

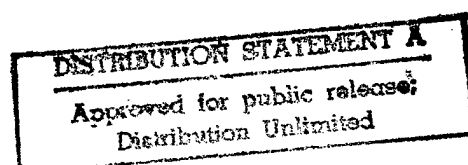
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7 September 1984

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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7 September 1984

# EAST EUROPE REPORT

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SITUATION OF CEMA COUNTRIES EXAMINED

Budapest HETI VILAGGAZDASAG in Hungarian No 24, 16 Jun 84 pp 6-8

[Article: "Momentum"]

[Text] This week in the Kremlin a summit meeting of the supreme leaders of CEMA countries will be held, where in addition to taking stock of the achievements and problems, the participants will attempt to give new momentum to the spirit of cooperation. In this article we shall touch on, among other topics, some of the areas of cooperation between CEMA countries in the transport of fuels and raw materials.

The supreme leaders of CEMA countries gathered in the Soviet capital for the 35th anniversary of the founding of the organization in order to summarize the achievements and experience of the past years and give new momentum to cooperation between the member countries by setting the most important future goals. The high level economic discussions starting after the opening report will be housed in the Kremlin.

The economic cooperation between socialist countries and the economic condition of member countries has changed in many respects in the past years: growth noticeably slowed; the average 4.2 percent growth rate between 1976 and 1980 decreased to 1.7 percent by 1981, it was 2.7 percent 2 years ago and slightly higher, 3.8 percent by 1983. But even these modest achievements required a massive effort from member countries, since the external and internal conditions remained severe. Signs of increased activity in the world economy have not been apparent until recently, and sales opportunities are still poor. In the meantime, a changeover to an intensive economic phase is in the making in member countries, and this is creating internal imbalances in some of them, accompanied by forced withholding of investments, slower overhaul of industrial structure and supply difficulties resulting from a shortage of foreign exchange.

In almost all CEMA countries--with the exception of the Soviet Union--the maintenance or improvement of the external trade balance and the ability to make payments has been a priority task for years. To this end, they have strongly encouraged the expansion of exports conducted in foreign currency and held down imports not billed in rubles. In the long run, however, the reduction in

purchases made in the West cannot balance the foreign trade budget of CEMA countries because import limits are already jeopardizing production continuity. Under any circumstances, these drastic measures balanced the foreign trade of most socialist countries with capitalist countries. As a result, the process of debt accumulation by CEMA countries has been stopped and a reduction of indebtedness started.

The character of goods transfer between CEMA countries is also being transformed. In the member countries, a large part of industrial capacity was based on earlier conditions. The exchange of goods between member countries was also conducted according to those conditions. Countries poor in raw materials and fuels could acquire these for finished products with great certainty from the Soviet Union, and the expansion of this type of trade was only limited by the transport means of the smaller CEMA countries.

In our time, when raw materials are becoming scarce, and capitalist countries consume a significant amount of production, the conditions of cooperation have changed. All of this creates tensions. Oleg Bogomolov, academician, pointed out that most of the export branches of the Soviet raw materials exploitation industry will experience only moderate growth by the turn of the century and this will influence exports. Outlays are ever more expensive in the Soviet energy sector because oil, natural gas and coal producing areas are farther and farther from the industrial districts of the country. At the same time, according to Bogomolov's calculations, CEMA countries will need 30 percent more energy by 1990 in order to sustain a 3-4 percent growth rate in the 1980's.

Thus the secure long-range heating fuel, energy and raw material supply of the member countries continues to be a fundamental problem in the area of mutual assistance. Smaller CEMA countries must take into account that the energy delivery volume of the Soviet Union can exceed the 1976-1980 level at most only by 20 percent. (In the preceding 5-year period deliveries still increased by 43 percent.)

In this situation, the Soviet Union encourages those raw material- or energy-poor countries which must rely on the development of the Soviet exploitation industry to contribute, according to their means, to the implementation of Soviet raw materials and energy industry investments. Accordingly, member countries could share the materials produced in corresponding areas. As a result of this, last October, at the Berlin session of CEMA, four member countries--Czechoslovakia, Hungary, GDR and the Soviet Union, and since then Romania--signed a multilateral agreement on the joint construction of an iron ore enrichment plant. The ore enrichment facility to be constructed near Krivoj Rog in the Soviet Union will process 7.6 million tons of ore annually. The Soviet Union prepared many additional similar designs. It proposed, for example, the joint construction by member countries of a gas line connecting the Yamal peninsula to the western border of the Soviet Union.

Increased participation in joint investments, however, can be limited by the capacity or financial situation of the smaller member countries and by the fact that in the past period, to balance their foreign trade, they were forced to curtail outlays severely. Connected to this is the increase in raw material

prices on the world market and the corresponding increases for CEMA countries, when averaged over several years. As a result, the exchange proportion of CEMA countries worsened by 15-20 percent since 1975.

In this situation, there has been a greater effort made in many countries to use domestic reserves with noteworthy gains in raw materials energy savings; waste recycling and the employment of energy and raw material saving technologies became more important. The ministers of the member countries listened to proposals dealing with these topics at the CEMA session in Berlin last October.

The member countries--as stated earlier--regard the prospective joint effort in processing industry, more exactly, machine manufacturing, as the most promising area of cooperation. In 1983, there were 694 production specialization and cooperation agreements between member countries. However, reserves of extensive growth have been exhausted in this area, too: in the past years, industrial production experienced a 1.5-3 percent growth in member countries, compared to over 5 percent in earlier years, and the number of industrial workers is growing also at a moderate rate or is stagnating. (In Hungary and Poland the number is decreasing.) From the second half of the 1970's, the production value per unit capital stock has been perceptibly declining.

The key sector of industrial development in CEMA countries is the machine industry. This sector totals over one-third both of industrial production and of outlays. Over 40 percent of the machine industry exports between CEMA countries is conducted based on cooperation agreements. However, in spite of the numerous agreements, there are frequent parallel efforts in the machine industry of the member countries, and as a result, the advantages of mass production are lost. At present, member countries still cover 75-80 percent of their machine requirements from domestic production.

Machine trade between member countries experienced strong growth in past years, but more and more machines had to be purchased from advanced capitalist countries. In the past 15 years, the share of socialist countries in world machine trade decreased from 25 percent to 11 percent. Experts in socialist countries emphasize that in the machine trade based on production specialization, the 10-12 percent proportion of high technology products should be increased. At the 37th session of CEMA countries last October, Nyikolaj Tikhonov, Soviet prime minister, called for "an end to the shipping of obsolete goods."

The accelerated development of microelectronics, robots and other high technology industries have a special significance. Agreements have been created in this area; the interested countries are now examining specialization proposals.

Improvements in the supply of agricultural and food industry products for the population have a special significance in the cooperation of CEMA countries, since at the common level, neither the quality nor the quantity aspect of this problem is solved. The importing of tens of millions tons of grain and significant quantities of meat by CEMA countries from sources outside the organization is an important burden and has a harmful effect on the external stability of the people's economies.

Agriculture is 7-8 percent of the national product in the GDR and Czechoslovakia and in the rest of the European CEMA countries 15-16 percent. In the 1970's, agricultural output grew fastest--by 40-45 percent--in Romania and Hungary, and by 8-10 percent in Poland and the Soviet Union.

Growth in the raising of livestock has been especially striking, while agriculture has lagged somewhat. Under these circumstances, experts explain the increased shortage in capitalist foreign trade of agricultural products by the surge in grain and fodder imports. Between 1976 and 1980, member countries purchased an average of 35 million tons of grain yearly from countries outside the organization. Two-thirds of this was taken by the Soviet Union, which is the greatest grain importer in the world, and the largest portion of what remained was taken by Poland and the GDR. Experts point that the significant grain purchases--beside the fact that the increase in agricultural production could not keep pace with the fast growth in the raising of livestock--are explained by unjustifiably large losses in the harvesting, transport and storage of produce.

Table 1. Foreign Trade Structure of European CEMA Countries (in percent)

(1) Országok	(2) Év	Export					Import				
		szocialista országokba		fejlett tőkees országokba		(7) fejlődő országokba	szocialista országokból		fejlett tőkees országokból		(12) fejlődő országokból
		(3) összesen	(4) KGST-ból	(5) ebből országokból	(6) ebből országokból	(7) KGST-ból	(8) összesen	(9) KGST-ból	(10) ebből országokból	(11) ebből országokból	(12) KGST-ból
(13) Bulgária	1970	79.3	75.8	14.2	6.5	76.2	73.0	19.1	4.7		
	1980	70.8	68.8	15.8	13.4	78.9	77.1	17.2	3.9		
(14) Csehszlovákia	1970	70.6	64.7	20.4	9.0	69.4	63.0	24.5	6.1		
	1980	69.6	65.1	21.7	8.7	70.2	65.9	24.3	5.5		
(15) NDK	1970	73.9	68.6	21.9	4.2	69.4	66.1	26.7	3.9		
	1980	68.7	65.4	24.1	7.2	63.3	60.2	30.5	6.2		
(16) Lengyelország	1970	63.9	60.6	28.4	7.7	68.6	65.8	25.8	5.5		
	1980	55.9	53.3	34.4	9.7	55.6	53.3	35.0	9.4		
(17) Románia	1970	58.1	50.3	31.9	10.0	53.9	48.3	39.5	6.6		
	1980	43.5	37.0	35.4	21.1	37.8	31.5	31.0	31.2		
(18) Magyarország	1970	65.6	61.8	28.0	6.4	65.0	62.6	28.8	6.2		
	1980	55.1	51.5	33.9	11.0	51.1	47.8	39.4	9.3		
(19) Szovjetunió	1970	65.4	54.4	18.7	15.9	65.1	57.0	24.0	10.9		
	1980	54.2	49.0	32.0	12.8	52.9	48.2	35.4	11.4		

Key:

- |                                      |   |
|--------------------------------------|---|
| 1. Countries                         | 11. From developed capitalist countries |
| 2. Year                              | 12. From developing countries           |
| 3. To socialist countries            | 13. Bulgaria                            |
| 4. Total                             | 14. Czechoslovakia                      |
| 5. To CEMA countries                 | 15. GDR                                 |
| 6. To developed capitalist countries | 16. Poland                              |
| 7. To developing countries           | 17. Romania                             |
| 8. From socialist countries          | 18. Hungary                             |
| 9. Total                             | 19. Soviet Union                        |
| 10. From CEMA countries              |   |

Table 2. Gross Industrial Product in Smaller European CEMA Countries and in the Soviet Union, percentage change relative to the previous year

	(1) 1976-1980 évi átlag	1981	1982	1983
(2) Bulgária	6.0	4.9*	4.6	4.6
(3) Csehszlovákia	4.6	2.0	1.0	2.7
(4) Lengyelország	4.7	-10.8	-2.0*	6.7
(5) Magyarország	3.3	2.8	2.4	0.7
(6) NDK	4.9	5.1	3.2	4.1
(7) Románia	9.6	2.5	1.1**	5.1
(8) Szovjetunió	4.4	3.4	2.8	4.0

(9) \* Szocialista szektor; \*\* Árutermelés (10)

Key:

1. 1976-1980 average
2. Bulgaria
3. Czechoslovakia
4. Poland
5. Hungary
6. GDR
7. Romania
8. Soviet Union
9. Socialist sector
10. Production of goods

Nowadays, agricultural and food production development--due to the fact that the swollen agricultural imports in the early 1980's threaten the foreign trade balance of the smaller member countries--receives much greater attention than before in planning the people's economies. These efforts, however, are limited by the greater capital requirements of agricultural outlays, while the available means are more meager. Today increasing the role of private and home garden farming is on the agenda in most member countries, in addition to modernizing the acquisition system and stimulating the totality of agricultural production.

