchase over 200 kg of corn at the state price. These stimuli have resulted in many peasants from all districts raising cattle at very high weights, and, in this way, realizing important income. It is sufficient to show that if a peasant raises three to four bulls and delivers them to the state on a contract basis--and there have been many cases of having done otherwise--he earns in this way 24,000 to 32,000 lei. This confirms what was said by comrade Nicolae Ceausescu at the National Party Conference, that through honest work any peasant can make a lot of money, can even get rich.

[Question] You have shown that peasants who contract for cattle receive, besides adequate sums of money, a certain quantity of corn. Since in the past,

such obligations were not respected everywhere, what measures have you taken so that producers will benefit from this right?

[Answer] According to the regulations in force, cattle breeders from hill and mountain zones have a benefit of 150 kg of corn for each young animal turned over at an average weight of 350 kg and of 0.5 kg additional for each kg of live meat over that weight, amounting, as we showed above, to over 200 kg of corn for an animal delivered at a weight above 400 kg. Starting with 1982, in accordance with these regulations, for the animals delivered, all of the appropriate quantities were given to the producers. With a view to total realization of the plan of contracts and acquisitions for the current year, all the necessary corn is assured. To those who have concluded contracts, the first installment of corn has been delivered, which represents 30 percent of the total quantity, the second following installment to be given when the contracted animal reaches a weight of 300 kg, while the final quantity, including bonuses for exceeding the average weight, will be assured for delivery. Apart from these advantages, animal raisers who have cattle contracts with the state benefit further by having summer pasturage at a very reasonable price, by certain quantities of rough fodder--corn stalks and straw--as well as cropland on which a cereal crop has been gathered and which can be cultivated with forage plants in a double crop system.

[Question] In view of the fact that we are at the end of the first trimester, could you tell us about the status of contracting for 1983 with farms of the populace?

[Answer] Up to the present, the contracting plan with farms of the populace has been 76 percent realized. There are districts--Alba, Bihor, Braila, Constanta, Dimbovita, Galati, Harghita, Olt, Sibiu, Tulcea, Vaslui, Vrancea and the Ilfov agricultural sector--where they have realized the contracting plan and where they are acting further to exceed it. In other districts--Buzau, Caras-Severin, Calarasi and Teleorman--the contracting plan was realized at the 90 percent level, with the possibility of being fulfilled and exceeded in the coming days. In other counties, however, the contracting action is way behind. I refer in particular to the counties of Mures, Salaj, Maramures, Bistrita-Nasaud, Prahova, Hunedoara, Arad, Arges, Cluj, Satu Mare--where the level of contracts is only 45-65 percent of that provided for. It is necessary that, in the period immediately following, the total personnel of the meat industry enterprises, with the assistance of the county, municipal, town and commune organs, intensify the contracting and acquisition actions.

[Question] Do the farms of the populace enjoy a material base that will permit fulfillment of the contracting plan?

[Answer] Evidently, yes. From the animal census data it turns out that, in 1982, the effective level of cows and heifers from the populace farm sector grew by over 15,000 head. This assures more powerful development of the reproductive sources and, thus, the number of products destined for breeding, fattening and delivery to the state fund. Likewise there will be greater interest in breeding all of the heifers obtained. Through a recent Decree of the Council of State new stimuli are granted cattle breeders who obtain,

declare and raise heifers and calves obtained. Thus for each calf obtained, raised and retained for reproduction or contracted with the state, the socialist agricultural units and the peasants receive a bonus of 400 lei. To this is added 100 lei for each calf obtained from the heifer. In consequence the development of effective levels of cows on farms of the populace is stimulated. It is important that these provisions be widely popularized so as to be known to all breeders, with the aim of breeding to supply the state fund an increased number of cattle at the highest weight. To obtain a larger number of heifers and calves is not everything. It is essential that young cattle be raised. That is why current law must be respected concerning the destination of effective levels of cattle, in strict accord with the provisions of the program for self-supply. I am referring in particular to the registration of animals in the agricultural registry. Likewise the granting of producer certificates, with the aim of selling the animals at market or in the market towns requires taking into consideration in each locality the assurance of an effective supply and the realization of the state meat fund. Past manifestations of sacrificing young, underweight cattle for local consumption must be combatted with practical decisions. Likewise it is essential that the sanitary-veterinary organs and the reproductive network of the districts intensify their activity in following the physiological state of the effective level of the dam--mounting, gestation and calving--as well as the registration of the products to be able to follow the realization of the birth rate and the destination of the calves obtained.

[Question] The conclusion of contracts must be followed by the delivery of the respective animals to the state fund. What are you doing in this direction?

[Answer] Periodically the representatives of the contracting units, both in the agricultural units and at the producers, check the manner in which the contracted animals are raised and resolve problems connected with this activity. I refer to some specific zoo-technical and sanitary-veterinary actions of preparing to take the animals out to pasture. We will act together with the country agricultural organs and people's councils to raise the effective levels and to contract the entire available resources called for by the state plan, to realize the average weight at slaughtering, and to take over the animals at the prescribed term. To the extent that it concerns us, we will assure the quantities of food concentrates prescribed by the legislation in force and, together with the county organs, will assist the producers in resolving whatever other problems there may be in raising--at the greatest possible weight--the cattle contracted for the state fund. From this the winners will be both the peasants who contract animals and the populace, which will be better provisioned with meat and meat products.