The tensions in the food supply of the population and increased demands made by livestock raising demand agricultural development within CEMA. The acceptance of advanced agricultural production technologies must be accelerated in member countries, and further cooperation is needed in the area of improved breeding. In addition--the experts point out--countries capable of agricultural exports must be made interested in exporting their goods. In this connection, they call attention to the fact that agricultural and food exports within CEMA countries have been adversely affected because the energy price required for production of agricultural goods grew 3-3.5 times faster than that of the goods themselves. Participants at the CEMA session in Berlin last year agreed that in the interest of the mutual growth of food supplies the interested CEMA countries can discuss measures to stimulate agricultural exports.

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CEMA PRODUCTION COOPERATION RESULTS DESCRIBED

Budapest NEPSZABADSAG in Hungarian 2 Aug 84 p 1

[Article: "CEMA: Production Cooperation Results: Specialization Agreements, Exchange of Research Results, Larger Assortment of Industrial Products"]

[Text] Beside agreements reached at the state and ministry level direct contacts between enterprises are becoming more and more important in cooperation between CEMA member countries. During the last CEMA summit meeting broadening and developing cooperation in production was stressed as one of the most important directions in cooperation. Therefore the member countries decided to nurture better conditions for cooperative endeavours between enterprises.

Some enterprises have already provided good examples which should be followed. As a result of the mutual efforts of Videoton and the Polish Unitra-Polcolor firms, the assortment of color TV sets has become larger in both countries. The factory in Szekesfehervar ships TV sets without tubes in exchange for Polish picture tubes. The Hungarian factory saves more than one million dollars annually this way, while this is the only way the Polish partner can supply its home market with TV sets until the necessary investments are finished. Since the fourth quarter of last year Videoton has also shipped remote-control TV sets. This year 14,000 TV sets and 35,000 color picture-tubes will be exchanged and next year there will be even more. An exchange of portable color TV sets and picture tubes is also in the plans.

The Gun and Gas Appliance Factory agreed with Dessau's Gas Appliance Factory of the GDR to exchange the production of unprofitable articles for others which might be profitably manufactured because of certain natural endowments in the other country. On the basis of a specialization agreement the Hungarian factory ships the main components of gasjets to the German factory which assembles the appliance. The Gun and Gas Appliance Factory satisfies the domestic market with small boilers in a similar fashion; the main components come from the GDR and are assembled into the final product in Hungary. From one period to the next both factories develop the product shipped under the specialization agreement. In 1982 the old products were converted to more modern types and a more highly developed variant of the product will be introduced in the future, in 1986-87.

The Institute of Electrical Automation (VILATI) produces an automatically controlled telescope together with the East German Zeiss Works. The astronomer just punches the name or code of the celestial body he wants to observe into the microcomputer built into the telescope and the telescope automatically locates the star from the sky coordinate system. Furthermore, the telescope continues to track the target taking into account the movement of the Earth. To this point they have produced three of this kind of apparatus. The control unit is produced by VILATI, the machinery and optical units by the East German partner. The second achievement of the two enterprises is a drafting table already in series production on which one draws with light beams in addition to ordinary writing materials.

In spite of the difficult economic conditions with collaboration between factories there are favorable opportunities for research requiring substantial intellectual and material inputs and quick introduction into practice. To this point Hungarian factories and institutes have signed more than 2000 scientific-technological agreements with their partners from socialist countries. For example, work colleagues from the Diosgyor Machine Factory and the Soviet Cable Industry Research Institute have jointly developed modern cable-producing machines in accordance with the needs of Soviet contractors. The Soviet Union is also the largest purchaser of Digep products. The two enterprises are presently working on developing equipment for the manufacture of telephone connections and a line of automatic machines for manufacturing telephone connections and automatic machines for producing telephone cables.

The research institute of the Ajka Alumina Smelter has started to apply a new technology developed by Soviet scientists for modernizing the production of a very rare metal, gallium. The equipment necessary for its production comes from the Soviet Union. The great advantage of this technology is that mercury is unnecessary for the production of the gallium which preserves the environment. Almost all of the gallium found and processed during the production of alumina is exported. Since demand continues to increase, according to further plans a new gallium factory will be built. Gallium is a very important material for computers and microwave control equipment.

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RATIONALIZATION OF PRICE SYSTEM FOR 1984-85 DISCUSSED

Prague PLANOVANE HOSPODARSTVI in Czech No 4, 1984 p 1-10

[Article by Michal Sabolcik, Minister-Chairman, Federal Price Office]

[Text] Prices and their role in the management system, as well as the practical implementation of price policy have recently been the object of the concentrated attention of political and economic organs as well as of the general public. Other socialist countries are also devoting substantially more attention to pricing problems both from a theoretical and a practical viewpoint. Consideration is being given to the arrangement of an international pricing conference for the socialist community for the sharing of experiences and the results of studies in this area in individual socialist countries. In all socialist countries systems for planned price management by the state are being improved upon. Third world countries that have mapped out a socialist construction program for themselves are also concerning themselves with prices. Nor need mention be made of how the capitalist states use prices to discriminate economically against socialist countries and price theory as a means of ideological sabotage which must be combatted.

Under such conditions, we must adopt a Marxist-Leninist based position on the various opinions concerning the mission of prices in an economy and possibilities for resolving economic problems through pricing. We are aware that these opinions cover a broad spectrum, from believing in the all-powerful role of prices in economic activity to a rejection of its role, as well as understanding prices as the mere documentation of ongoing economic phenomena. It is a logical reflection of whether the adherents to similar views absolutize the role of value relationships or whether they advocate an exclusively natural approach to the management of the national economy.

Position and Role of Prices in the Planned Management System

In searching for the proper place of prices in a system of planned national economic management it is essential to proceed on the basis of the Marxist-Leninist concept of prices and to draw conclusions from our own experiences and the practice of other socialist countries.

In our economy extremes in the perception of the role of prices have been the

rule, whether it was the exclusive application of documentary prices in the 1950's, which were contrary to khozraschot principles, or the switch in 1968 to the arbitrary influence of free prices which were to replace the regulatory function of the plan, but were in fact headed in the direction of dismantling the socialist economy.

The economic policies of the socialist countries employ differing approaches to the theory and practice of pricing, even while respecting the socialist mission of prices. In conjunction with the development of their own economies, specific countries use specific functions of prices with varying intensity at different developmental stages.

What is the correct way, then, to comprehend the role of value relationships and prices in a socialist economy?

During the construction of developed socialism we must proceed based on the necessity for utilizing a set of objectively valid economic laws for an appropriate stage of development. This categorically rules out the absolutization of this or that extreme approach to the system of management and, within this context, to prices. A balanced management system demands that economic laws be applied in a dialectical unity with a modified role for the law of value to the benefit of our socialist objectives. This presumes the thorough implementation of Leninist management norms, the leading role of the party, and of the principles of democratic centralism.

These approaches apply as well to the definition of the role of prices in the national economic management system. They are expressed concisely, as they apply to the current situation, in the resolutions of the Sixteenth CPCZ Congress and the subsequent sessions of the highest party and state organs.

In keeping with the spirit of these decision, it is essential to assure that prices function so as to accurately express and actively influence price-cost relationships in the national economy. This must furthermore occur in line with the objectives of economic policy as formulated in the state plan and with the preconditions which we establish so that prices can play this role. This means that prices must above all serve as an objective criterion of socially necessary costs, the expression of which is the level of satisfaction of social needs. This is the beginning of their active impact on the planned and effective development of the national economy and the improved satisfaction of its requirements.

A more profound scientific understanding of the role and place of prices in the planned management system is a very demanding task, especially under the current conditions of rapid changes in socially necessary costs and the increased importance of higher level innovation.

At the Ninth CPCZ Central Committee Plenum on plan assignments for 1984, it was once again emphasized that it is essential for our economy to apply the entire Set of Measures and its mechanisms, including prices, to the resolution

of specific material problems in the assurance of the fundamental goals for the development of our society as defined by the plan. In this regard it is very important to bring material and price-cost relationships in the national economy into balance both in the planning phase and during the phase when the plan is being carried out.

This was the subject of a speech by Chairman of the CSSR Government, Comrade L Strougal, at a national conference of general directors of economic production units (VHJ) at the end of August 1983. In this speech he noted the necessity for assuring a deeper integration of material and value criteria when drafting economic plans and the balancing of resources and needs. This is essential for more effective management and decisionmaking.

Prices are one of the value mechanisms which serve to bring about this integration. For this reason, prices, whose role and place in the economic mechanism must be evaluated both in terms of their mission in relation to the other value mechanism of which they are a part, i.e. financial, credit, taxation income redistribution processes, etc., as well as a component of the system of mechanisms which have an impact on material relationships and criteria, including their development.

The practice still exists in our economy, and in some places dominates, of allocating material and investment resources in terms of material proportions. Price-cost relationships remain passive, adapting themselves to a large extent to these material proportions.

#### The Implications for Prices

Above all, it is essential to better use prices to optimize resource formation assign realistic value to them, and to facilitate the matching up of resources with requirements. Our objective, therefore, is to increase the active role of prices in relation to material and value criteria, and to the resource allocations which we are planning and making provisions for, under the terms of the approved plan, as a part of the general capital replacement process.

In order to implement this priority mission of prices it is essential to generate the preconditions for their operation within the national economy. We consider one of the most important preconditions to be the development of a healthy tension between financial resources and requirements. Our organizations should not have relatively easy access to financial resources. The financial resources which they have at their disposal must be allocated and utilized under much stricter conditions than previously. This is the objective we are pursuing in the development of a more rigorous environment for the functioning of the entire Set of Measures in upcoming years and particularly during the Eighth Five Year Plan.

Prices must assist in developing a realistic value base for the Czechoslovak economy. This assumes that prices themselves will carry greater weight as a criterion for expenditures and as a factor influencing economic decisionmaking

at all levels of management. The other, non-price value-assigning mechanisms indeed depend on this being the case. From the perspective of prices, moreover, these mechanisms have great demands placed on them as well in the sense that they cannot undermine the standard-setting function of prices.

In practice this means that we can no longer permit situations in which, for instance, redistributive processes at various levels of management of the national economy moderate the standard-setting impact of specific management instruments, including prices. The result of such transfers is to blur the differences between well and poorly managed companies, intensify trends towards levelling, failure to fulfill basic directives which were newly emphasized at the Ninth CPCZ Central Committee Plenum, namely: to differentiate high quality from lower quality work and to compensate for it according to actually achieved performance.

### The Plan and Prices

We are all aware that in a socialist economy the plan is the decisive instrument for the entire national economy. In terms of its place and role in the economy it has taken over some of the functions and roles played by prices in capitalist economies. We will not elaborate on these questions here. The experience of building of socialism in the USSR and other countries has shown that a plan which is based on principles of the general public interest handles the distribution and provision of resources and needs more effectively than the haphazard mechanism of supply and demand which entails huge public losses. This does not mean, however, that the plan does not need prices. Quite the contrary. A knowledge of prices at the stage of plan formulation makes it possible to make judgements regarding proportions and material problems which arise during plan formulation, evaluate various solutions for specific problems and the strategies for resolving them.

Prices help to make optimal decisions, i.e. to determine in conjunction with other criteria an optimal strategy corresponding to our conditions and the possibilities for assuring the objectives we are pursuing. We consider this to be their crucial role. Prices must exert both a preventive and directing influence on economic development and particularly, under current conditions, with a view to steering the economy onto the path of intensive growth.

It is, however, true that prices that can fulfill this function are those which realistically evaluate future trends. Here one runs into problems such as those now facing our price theory and practice. In the future it will not be good enough to plan short term price developments, because long range development is what is now most important for the economy. We must approach pricing in this way as well.

Problems with prices and the plan form a huge complex of issues which must be resolved. We want to achieve a better integration of the plan and prices. This is because we understand the plan for price development to be an organic component of the state plan and all of its mechanisms. This means that new

prices should always express basic plan objectives and the means for achieving them. This, however, presumes that the planning of price developments make it possible to establish prices beforehand in such a way that they will be accurately reflected in the plan. This also resolves the problems connected with the current labor-intensive recalculation of the state plan at new price levels. Planning in new prices will at the same time mean the immediate reaction of the plan to the standardizing intentions incorporated into the new prices. This will then result in the immediate impact of the new prices on price-cost relationships, assisting in their greater integration and correspondence. It will also foster plan stability, which we define to be stability in the development objectives, innovations and an effective growth rate based on intensification. We attempted to achieve this objective in the price development plan for 1984. In May of last year we had prepared new prices based on which the plan for this year could be formulated. But the seriousness and complexity of material problems in the plan and the vast scope of the price changes made it necessary to formulate the plan in older prices, so as to prevent the accumulation of consequences of material and price changes, and their transfer to the new prices.

Unfortunately, in theory as well as in practice adequate research has not been done on the mutual interrelationships between the plan and the other components of the economic mechanism. This leads to conflicts, reduces the effectiveness of the overall economy, and generates illusions regarding the possibilities and effectiveness of the gradual improvement of its individual elements. Changes in the techniques for the formation of and in the indicators for any sector of the economy which is not based on requisite changes in other sectors cannot bring positive results.

Therefore, a change in the price level and in its method of formation cannot take the place of an improvement in planning and the overall economic mechanism.

In the USSR discussions are currently under way concerning the better utilization of prices for socialist development objectives. It is turning out that the improved use of the standardizing and stimulative function of prices can make important contribution to resolving the material problems of development, as well as leading to greater effectiveness for the system of planning and the entire economy.

The economical utilization of raw materials and fabricating materials and the elimination of shortages in their availability cannot be achieved by prices alone. Where management and resource conservation is carried out in a planned manner shortages must be dealt with by increasing the precision of and strengthening the accounting procedures in planning and the planned standardization of needs. This does not concern only the State Planning Commission, as is often thought in this country, but the entire economic sphere, VNI, enterprises, but especially the area responsible for the development and increased quality of standards.

## Price Rationalization in 1984-85

In conjunction with the entire management system, prices will also contribute effectively to the assurance of the political and economic objectives of 1984. The price measures that we are adopting, and the practical implementation of price policy are intended to support the resolution of pressing material problems in the development of the national economy and to operate in conjunction with the greater demands placed on the future development of the entire management system, as outlined in the directives of the Ninth CPCZ Central Committee Plenum.

A critical factor that has been determining the development of wholesale prices in the final years of the Seventh Five Year Plan is the growth of acquisition costs for imported and domestic fuel and energy. Following the one-time increase in the wholesale price of all fuel and energy resources in 1981-1982 it turned out that despite the related gradual amount adjustments in the prices of all types of fuel, energy and crude oil and it will be necessary to institute another one-time increase before the end of the current five year plan.

At the same time, the consequences for the economy have not been insignificant. In the years 1981-1985 the rise in the wholesale price of primary fuel and energy resources will amount to more than Kcs 95 billion. Of this total we plan to absorb Kcs 25 billion through reduced costs and excess profits. Almost half of this amount must be accounted for in 1984-1985 by increasing wholesale prices and the related 25 percent absorption of the consequences.

The primary measure for 1984 was an adjustment in the wholesale prices of fuels, energy, and certain raw materials, including agricultural products for the food industry, that were instituted as of 1 January of this year. The consequences of these increases are being reflected in the wholesale prices of the pertinent sectors and divisions of the processing industry, in construction, and in freight rates, to which adjustments are being applied. The plan also includes a reduction in some wholesale prices, primarily of electronics and its component base.

The greatest increase in wholesale prices is occurring for imported oil and natural gas, for which the increase in contract prices will be appearing in import acquisition costs through 1986. If wholesale prices were to remain unchanged, it would be necessary to subsidize oil and gas imports from the state budget in 1984. The new wholesale prices of oil and natural gas contain a certain contingency to cover possible increases in the foreign prices of these products through the initial years of the Eighth Five Year Plan, or to cover increased demand for oil in upcoming years with imports from nonsocialist states, the price of which would be substantially higher.

The price for domestic fuels is increasing because of increasing costs for its extraction, the movement of mining operations to more difficult geological environments, etc. Without increases in wholesale prices, extraction operations for power generation and coking coal would operate at a loss in

in 1985. There will likewise be increases in the wholesale prices of raw materials for the food industry such as milk, sugar beets and potatoes. Current procurement price subsidies for these products will also be eliminated.

The above increases in price levels, which are intended to bring wholesale prices for raw material inputs into line with expected acquisition costs, is linked with the implementation of other measures which are intended to foster better management and more effective utilization of fuel and energy sources that are in short supply. These include a one-time increase in the retail price of motor fuels and heating oil, a continuation in the gradual, annual increase of 2 percent in the wholesale prices of fuel and energy, and of diesel fuel by 20 halers per liter coupled with differentiated adjustments, of increased penalty transfers for exceeding planned limits for the consumption of enriched fuels. This approach in the area of prices contributes to the economic pressure to fulfill the target set forth by the government - a further reduction in the consumption of primary fuel and energy resources from the limits established for the Seventh Five Year Plan.

The above adjustments in the price level have resulted in an overall national economic price increase of an average of 6.4 percent. Increased wholesale prices have been most evident in selected divisions of ferrous metallurgy (a 14 percent increase), in the production of construction materials (17 percent), in construction work (13 percent), in foods (4 percent), and in freight rates (10 percent). Prices have been reduced primarily in the electronics industry (by up to 22 percent) and in selected machine tool divisions. This reduction was made possible by improved efficiency and reduced production costs.

The incorporation of the foregoing increase in input prices into processing industries has not been conducted mechanically. A differentiated, selective approach to the choice of sectors and production groups for the development plan has made it possible to absorb roughly 25 percent of the price increases. This has had a positive impact in the sense that even with an average increase in the wholesale price level of 6.4 percent, some limitations were possible on the increase in retail prices, which increased only by 4.1 percent on the average. Wholesale prices of deliveries for personal consumption increased only by 3.1 percent.

The above increase in the wholesale prices of goods for personal consumption, just as with previous wholesale price adjustments, are not being reflected in the retail prices of consumer goods. The increased wholesale prices instituted as of 1 January 1984 are seen by the population only on rare occasions, primarily related to construction work, the transportation of cargo, heating oil, kerosene, technical gasolines, propane and butane, as announced by the media at the end of last year.

An exceptionally important measure which was implemented as of 1 January 1984 was an adjustment in the procurement prices of agricultural commodities. It represented actually a continuation of previous changes in agricultural price

mechanisms and was intended to improve their effectiveness. The adjustment in the procurement price was essential as a reaction to increased wholesale prices of fuels, energy, materials, products, freight costs and propellant costs. Price increases, especially of fuels and diesel fuel, but of other inputs as well, increase the material costs of primary agricultural production. The procurement price level is being increased by the volume of these additional resources.

However, the procurement prices do not increase mechanically with the increased costs for specific types of agricultural commodities. In line with directives of the highest party and state organs these price adjustments have been used to stimulate desired structural changes in primary agricultural production. Price preferences are given to production from the raising of beef cattle and sheep. Price differentiations between higher and lower quality products are being increased. One of the basic measures is an increase in the procurement prices of grains and of hot-air dried material which are the main causes, through fodder blend prices, for increased procurement prices for most livestock products. The increased procurement prices for grains and hot air-dried materials have been incorporated in a differentiated way into the procurement prices of livestock products. Decisions were based in part on the demonstrated profitability of producers and on the satisfaction of demand.

In 1985 we are planning, in conjunction with changes in procurement prices, to complete the introduction of increased wholesale prices in the food and paper products industries. In the textile, footwear, leatherworking and clothing industries there will be a reduction in prices in 1985. In conjunction with a revision in Czechoslovak State Standards and increased costs for the growth of forests and the extraction of wood, the wholesale prices for raw timber and related products will be increased. In general engineering, as a further step, there will be a planned reduction in the prices of semiconductors, microprocessors and other components for electronics, which will facilitate the introduction of modern techniques and production technologies. These adjustments will result in an increase in the wholesale price level for the national economy of 0.6 percent.

While in 1984 the focus of price adjustments lies in the implementation of the price of inputs into the economy, in 1985 attention will switch to the differentiated adjustment of wholesale prices of outputs which will be based on more rigorous foreign criteria and their influence on our production and exports.

#### Using Prices as One of the Mechanisms of the National Economic Management System

In accordance with the resolutions of recent CPCZ Central Committee Plenums we have been developing and will be introducing in the area of wholesale prices a number of measures which are designed to assure the application of preferential pricing and pricing penalties in relation to intensification factors. Research and development progress is among the most important of these.



Prices must assist us in resolving the difficulties which come about for producers during the early stages of the production of new, very sophisticated products. This concerns primarily the higher startup costs involved until production is in full swing. We intend to resolve these problems through so-called progressively declining prices. These are prices that will decline in accordance with the planned evolution of production costs. We have a number of products for which the full mastery of production takes a relatively long time and often involves increased costs, especially in the initial stages. Graduated prices in the initial stages take into account these higher cost levels in proportion to their impact on both the producer and the consumer. Upon expiration of the established time frame, the price declines to a lower level that is for the product in question. After the expiration of the life cycle of the appropriate standard and assuming that the product is not replaced by another, technically improved variation, the final applicable prices would be equivalent to the current level of penalty prices.

We also support research and development through the application of a dual price system. This means that for a given time prices will be higher for the producer and lower for the user, with the difference covered from the state budget.