9794

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PROBLEMS OF CROATIAN MEAT, LIVESTOCK INDUSTRIES DESCRIBED

Zagreb VJESNIK in Serbo-Croatian 20 Apr 83 p 8

[Article by Vlado Rajic: "Leaner Salamis"]

[Text] All the losses have been totaled up (last year alone they amounted to 2.6 billion dinars) in this branch of economic activity. The losses arise because of business operation methods. It is not known to what extent disorganization, neglect and misdirected investments caused the aggregation of this sum.

Salamis will become steadily thinner, if they are available at all. This, not at all optimistic, sentence concluded a study concerning the situation of meat industry in Croatia, which at the end of last year experienced a loss of 2.624 billion dinars. Last fiscal year was the third consecutive one in which losses were on the increase; in fact they doubled in the period 1981-82. A large sum of money and also the certainty that "if we destroy the meat industry, we also destroy livestock raising" are part of this matter.

The estimate is crude and possibilities for recompensing the lost billions in the meat industry negligible; hence our obligation to deal with this subject. In addition the Union of Agricultural Workers (abbreviated title) has done a study, which includes all possible data explaining the lost billions and the already mentioned estimate.

Decreases

Let us recount the story: the number of cows in the republic has decreased by 43,000 head in the 6-year period (1975-81). The number of hogs has also been gradually decreasing since 1978. This decrease was brought about by a decreasing agricultural activity in the villages, insufficient material incentives, inefficient technological means of production, and unresolved problems connected with livestock feed. Despite all this the livestock-meat complex has, during the last year, realized an export worth somewhat over 100 million dollars, thus the origin of the losses which amount to billions.

They arise, according to union members, out of the disparity in prices, losses in exports, problem with livestock feed, delivery of meat to tourist areas (?) and unfavorable structure of fund resources. The last one was explained in detail. The share of interest rates in the price of 1 kilogram of meat ranges from 10.20 percent (pork) to 23.45 percent (veal). Conclusion: the role of interest rates themselves show, even without a detailed analysis, the gap which exists between the practice and the proclaimed and prescribed policy, because every 10th hog and every 4th bull is used to pay off interest.

Plans

All this is reflected in the meat industry. This year's plan calls for a total production of 433,500 tons (live) of meat. According to meat industry personnel this will be dead tonnage, because last year, due to the strain caused by loan requirements and disparity, the meat industry received 10 billion dinars less than the need, the estimate and the contracts called for. At present this is the situation within the meat industry: there are organizations which deal in corn but with no right to import certain components. There are organizations which have the right to deal in hard foreign currency but without a right to deal in corn; and there are those which possess neither of the above rights. They all conduct their business with difficulty, either because their production is insufficient and inadequate due to bad livestock feed, or because they are being suffocated by prices of corn and, finally, because they are built in such places where neither corn nor (institutions) with the rights to deal in hard foreign currency are present (hog-feeding farm in Drnish is an example).

Disparities

Besides the empty meat stores the meat market is also characterized by that, infamous price disparity. The difference between sanctioned price and the price which the meat obtains on the market ranges from 9.5 dinars for chicken to 82 dinars for beef. All total, the meat industry will post a loss of 5.44 billion dinars in the first quarter of the year because of this disparity. In the above-mentioned study this is called catastrophic. Besides, these numbers do not mention the debt to individual cooperative partners, and, most importantly, about the latter's withdrawal from cooperative ventures. Those who are in the know say that the social sector is not capable of following the market events. And, the peasants lose interest (almost all of the 88.6 billion dinars which fall under the category of "outstanding debts to suppliers" are owed to the peasants). In short--it is a difficult situation.

Solutions

Solutions? It is difficult to decide on solutions in a situation which, by the end of April--the time limit for endorsement of the bills--threatens to cut production by one-third and stop it altogether unless 2 billion dinars are found. However, there is a solution in the eight points which runs as

follows. Losses should be covered by short-term loans until the overhaul is in place and working capital for this year as well as obligatory funds for the maintenance of the planned production are secured. One thing which has to be insured is money for personal income of workers in the meat industry, and at the same time for rescheduling of the debts, all the ones that mature by the end of the year, on a moratorium system basis. The moratorium would last 5 years and terms for repayment of the postponed debts 15 years. In line with continuation of these measures of solvency, quarterly compensation of the disparity should be secured from republic's resources, along with a review of the rate of interest on the working capital funds. Finally, construction of new slaughterhouses and restoration of the existing ones in areas where livestock feed is not produced is to be prohibited. In the opinion of the composers of the study all this should be done as though we are in a state of emergency, otherwise....

Uncertainty

In recognition of this, so to say, discussions regarding the problem of threat of empty meat hooks will be held during meeting of the collective Presidency of the Socialist Federation of Croatia, and also, of the councils of the assembly next week. It remains to be seen how productive and helpful will this threat prove to be in the making of decisions and in their speedier realization. At this moment it is important to mention this trifling fact which is also one of the causes that brought the meat industry into such a situation: "In view of a real lack of the type of business conditions (demanded by meat industry) the process of income ties among individual phases of the reproductive whole is, for all practical purposes, missing with each phase seeking an increase in income for itself through an increase in prices."

There would be no uncertainty had the extent of contribution of these conditions to losses of the meat industry not been known and had nobody made an accounting of weaknesses within the meat industry. The above mentioned meetings should resolve these knots. Otherwise, a demand for settlement of accounts can become habit-forming. If it has not already become so.

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END