Another form of pricing that will be used more often in the future are provisional prices, through which is achieved a division of the sales proceeds between the producer, user and the society.

Graduated, provisional, and dual prices are all techniques which facilitate the introduction of technically sophisticated products on a large scale. We are assuming that they will primarily lend impetus to the introduction of robots and manipulators and that they will improve the quality of supplier-consumer relationships. It must, however, be emphasized that support given to research and development in this manner must correspond to the benefits derived from the practical implementation of a particular piece of technology.

The price formation for new products, and particularly the so-called parameteric technique of price formation, plays an important role. Our objective is to assure that technico-economic parameters and other use values of new products, which are the real bearers of value, are properly taken into account in price formation.

Greater efficiency is, of course, unthinkable without the rationalization and an increase in the standardizing rigor of norms. Stricter norms will set the preconditions for realizing labor savings, and are the basis for the more effective utilization of our huge production potential and for the objective measurement and comparison of the effectiveness of the work of enterprises.

No less important measures have been taken to make the setting of price and cost limitations more realistic. Their main purpose is to facilitate the most economical possible resolution of the design and the production technology. We want the technical and economic design of new products to make profitable

production possible and to be such that the finished products will be marketable, both at home and abroad. The critical issue in setting price limits is the sophistication of a given item. Criteria derived from the situation on foreign markets are very important to properly determine this. For this reason we use foreign price relations as our main tool for establishing price limits. The level of trade among the developed countries is to a certain extent an indicator of the quality of the technical and economic parameters that must be included in our technical design projects for them to correspond to the level and pace of the social productivity of labor achieved in the developed countries.

In collaboration with the CSSR State Commission for Scientific, Technical and Investment Development we have worked out a new approval process for price limits. Price offices will now approve even the preliminary price limits.

In accordance with congress directives and the resolutions of the Eighth CPCZ Central Committee Plenum we are instituting more significant price incentives for high quality and technically sophisticated products, the use values of which make a demonstrated social contribution. Incentive payments for technically sophisticated products reached about Kcs 4 billion in 1983. New incentives are being offered for export effectiveness.

Foreign price relations and prices are an important mechanism for increasing the standardizing rigor of our prices - of course assuming that the material conditions exist so that these standards can be achieved in practice. We are gradually trying to introduce foreign prices as an important factor in domestic wholesale prices with the objective of seeing to it that the prices realized on foreign markets for exported products have a direct impact to the benefit or detriment of the economic performance of the producing organizations. This objective is related to measures that we are instituting for economic inputs. By incorporating the prices of imported raw materials into the costs of organizations we want to see to it that every producer and user is aware of the costs of importing and, therefore, of what we must produce in order to cover the costs of the imports, the costs of production and to make a profit on the final goods. We want profitability levels for goods produced for domestic consumption to approach those achieved in exports. The differentiated rates of return and profit margins incorporated in the prices of domestic output thus become an important form for the effective utilization of foreign conditions to exert pressure to increase labor productivity. The standard profit rate will be differentiated depending on export effectiveness. We are planning to reduce the wholesale prices of those products which are, to be sure, highly profitable but which are not very effective as exports. We plan to implement this policy in the form of price penalties for certain products. The government Presidium and Party Central Committee has established this as an objective of price policy in the guidelines for 1985 plan preparation.

Increased efficiency for price policy depends in part on increasing the precision of the system for planning costs and the assurance of its integration into calculations and norms. The planning and management of price developments cannot replace the planning and management of the level and structure of costs

and profits for both existing and innovative product mixes. Alternative resolutions that have been adopted, such as rates for overhead costs and other direct costs and their implementation to be sure help to focus the attention of managerial employees on the underutilized capacities in these components of costs, but does nothing at a systemic level to resolve the planned volume and structure of costs and their realization in production. The same is true of planned profit margins. Solving this problem will not be easy, but is a necessary precondition for the proper application of the role and place of prices in the system of national economic management.

To increase the effectiveness of price change absorption and also to increase the pressure on the efficient utilization of the capital stock a stricter approach has been adopted regarding the inclusion of depreciation charges on fully depreciated capital assets in the wholesale price level.

Writeoffs on fully depreciated capital assets are not calculated in the wholesale prices of enterprises which do not achieve a level of shift work that at least equals the sectoral average.

The implementation of wholesale prices in the plans for 1984 and 1985 simultaneously meet the objective of increasing pressure for innovation in final products. In particular, products which when exported achieve a differential indicator of less than 60 are prohibited from having increases in their wholesale prices approved. Regulations governing prices for domestic production have also been tightened. The prices for technologically obsolete products have been reduced, especially when they are of low quality. Incentives are provided for innovative procedures that result in increased efficiency.

In the manufacturing industries we are instituting a policy by which increased prices for material inputs are not compensated for merely by changes in the existing product mix, but through price formation and, when appropriate, price incentives for new products, or the absorption of price increases. We hope thereby to achieve more rapid innovation in the products of the manufacturing industries. On the other hand, changes in wholesale prices cannot be allowed to create favorable economic conditions for the continued production of items that are technically obsolete, of Level III quality, or which have been difficult to market. Judgements will also be made about exported products that do not meet certain minimal effectiveness criteria.

It is understandable that this demanding objective cannot be achieved through changes in price levels alone. For this reason they are being accompanied by existing and prospective changes in the methodology of planning, in financing and economic incentives, as well as further improvements in the management system.

A fundamental task that must be fulfilled by pricing policy is the strengthening and development of socialist production relations. Price related functions and mechanisms must be utilized to this end. The rationalization of prices under socialism is associated with the plan. Under certain

conditions the prices of certain products increase, and price relationships are adjusted. In general, however, we must keep in mind that an increase in prices cannot be and is not a general strategy of a socialist state.

The purpose of increasing the effectiveness of the entire system of management and the economy under socialism is to fulfill the basic economic law, which requires the mobilization of resources, innovation, cost reductions and the achievement of increased labor productivity. This also provides the basis for price reductions and their decline per unit of socially useful output. More effective production and lower prices should be a specifically stated objective of the plan, supported by appropriate incentive programs for enterprises and individuals.

Critical measures for the beginning of the Eighth Five Year Plan will be implemented in 1984 and 1985. It is assumed that the increased wholesale price level for fuel and energy raw materials will make possible their stabilization at least until 1987. In the Eighth Five Year Plan our attention can thus be focused on rationalizing the prices of final production with the objective of reducing them.

With this strategy we can also influence the development of acquisition costs, mainly for imported raw materials, and thereby extend the period of stability of their domestic valuation in wholesale prices.

Price theory and practice faces other pressing issues which must be resolved. They include the necessity for improving long-range and current price planning and their coordination with the state plan, with the plan for product mix changes, and with the plan for innovation. It is also necessary to look ahead and do some thinking about the planning of price limits and about the plan for new product price formation in relations to the plan for innovations and its fulfillment in the preproduction stages, and the modification of entire production programs and factors in the development of production. It is essential to increase the quality of planned evaluations of factors of production including the essential assessment of natural resources and ecological influences. Also a serious political and economic issue is the degree of integration of individual price categories either directly through prices, or indirectly through non-price mechanisms. These are all difficult issues, with the resolution of which economic research will have to assist.

The main objectives of the intensification of our national economy require that price policy facilitate integration, exports, innovation, that it be anti-inflationary and supportive of economic intensification. For this reason, emphasis is being placed in pricing on the absorbing of the consequences of increased prices of inputs when incorporated in the price of related products, on the application of the criteria of highly competitive foreign markets to the price formation for products from manufacturing industries, and on the support of the generation and accelerated realization and implementation of research and development findings.

ZEOLITE AS FODDER ADDITIVE

Prague HOSPODARSKE NOVINY in Slovak 20 Jul 84 p 7

[Article by Prof Doctor of Veterinary Medicine Leopold Vrzgula, CSc, and Eng Miroslav Belansky, general director, Agricultural Procurement and Supply, Bratislava: "Zeolite, a Material To Improve the Effectiveness of Meat Production"]

[Text] At present a worldwide search is on for new, nontraditional sources of fodder or biologically active substances that will increase the utilization of the basic nutrients found in fodder rations, particularly proteins. Increased attention is being devoted worldwide to the use of natural zeolites in agriculture. The stimulus for the study of zeolites as fodder ration additives for livestock came from the discovery of deposits of natural zeolites in East Slovakia near the villages of Nizny Hrabovec and Kucin. The principal constituent mineral of this natural zeolite is the mineral clinoptilolite. We have found the impact to be positive following the feeding of the natural zeolite from this locality under experimental conditions with small numbers of livestock at the Kosice Veterinary College and at the Nitra Agricultural College.

Zeolites are crystallized, hydrated aluminosilicates of alkalis and cations of alkaline soils. Worldwide extraction annually amounts to only several hundred thousand tons of natural zeolites, which are used in various industrial sectors. Recent research has explored the possibility of their application to plant production and for fodder purposes, veterinary medicine and environmental protection.

Industrial sectors use synthetic zeolites characterized by greater purity of the material for specialized purposes. Producing them is difficult--up to 80 times more expensive than the production costs involved in the mining and processing of a like amount of natural zeolites. The high production costs are the reason that they have not found broader application in industry and especially in agriculture.

Broad Possibilities

The possibilities for using natural zeolites are related to their peculiar physical and chemical properties which include: high ion exchange and

selectivity in terms of molecule size; reversible hydration and dehydration and a high capability for absorbing gases, primarily sulfur dioxide, ammonia, gaseous hydrogen chloride, and others. Its wide utilization is also dictated by the high content of macroelements and microelements.

The partial results of our research and information from world scientific literature on the use of zeolites in livestock production has indicated that they could be used as an additive in fodders for economic animals, for the treatment of excretions, the cleaning of stalls, the elimination of odors and dampness in housing facilities, for the purification of methane in the production of biogases, for increasing livestock resistance, and for the prevention and/or treatment of the young, as well as in fisheries management.

In primary agricultural production natural zeolites may possibly be used as a bearing medium for industrial fertilizers, pesticides, herbicides, as an attractant for heavy metals from soils fertilized with urban and industrial sludge, and for increasing the ion exchange capacity and water retention capability of sandy soils. Promising results have also been obtained from use in greenhouse operations.

Natural zeolites are also suitable for the fixing of radioactive waste (cesium and strontium), for waste water purification and the fixing of ammoniates from the wastes of agricultural plants, urban waste water, wastes from industrial and other sources, of water pollution, for the scrubbing of gaseous exhalates of sulfur dioxide, ammonia and carbon dioxide, as a bearer of catalysts in the petrochemical industry, for the drying of liquids, gases and solids, and as additives in rubber, plastics and paper.

#### Current Status of Research

Since 1982 we have been testing the use of natural zeolite in fodder rations of sows, cattle, sheep, poultry, to improve the zoohygienical conditions of economic animals, to prevent digestive illnesses and to prevent and/or treat infectious fungi on the hooves of sheep. All work sites throughout the CSSR are involved in the resolution of these problems.

Research has shown that tufitova, an unrefined raw material (zeolite) from the vicinity of Nizny Hrabovec, is a substance that is nontoxic, nonflammable, odorless and tasteless, nonexplosive, nonmutagenic and noncarcinogenic. Nor, after long-term feeding of a given size granule, does it form any geosediment in the digestive system of livestock, harm mucous membranes, exert a negative influence on the quality of meat products, meaning that it can also be fed in the appropriate doses to sows. Experiments in the feeding of zeolites to 8,000 sows have been carried out by the Department of Internal Diseases of Ruminants and Sows of the Kosice Veterinary College and the Research Institute of the Fodder Industry and Services in Bratislava, in conjunction with selected agricultural enterprises.

The results of long-term feeding have pointed to its positive influence on overall health, weight gain, fodder consumption per kilogram of weight gain, which have all resulted in reduced costs for the production of weaned

livestock and feedlot sows. Quality indicators for pork and for meat products in individual phases of feeding did not show significant differences between experimental and control groups. Otherwise, feeding with zeolites had a favorable influence on zoohygienic conditions.

The results that have been obtained imply that the most effective use of fodders of an animal and vegetable nature are obtained when feeding with fodder mixtures fortified with various nutrients, additives and supplements. Natural zeolite fulfills the requirements for a natural supplement. The use of fodder mixtures with added natural zeolite makes it possible to reduce overall consumption of fodder per unit of production, thereby increasing the effectiveness of pork production.

#### Economic Contribution

The General Directorate of Agricultural Procurement and Supply in Bratislava has already put the results of this research to broad use. Currently it has enriched about 100,000 tons of fodder mixtures for sows with zeolite. Natural zeolite, however, does not replace basic nutrients, but through its physical and chemical properties modifies, adjusts and normalizes the internal environment of the organism. In other words, it stabilizes intestinal physiology, strengthens overall health, thereby actually aiding in better fodder conversion, which in the final analysis results in conservation of fodder mixtures as well as in increased weight gain. Any acceptably priced, domestically available and non-health threatening substance which improves the use of nutrients, especially proteins, in both balanced and suboptimal diets is in great demand for our livestock production operations. Natural zeolite fulfills these requirements. Researchers at Salford University in England have arrived at the same view, and explain the improved utilization of fodder after the addition of zeolite by attributing to it the function of a growth stimulant, much as antibiotics.

We have also had unfavorable results with the feeding of zeolite of poor quality. The condition for the effective use of zeolite in the feeding of sows is the strict adherence to quality and the physical and chemical properties of the zeolite, nutritional value parameters for fodder mixtures and rations, as well as compliance with technical standards for animal husbandry.

The economic contribution of feeding sows with zeolite is above all savings in fodder mixtures, improved overall health and a healthier external environment.

For instance, when additives were added to fodder mixtures A 1 (5 percent zeolite) and VUL (3 percent zeolite) needed for the production of 175,000 tons of slaughter sows, and given consumption of 1.94 tons of A1 mixture and 2.9 tons of VUL to produce 1 ton of slaughter sows, there was a saving of 0.975 tons of mixture A 1, which at a price of Kcs 2,260 per ton represents a contribution of Kcs 22.5 million. The conservation of fodder mixtures for this production of slaughter sows amounted to 15 tons of mixture, which at Kcs 1,990 per ton amounts to a contribution of Kcs 30 million.

The economic impact of the practical implementation of this research has been an increase in the level of profitability from 8 percent (1982 in the CSSR) to the 11-12 percent range, along with a decline in production costs of Kcs 0.5-0.6 per kilogram of live weight. There has also been a significant increase in the amount of profitability (of Kcs 77-86) per hectare of agricultural land.

We have here a domestic raw material with large reserves, which means that its exploitation in the interest of increasing the effectiveness of livestock production and as an improver for heavily fertilized soils, in greenhouses and for environmental improvement, should be given top priority.

We are not the only ones within CEMA who are doing research in this area. In the USSR they are using their own substantial reserves of zeolite as an additive to the fodder for industrially produced cattle, sows and poultry. Hungary is also producing similar fodder mixtures. Research in these countries has so far been, however, isolated. The merger of these efforts into a single team project would contribute to accelerating the practical implementation of future findings.

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# POSSIBILITIES, DILEMMAS OF ECONOMIC DEVELOPMENT DISCUSSED

Budapest GAZDASAG in Hungarian No 1, Jul 84 pp 5-23

[Article by Janos Hoos, state secretary, National Planning Office: "Development Possibilities and Dilemmas in the 1980's"]

[Text] In the last decade Hungary's economy was extremely unfavorably affected by the world economic effects. On the one hand, the actual losses suffered due to exchange rate deterioration and increases in real interest rates are very large: cumulative losses in the time period between 1974 and 1983 represent the loss of the entire national income of 1 year out of these 10 years, which in absolute size exceeds the losses suffered in World War II, while the similar cumulative price and interest losses of the 1929-1933 crisis amounted to only 15 percent of 1 year's national income of that time. On the other hand, the technical and technological renewal taking place in the world has presented a new challenge to the Hungarian national economy: if it cannot live up to this it may fall lastingly behind not only the capitalist but also the socialist countries. This effect presents many consolidative tasks, solutions of which are indispensable conditions for our economy being able to give a timely and meaningful response to the above-mentioned global economic challenge. At the same time, the losses can be counteracted in a lasting way, the appearance of the new consolidative tasks can be fended off permanently, and the losses thus suffered can be decreased only if the Hungarian economy changes over to the new growth path in accordance with the higher technical, technological and efficiency requirements. So the two tasks are closely interrelated in content but in terms of timing the consolidative tasks appear first and are temporary in nature--even though depending on the way circumstances develop they may even be on the agenda for several years--while adjustment to the world economy--changing over to the new growth path and following it--remains a constant and continuous task on the agenda.

## Dependence on the World Economy

The Hungarian economy's 20th century history provides many lessons that are noteworthy even today. Even without detailed analysis it is practical to refer to the following economic history lessons accepted in broad circles:

Extensive and increasing dependence on the world economy resulting from the country's size and given natural conditions. Because of this the economy's growth has depended increasingly on the foreign trade possibilities, especially on export and on the import which can be managed through it. The international monetary and credit relations played an important, definitive role in Hungary's economy. It can be emphasized separately that all these things are also valid for the economic growth after liberation.

Success in the practice of the economic policy and economic management depended largely on how well it was able to conform to the changes in world economy and in connection with this how well it was able to mobilize, activate the country's economic opportunities and resources in order to counteract the effects of the unfavorable foreign trade and foreign policy circumstances and to exploit the opportunities presented by the favorable conditions. The consolidation following World War II and that following 1956 are good examples of when the economic policy--in harmony with the international circumstances--was able to influence in an outstandingly positive direction the growth of the Hungarian economy.

From the foregoing it also follows that the Hungarian economy's low points and upswings were closely related to the world economic situation. (In the consolidation following World War I, the break-up of the monarchy, and the world economic effects which followed it and World War II, as well as in the developmental period of socialism in the market of the socialist societies and their economic relations have played and are playing a huge role.)

The Hungarian economy's increasing dependence on the world economy is an irreversible process; its reliance on the world economy will not decrease but will increase, together with all the ensuing economic and political consequences. It also follows from this that even though the domestic economic activity and the economic policy which determines the direction of this will continue to have an extremely great role in the economic policy [sic], it must necessarily be expected that its room for movement will objectively decrease. But this will not decrease the responsibility of the economic policy; on the contrary, the tasks will be even greater in evaluating the foreign trade and domestic opportunities objectively and in developing the action program of the reaction to these, and in improving the economy's competitiveness on the world market.

Today's Hungarian economic situation and its conditions differ significantly from what they were previously. The economy's foundations have changed. The productive forces are more advanced, and we have also grown richer in management experience. One cannot overestimate the value of the fact that we are members of the community of socialist countries and this community, even if today it does not exert the motivating effects of its earlier dimensions,

has a relatively stabilizing role--such as a receiving market and a supplier of raw materials--that is definitive.

However, the relatively high level of development that the economy has achieved, and its relations with the socialist countries, could not and over the shorter range cannot counteract the unfavorable foreign trade effects. That is, such large losses have developed that their serious effects have had to be moderated by obtaining foreign loans. Repayment of these loans in itself decreases the incomes which can be used domestically, and at the same time necessarily create the additional temporary need to obtain loans. Increasing the economy's ability to create resources and increasing its efficiency--that is, making up for the losses suffered--also presumes the use of foreign resources. In most recent times it has become more difficult to obtain capitalist loans and basically this has caused the country's liquidity problems. In the interest of maintaining our ability to meet our international payment obligations--that is, over the short range--we have been forced to take such measures affecting the economy's real processes, which on their merits are not the tools for solving the short-range liquidity problems.

Beginning with the early 1970's the Hungarian economy has entered into a stage of growth when the regular acquisition of a certain amount of loans has become an organic part of continuous growth. After the liberation--with the exception of 1956 and 1957--the country did not take on any foreign loans to speak of, and in essence it grew in a self-financing manner, relying on its own resources. In the foreign political situation of that time this would not even be possible. Taking on more significant foreign loans from consortiums began with the 1970's. This loan (foreign resource) became a supplementary resource or coverage for domestic consumption--primarily investments--accepted also in the normal economic operation and taken into systematic consideration in the plans. In the majority of the cases the conditions for repaying the loans were created in the ongoing economic operation. Therefore, those who extended the loans--motivated also by their own interests--did make them available to us continuously and in accordance with the needs.

Based on vigorous monetization of the world economy and on the size and given natural circumstances of our country this was a perfectly natural development and in accordance with the economic laws which can be called general even in international respects. Most countries of the world to a greater or lesser extent also supplement their domestic means with foreign loan resources. But after the two oil price explosions and the events in Poland two new developments occurred. One was the above-mentioned extremely large foreign trade losses suffered by our country, which increased the need for loans to such an extent that they were participating to a significantly larger extent than before in financing domestic economic operation (production) and consumption (primarily the capital formation). Without these domestic consumption would have had to be decreased to a significantly greater extent, and production as well as the developments would have had to be cut back.

The other was the largely discriminatory credit policy, verging on embargo, introduced by the capitalist banks mainly for political reasons, which restricted our ability to obtain loans at the very time when those reached a high level.

A radical cutback in the ability to obtain loans or a credit embargo even under the usual (normal) conditions can effect the economy unfavorably, can cause problems in distribution and production; that is, it can mean a loss of resources that cannot be replaced from one day to the next by current production even if it is organized in the most advanced, most efficient way, and because of this the distribution necessarily has to be temporarily adjusted to the suddenly decreased resources. This can be avoided if the country has supplies, reserves to counteract the lost resources. But it is neither customary nor justified (economical) to plan the size and level of reserves on the possible eventuality of discrimination or credit embargo. Because of this, such embargo measures necessarily trigger in the domestic economic operation measures which irregularly affect production and also consumption.

The economic logic of the phenomena is reversed in this case: the long-range economic processes have to be subordinated to temporary phenomena. Production and consumption levels and structures developed over a long time must be adjusted to the financial reserves and the reserves which behind this can be mobilized over the short range, even though under normal circumstances the latter have to serve (and they do indeed serve) the former. The rational and efficient thing economically is when needs, and on some occasions temporary troubles or problems of production and development projects with necessarily longer completion times, are covered by financial means (for example, credit) and not the other way around (production and development adjusted to the momentary credit opportunities).

Due to the effect of the two new developments<sup>1</sup> mentioned earlier the Hungarian economy found itself in the latter situation in 1982. At the same time, the surfacing problems were increased by not only the huge losses suffered because of the deteriorating exchange rates and by the much larger amount of credit which necessarily accompanies this, but also by the prolonged global economic crisis, which hurt mainly the industrial products--metallurgy, light industry--which play the largest role in export, as well as the extremely high real interest rates. Figure 1 shows this well; although it emphasizes the developing countries, since the structure of our convertibly

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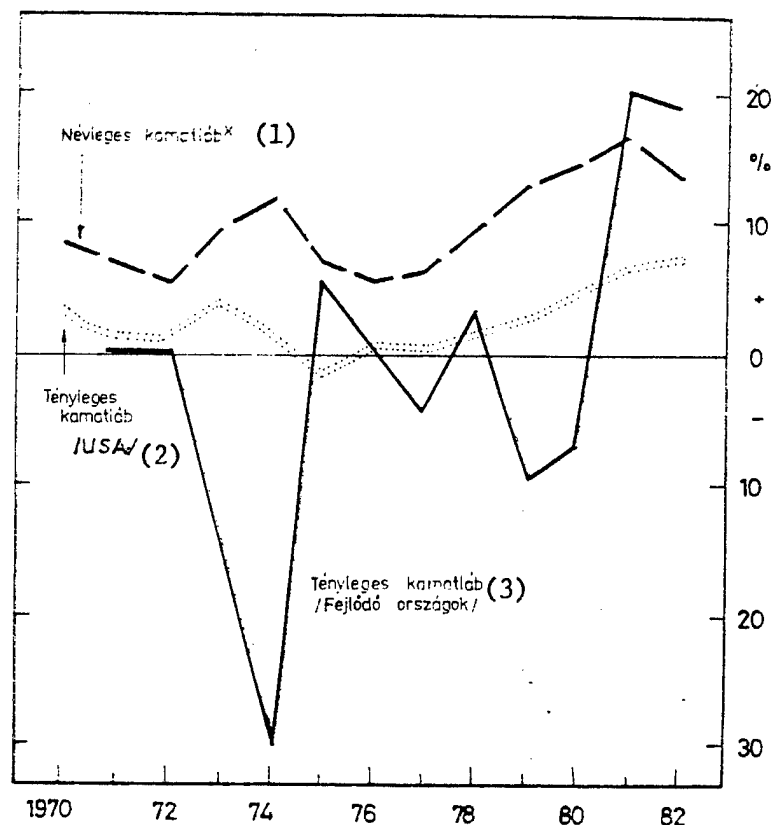
<sup>1</sup> The unfavorable consequences of this situation could not have been counteracted even with a significantly better developed, more competitive national economic and industrial structure than we have today, even though there is no doubt that these negative effects would have been smaller and would have had shorter durations. To this--and only to this--extent the situation which has developed is, to a certain degree, also a criticism of the earlier development and investment practices, but fundamentally it can not be traced back to them.

accounted merchandise trade is in many respects similar to that of these countries, the developmental tendency of the advantages and disadvantages is similar with respect to interest rates. According to the graph, for almost 3 years negative real interest rates were in effect for the developing countries, but in recent years--when the prices of raw materials decreased while interest rates in the United States increased--these countries had to pay almost 20 percent real interest.

Thus, the relatively large amounts of outstanding loans and high real interest rates increased the country's debt service obligations at a time when the main source of paying for them, the income from export, could be increased only more moderately than before and only at the cost of great difficulties. This in itself raised the country's debt service rate and its foreign trade vulnerability.

In the final analysis, due to the high debt service rate as well as the limited opportunities for obtaining loans, the country was prematurely forced to decrease the volume of its debts--that is, at a time when even the production potential and the normal return on loans received earlier could not make this possible and justified without significant cutbacks in domestic consumption. That is, the country has found itself in (has been forced into) a situation where it is not only unable to supplement its own resources with external ones, but a portion of its own resources even have to be spent on repaying loans and interest. Thus capital is de facto being removed from the country.

Figure 1. Nominal and real interest rates



Source: IMF

Key: 1. Nominal interest rate\* 2. Actual interest rate (USA)  
3. Actual interest rate (developing countries)

\* = Three-month Eurodollar deposit

We must earn a foreign trade surplus corresponding to this. Since due to the characteristics of our country this resource cannot be earned by goods or business deals outside of the merchandise trade, the available amount of resources which can be used within the country--due to the restricted availability of loans--is not in harmony with the resource requirements of normal production, development and consumption. Thus we have a liquidity problem, that is, one which manifests itself over the short range and which should be resolved by means of financial means (in essence, by credit), as we have already referred to earlier, and the economic management will have to cover it by intervention in the economic processes (in consumption trends, production, development), through the forced alteration of these processes

because of the circumstances which have developed, unavoidably accepting all the negative effects of this.

#### What Can the Economic Management Do?

It also follows from all this that the number one task of economic management, one which appears with urgency and over the short range, is to eliminate these liquidity concerns and problems. As follows from the nature and causes of the matter, obviously this is only partially possible through the economic management's decisions, and it also depends on obtaining international credit. But the economic management can create conditions under which the behavior of the foreign creditors can become irrational, one could say discriminatory, to an extent which cannot be implemented permanently, or can be only if with this they openly admit that credit is being used as a political tool. And what can the economic management do then?

First of all, it tries to minimize the losses resulting from the liquidity problems, above all to prevent the liquidity problems from destabilizing the economy, production and consumption, which would cause serious declines in production and consumption. That is, it fends off the "acute" danger of destabilization. In the interest of this it regulates production and consumption in accordance with the available resources, giving priority to continuous production, which is the basis for export and the substitution of import as well as for satisfying the most important domestic consumption requirement. If necessary, in the interest of these goals it may also be justified to delay temporarily certain production and development activities which serve the fulfillment of future needs. But this is unacceptable for long periods of time because it would undermine the longer-range development and stabilization. For this very reason we must limit--while keeping in mind the fundamental political requirements--consumption which slows down the increase of the economy's ability to generate resources and its efficiency the least, while the limitation decreases the gap between the available material resources and demand, thereby relieving the pressure on the country's balance of payments.

That is, during the course of eliminating the short-range liquidity problems constant attention must be paid to the lasting tendencies and requirements of economic growth. The present difficulties cannot be solved at the expense of these, and throwing the economy into disarray cannot be avoided. This is so even more because the lasting tensions of the economy and of the economic operation, and also the problems and tasks which can only be solved over a longer period of time, are to a certain extent expressed in today's liquidity problems.

It must be emphasized that we could overcome the liquidity problems significantly more easily if the economy's efficiency, structure and the method of economic operation itself could completely, or to a major extent, counter-balance from the resource side the price losses caused by the oil price explosions, and if production's profitability, exporting ability and demand

for import could provide significantly larger incomes which could be distributed domestically, and a more easily achieved foreign trade surplus.

To approach the matter from another side, our economy cannot be fully protected from liquidity tensions in the future, since this would mean the same thing as financial isolation, or autarky, which would involve economically as well as politically unjustifiable economic disadvantages. That is, in this case we would be giving up the significant development resources which can be obtained on the basis of mutual advantages. Having these liquidity problems, and tensions cause serious problems in production and consumption can be avoided only if the economy is resting on a well-developed production foundation and culture that is also internationally competitive; this is how we can assure adequate exporting ability and accumulate the resources with which the negative effects exerted by the liquidity problems on production and consumption can be meaningfully minimized. Thus, the other important task of economic management deriving from this is to strengthen and develop as well as possible the production, development and consumption processes which assure the economy's lasting stabilization.

Keeping on the agenda and directly implementing these two main tasks does not preclude, but is preconditioned by, using the available international financial opportunities and means in the interest of reaching both the short- and long-range goals. Over the short range the mutually advantageous solutions meaningfully ease the tensions, and over the long range they can be important factors in modernizing individual areas and circles of activity of the economy.

Thus there are two tasks before the economic management, in themselves also of historical significance. The difficulty of solving them is only increased by the fact that they appear essentially simultaneously, even if the liquidity problems have to be solved first. At the same time, we must begin to change over to the new growth path. But the liquidity problems make this more difficult not only by temporarily forcing into the background and delaying developments in this direction (for example, investments), but also by restricting--especially as a result of decreasing the outstanding loans--the available development means. These two tasks must be solved in such a way that the steps are in harmony with each other, even though obviously in many cases some short-range measures which are contrary to the long-range efforts are unavoidable.



In the interest of the lasting solution a clear position must also be taken in development policy and in the method of economic management. Fundamentally these are tasks of the same rank: management is unable to operate effectively without appropriate development policy goals and priorities, just as a successful management system and practice are also preconditions for the implementation of realistic goals.<sup>2</sup>

With respect to the development policy three main tasks can be emphasized in connection with the foregoing: creating the foundations for increasing profitable export and rational substitution for import, broad-based decrease of the sources of loss, and general improvement of the efficiency of economic operation.

Economic growth and decreasing the debt burdens are not possible without profitable export in the proper volume. In the opposite case balance can be achieved only by decreasing the import, which--since we will have to live with it for a long time--necessarily has its effect in the direction of decreasing production and domestic consumption. Therefore, favorable conditions must be created for increasing the profitably exporting areas, providing them with manpower, investment opportunities, as well as scientific and technological development capacity. Essentially the same things can be said about the rational decreasing of import as about export, since under the given circumstances we cannot lastingly ensure the stable equilibrium through export alone. Therefore in consumption by production as well as by the population, wherever economically possible, it is justified to satisfy the needs from domestic production. Regrouping the means, manpower and foreign currency resources from the uneconomical areas, decreasing the so-called overemployment and better utilization of capacities can be important ways to decrease the sources of loss and improve efficiency. Demanding more strict, better disciplined and better quality work has had and must have its effect in this direction, as must the increased frugality with raw materials and energy sources.

Solving these tasks is preconditioned on developing specific development and cutback areas and priorities (foreign trade and market expanding actions, energy and material saving programs, structure transforming technological development concepts, action programs to ensure the solution of structural and economic operating problems of the economic operating units which operate at a loss or unprofitably, etc.).

In laying down the foundations for economic growth, the development policy is an extremely important and at the same time difficult task from the

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<sup>2</sup> Intensive work is under way in both directions. For example, in long- and medium-range planning as well as within the framework of the program "Complex further development of the economic management," which serves the implementation of the 17 April 1984 position of the MSZMP Central Committee, and is approved by the governmental organs. In this article attention can be called to only a few central questions.

foreign mark aspect. Without it, an adequate export growth rate cannot be maintained even in the case of efficient production, nor can import and stable economic growth based on this. That is, today--when dependence on the world economy has become even more intensive--this is a precondition for stabilizing the economy and for its adequate growth even more so than ever before during our history. Creating foreign market sales conditions is a much bigger task than before in all significant relations. With respect to CEMA, the minimum goal is to maintain the stabilizing effect it has had in the past, but it would be extremely beneficial if new motivating forces could again be added in this relation. It is absolutely necessary to expand relations with the developing world. It is also in our interest to expand economic relations based on mutual benefits with the developed capitalist countries.

#### Further Development of Economic Management

The tasks and jobs outlined above presume significant development in the level and inventory of means of the economic management, including the national economic planning and the economy's regulatory system as well as the institutional and organizational system.

But during the course of further development it is expeditious to seek out certain priority areas and centers and identify the elements which hold us back the most, because by eliminating or modifying them the system of economic management can be improved in merit and in time. With this method the opportunity to accomplish implementation with certain graduality may also present itself.

Naturally, the economic management must on the one hand ensure the economy's smooth growth over the short range and the maintenance of liquidity, and on the other hand it must initiate those processes which can result in lasting consolidation and change-over to the new growth path. Due to the sensitivity of the balance situation the former may also require "manual" control, so to speak (for example, in import management and in encouraging export), in addition to the normative regulation which relies on "automatic" controls, continuous and operative economic management integrated into the overall processes and interrelationships of the economy, economic organization, and in some cases broader application of individual measures. The latter requires a significant and in many respects qualitative transformation of economic management.

The main requirement for management is to eliminate the sources of loss. In this respect thorough changes must be achieved primarily in the use of manpower and production equipment, because nowadays the largest and relatively fastest mobilizable reserves can be found in these two areas. Because of the way in which the principle of full employment is implemented in practice today, employment not only on the level of the national economy but also in the main use areas is generally constant or is growing even if the concrete conditions of economic operation (the narrowing of markets,

development of actual performances) do not justify this; on the contrary, they may even make possible specific or absolute decreases in manpower. This at the same time slows down the satisfaction of needs in those areas where more people could be efficiently employed. Thus a lack of manpower could develop on the level of the national economy even if with otherwise efficient employment equilibrium or even a manpower oversupply situation were characteristic. Considering its essence the same is also true for the development of nominal wages. Therefore, the above-average performances either cannot be or can be only to a limited extent recognized financially, since they want to assure incomes corresponding to the average even when the performances--the sources creating it--do not justify it. Thus the incomes have to be removed from where they are actually generated, that is, from those who generally provide higher than average performances. In the interest of the balance of the population's consumption market, therefore, the increase of the nominal incomes of some employees must be limited, which also weakens interest in performance.

The income regulation system serves this practice. It performs a dual function: it limits wage growth at the level of individual economic operators, the enterprises; that is, on the national economic level it regulates the purchasing power. On the other hand--simultaneously with this and within limits designated by this--it encourages better and more work (by coupling the growth of wages and the way the enterprise profits and performances develop). Because of the former function the latter can operate only in a restricted manner, since the rise in wages is regularly assured at the expense of costs and profitability even in those places where enough profit is not generated, or where through various subsidies the formation or realization of such profits which finally create coverage for such a wage mass are made possible. That is, in no area will practice tolerate lasting stagnation of the nominal wages, but especially not its decrease and to an ever lesser extent the significant decrease of employment, and in this way no wage savings are generated which would affect profits, that is, the merit of wage improvement. That is, in these places the outflow of purchasing power is not in harmony with the resources generated. In order for this not to cause equilibrium problems at the level of the national economy, resource utilization must be limited in other places--where otherwise adequate resources are generated. This is done on the one hand by direct limitation of the rise in wages paid by the enterprises (for example, average wage regulation), or on the other hand by removing a part of the indirectly realized profits, and by doing so restricting the wage improvement opportunities.

Through the complicated and confusing system of subsidies and removals in the final analysis the entire economic regulatory system is participating in the development of such a situation and it finally becomes subordinated to the aforementioned interpretation of full employment as well as to the constant upward movement of nominal wages. Thus, due in no small extent to this, the regulatory system loses much of its ability to orient toward, encourage and demand efficiency. That is, this regulatory system basically exerts incentives only in the positive direction (by promising and assuring additional incomes), with no or hardly any negative effects (decreased

incomes on merit). And all these limited effects are further dulled by ensuring not only work but also generally a specific place of work, and therefore manpower mobility is also weak. Thus as a result of all these things there is no sufficient incentive which would force more efficient work at the given place of employment, or regrouping of the available manpower.

Due to the lack of the latter the possibilities for intentional regrouping are also narrow. It is easy to recognize that this is accompanied by the accumulation of significant efficiency "reserves" in the national economy.<sup>3</sup> It is typical of the developed practice of economic operation that those tools which are committed to uneconomical activities and very often to activities superfluous and unnecessary to society (that is, ones not even supported by paying demand), or which are not in use due to the lack of demand, are not changing over or are changing only to a limited extent--with delays and in part--to those areas where their economical use to satisfy actual needs can be assured. This is even more typical of the transfer of equipment from less efficient to more efficient areas. Because of this the new needs, the equipment demand for expanding existing activities, can generally be satisfied only from supplementary resources. All this unjustifiably increases the equipment demand for production, for economic operation.

The foregoing--in addition to utilizing the available resources with less than the necessary efficiency--have also a negative effect whereby an overdistribution exceeding the actual possibilities is automatically built into the economic operation. That is, during the course of practical implementation of the aforementioned full employment, wages are also paid which are not covered by the appropriate performance. At the same time, the social obligation of society is great, as derives from socialism's basic principles. This increases the national budget's subsidy and support expenses while in the production sphere it makes a regular outflow of incomes possible for consumption which is not sufficiently justified. The inadequate equipment regrouping opportunities are increasing the demand for investment. This overdistribution creates increased demand, brings the producers and sellers into a more favorable position than justified, making it possible for them to acknowledge such additional costs and expenditures in their prices which would not be possible under a better balanced demand situation. This in itself weakens the sensitivity to cost and through this the requirement of rational economic operation involving the resources. Thus a "magic circle" is developed: today's practice of implementing full employment as well as the limited nature of equipment regrouping slow down the more efficient utilization of the production factors, causing constant overdistribution, which decreases the economic

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3 The recently formed economic work associations [GMK's], which are not governed by the above-mentioned "limiting" wage regulation, are a good illustration of reserves.

operation's cost sensitivity, thereby worsening the efficiency of economic operation.

Thus, under the circumstances outlined above the economy is not functioning on the basis of the necessary performance interests, and the tasks of economic operation must necessarily be solved by more manpower and equipment.

Radical improvement of manpower and equipment management first of all requires significant changes in the price, wage and tax systems as well as in regulating the income of enterprises. It requires the elimination of unjustified subsidies from the prices and accordingly the realistic implementation of the wage expenses, that is, the payment of unustified subsidies as wages. Through these--as well as through personal income taxation--the wage system can basically be freed of its function of creating the balance between the merchandise base and purchasing power. Through this, during the course of production, the wages can be evaluated as actual costs, the limitation of wages with respect to certain employees will be terminated, the enterprises will become fundamentally interested in minimizing wage costs and through this the number of employees, since this will become one of the basic conditions of increasing their profits.

But it is also necessary that the pricing system and enterprise income regulation make the realization of income possible only with economical and efficient production. And if exceptions or preferences are allowed--and these can never be completely avoided in a functioning economy--they should be established in a well-defined manner and tied to requirements, and not--or only in the rarest of cases and in a manner which does not confuse clear economic sight--as price preferences. In this system the number of employees would also change, and in many cases decrease where this is justified in the interest of rational economic operation.

The political effect of all these changes must be considered. A lack of liquid demand may always occur temporarily or the conditions of efficiently satisfying the demand may change. At such times it is more practical to abstain temporarily from using the resources. And just as it is necessary to identify the capacity reserves, this is also necessary to a certain extent with respect to manpower. These reserves must not be interpreted and treated as unemployment. Methods which are also in harmony with socialism's system of values and with the efficiency requirements can be institutionally provided for the regrouping of manpower--primarily by retraining and advanced training, by planned redistribtuion and by creating the conditions for changing employment. By this we can avoid the negative effects which characterize capitalism and in some cases offend human dignity.

But there is no doubt that this employment practice would mean greater burdens than now for those affected by it, in some cases larger sacrifices. The implementation of the fundamental social value of certainty of livelihood by tying it to higher requirements would in some cases create greater conflicts locally than it now does, but at the same time since it would essentially increase the value and appreciation of work and performance--

which is also a fundamental socialist value category--in its overall effect it would increase rather than decrease confidence and faith in socialism. If we compare the increase of efficiency which accompanies greater mobility with the demoralizing effect of overemployment, obviously the balance tips in favor of the former.

In the case of the changes noted above, the overdistribution which has so far been so typical of the growth of socialist economy and which triggers a lowering of efficiency could also be greatly eased. It must also be recognized that even under our country's circumstances of socialism real wages and real incomes cannot always be increased every year and under all circumstances. A historical review of the foreign trade conditions and the economy's extensive and increasing dependence on international economic factors rather convincingly proves this. Standing on such a platform, we could develop a standard-of-living policy and social policy practice more in accordance with the actually existing and distributable resources, and also a rational consumer price system which better corresponds to economic laws. Greater opportunities would open up for operating and changing all of the economy's categories, that is, price, wages and the various subsidies and removals, interest rates, credit in a manner more suitable for the real processes, and improving the economy's efficiency and ability to generate resources.

Thus, the things outlined above also touch upon the values professed about socialism and also make it necessary to make those concrete to correspond to today's circumstances. This is even more true since the development of socialist society thus far has shown that distribution and the economic categories (price, wage, interest rate, etc.) connected with it and exerting significant influence on the economic operation--categories which objectively exist on the basis of socialist production of merchandise--in the final analysis cannot be isolated from the economy's realistic ability to generate resources, and from its objective realities; and over the longer range distribution has always conformed to the available resources and these categories in turn to the economic laws. But this took place in many respects not consciously but spontaneously and afterwards, and in accordance with this it caused large losses, in the sense that on the one hand the system did not take advantage of the efficiency reserves, and on the other hand that such equilibrium problems developed which could be resolved only at the cost of great social and perhaps political sacrifices. To work it a little more sharply we can say: in many respects our economic operation is twofaced: it maintains those value systems awaiting distribution behind which there is not always adequate and efficient production. At the same time, the economic management urges changes to help improve efficiency and ensure its faster development, starting out from the very value system mentioned. In accordance with this it is trying to improve planning, management and the economic regulatory system, but when these during the course of their operation run into the wall of the developed value system and principles of distribution, these categories are sort of "raped" and are demoted in applying the normative system of requirements.

It also follows from all of this that the factors outlined above require not only narrowly interpreted management decisions but economic policy decisions as well, and that they also affect the value system of socialism. Consequently the economic policy goals and the obligations accepted in distribution must also be adjusted to the realistic conditions of economic operation. Only in this way can those changes in merit be achieved which make it possible to consolidate and to change over to the new growth path.

Among those who consider a socialist society to be omnipotent these thorough changes may perhaps result in effects which destroy values and disappoint them. But socialism must be judged much more realistically--history's examples also warn us about this. Over the longer range socialism really does solve the problems which necessarily accompany growth--just as it has also solved them in the past--and not only is able to produce the solid future which points upward but can also implement it. But this is not free of certain breaks and socioeconomic tensions due in part to external effects and in part to internal shortcomings. This realistic and not ideal picture is the concept of socialism's disciples who are solid and are in the majority. We can repeatedly emphasize that such concretization of the value systems would only strengthen and not decrease socialism's attractiveness, even more so because this understanding may also protect the practical economic policy from breaking away from the realities in a way which causes growth to distort and stall. There have also been warning examples for this in our country's history.

#### Conditions of Progress

In my judgment, consolidation can be achieved in the 1980's, then from the beginning of the decade of the 1980's we can change over to the new growth path.<sup>4</sup>

Essentially the process of economy's consolidation was already begun in 1978, when those priorities gained definition and acceptance which:

- gave priority to improving the foreign trade balance,
- protect the achieved standard of living,
- increase the economy's ability to produce income.

In harmony with these priorities the economy's growth and domestic consumption were subordinated to reestablishing the disrupted foreign trade balance and increasing the export potential. The Sixth 5-Year Plan was also developed in accordance with this.

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<sup>4</sup> Certain characteristics of the new growth path can already be seen, but it is expected that they will be in the majority only from the end of the decade or the beginning of the next decade.

The results of the Hungarian national economy's growth between 1979 and 1982 and international experience prove that the 1978 modification of the economic policy's direction was a necessary and correct step. Without it we could not have maintained our international liquidity. But under the further deteriorating conditions we did not succeed in completely fulfilling every goal and it also became necessary to use methods differing from what we originally expected.

The most important result of modifying the economic policy guidelines is that when the Sixth 5-Year Plan was approved, even under significantly worse foreign trade conditions than had been expected, we succeeded in achieving basic improvements in the ratio of production and domestic consumption of the national income. Under exchange rates deteriorating in comparison with the 57 billion forint excess import of 1978, by the end of 1982 we succeeded in achieving an export surplus of 7 billion forints. It is particularly important that we succeeded in turning around the deteriorating tendency of the convertibly accounted foreign trade balance, achieving at first an essentially balanced, then a surplus position; in contrast with the \$1.2 billion deficit of 1978, in 1982 a \$410 million surplus was created. The improvement's decisive portion occurred in 1979 and 1982. In 1983 the economy also achieved a significant surplus.

We did not succeed in bringing to reality the idea that in improving the foreign trade balance the limitation of domestic consumption should play a significant but decreasing role, while increasing the production's efficiency and exporting ability, that is, the economy's ability to generate resources, should play an increasing, then definitive role. Because of this--and as a consequence of the further significantly deteriorating foreign trade conditions--the limitation of domestic consumption had a larger than expected role in improving the foreign trade balance.

In 4 years the national income increased by 6.1 percent, an annual average of 1.5 percent, and its growth--considering the entire time period together--has slowed down even more than expected (within this in 1980, the year preceding the Sixth 5-Year Plan, it decreased by 1 percent); in 1981-1982 the rate of growth is higher than this (2.4 percent per year).

Moderating domestic consumption was an unavoidable tool of improving the balance. In 4 years domestic consumption decreased by 7.9 percent, 0.4 percent [sic] on the annual average. Domestic consumption in 1982 decreased by 7.2 percent in comparison with 1978. For social policy considerations, domestic consumption was moderated at the expense of accumulation. Gross accumulation in 1982 decreased to two-thirds of that of 1978, net accumulation to one-half. The volume of the socialist sector's investments in 1982 thus also fell short of that of 1980 by over 11 percent--which is more than was planned in the 5-year plan. In harmony with the requirement of preserving the standard of living, the real wage per wage earner in 1982 was essentially the same as in 1980, but was lower than that of 1978. The population's per capita real wage and consumption increased continuously but significantly more slowly than before.



The rise in consumer prices had a significant role in moderating the growth in consumption by the population.

Table 1. Development of the population's per capita cash income (annual growth rate, in percentage)

Évi átlag (1)	Nominális pénzjövedelem (2)	Fogyasztói (3)	Real pénzjövedelem (4)
1971—1975	8,4	2,8	5,5
1976—1978	7,5	4,5	2,9
1976	5,5	5,0	0,5
1977	9,3	2,9	5,2
1978	7,8	4,6	3,0
1979	8,7	8,9	—0,2
1980	9,0	9,1	—0,1
1981	7,7	4,6	3,0
1982	6,8	6,9	—0,1
1983	7,9	7,3	0,9

Source: "Consumer price changes for the population's main strata in 1982 and the first quarter of 1983." KSH [Central Statistical Office] 1983, p 7.

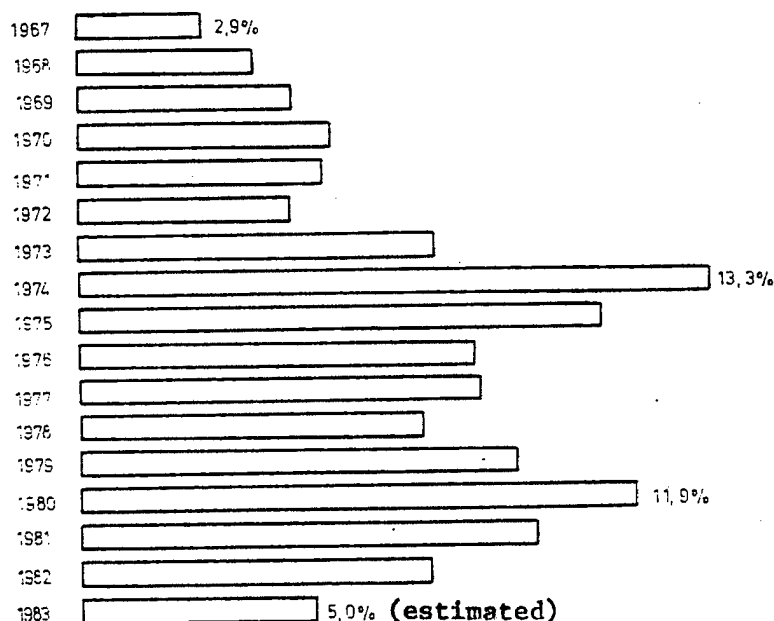
Key: 1. Annual average      2. Nominal cash income      3. Consumer price  
4. Real cash income

Since the growth rate of nominal incomes, primarily of nominal earnings, roughly agreed with the average of the years 1976–1978, planned development of the real income and real wages was possible to achieve mainly through central pricing measures, through the larger increase of the consumer price level than originally expected in the plans. Therefore, the consumer price level increased by nearly 33 percent between 1978 and 1982, at an annual average of 7.4 percent, in which the 1979 and 1982 price measures had a significant role. This role of the prices prevailed even more markedly in 1983. In the developed capitalist industrial countries acceleration of the price increases took place much earlier, immediately after the first and then after the second oil price explosions.

In spite of improvement in the foreign trade balance, due to the high debt service rate, the increased difficulty of obtaining loans, and the withdrawal of significant amounts of deposits, our international liquidity position became very crucial in 1982 and maintaining liquidity became the main problem of economic management. This also had a basic effect on the 1983 and 1984 growth. Because of this in 1983 every element of domestic consumption had to be decreased. The 1983 plan expected that accumulation will have to be further significantly decreased, and within this also investments, but communal and popular consumption will also have to be moderated. It prescribed the achievement of a difference of approximately 4 percentage points between producing the national income and domestic consumption, in favor of the national income. Through this difference it specified a foreign trade balance in the convertibly accounted merchandise trade, through the stabilization of which, even for a year or two, followed by a subsequent decrease, there exists the realistic possibility of

maintaining the country's paying ability and decreasing the volume of debts by the necessary amount. That is, the 1983 annual plan specified that a "gap" of a certain magnitude should develop between the created resources and their consumption, and based on this a convertibly accounted foreign trade surplus of a given magnitude will develop. On the one hand, this indicates that the level of domestic consumption has "conformed" to the economy's ability to generate resources (consequently, "overconsumption" will cease) and, on the other hand, the convertibly accounted foreign trade surplus will develop, and this will happen with such export and import volumes that will later make it possible to maintain liquidity not only in the case of increasing export but also if import increases, and indeed it will make it possible to decrease debts. That is, such an export dynamics can be realized on this basis that import may also increase.

Figure 2. Consumer price changes in the OECD [Organization for Economic Cooperation and Development] countries



Source: IMF and OECD statistics

It follows from the foregoing that the 1983 national economic plan in essence expected that in case the plans contained in the plan are fulfilled the national economy in the following years will not be forced to make additional retreats in the domestic economic processes (in domestic consumption). That is, the economy may embark on a path in which comprehensive solidification of the national economy's position can in essence be achieved, and the foundations and conditions for the efficient, noticeable rate and balanced development of the national economy's growth can be created.

This presumes consolidated foreign trade circumstances, which includes in addition to maintaining continuous international liquidity an adequate level of foreign currency reserves; further,

this presumes stabilized domestic economic circumstances which includes at least the maintenance of the basic elements of the standard of living, among them the average real wage as well as the volume of investments; domestic equilibrium conditions in which balanced and continuous material and merchandise supply can be assured; improvement of the economy's international competitiveness by, among other things, improvement of the production structure and decreasing energy and material expenses which through the long-range domestic economic processes makes it possible to achieve the merchandise trade balance necessary for growth; and elimination of the extraordinary limiting measures from the economic management's storehouses of tools.

Such a condition can be created only gradually as a result of a process extending over several years, starting out from the economy's present situation. The national economic plan considered last year to be the important starting point of this process. But in several important areas the changes in favorable directions as presumed by the plan did not materialize, and therefore further retreats in domestic consumption in the interest of improving the foreign trade balance cannot be avoided in 1984, either.

The difference between production and consumption of the national income was smaller in 1983 than planned, which results primarily from the smaller than projected growth of the national income. At the same time, inventory decrease played a significantly larger than expected role in the decrease of domestic consumption; even though the level of investments decreased, it still significantly exceeded the plan, and the moderation of popular consumption is also smaller than planned. The convertibly accounted surplus is also smaller than planned and the decrease of import had a larger role in its development than expected. Thus the final result whereby we achieve equilibrium between domestic consumption and generating resources, and a convertibly accounted foreign trade surplus with which the country's international liquidity could be maintained even without further decrease in domestic consumption, did not yet come into existence in 1983. Therefore, the economic policy will still be forced to do this in 1984, and it is expected--depending to a large extent on whether we succeed in 1984 in creating the situation planned for 1983--this situation can be stabilized in the following years, after which domestic consumption can also gradually expand.

It is probable that this will still be characteristic for the years of the Seventh 5-Year Plan (1986-1990), even though the opportunity to expand domestic consumption, mainly the population's consumption, will present itself mainly in the second half of the plan period. At least this much time will be needed for the higher rate of stabilization of generating resources--that is, growth--considering that the foundations for this must

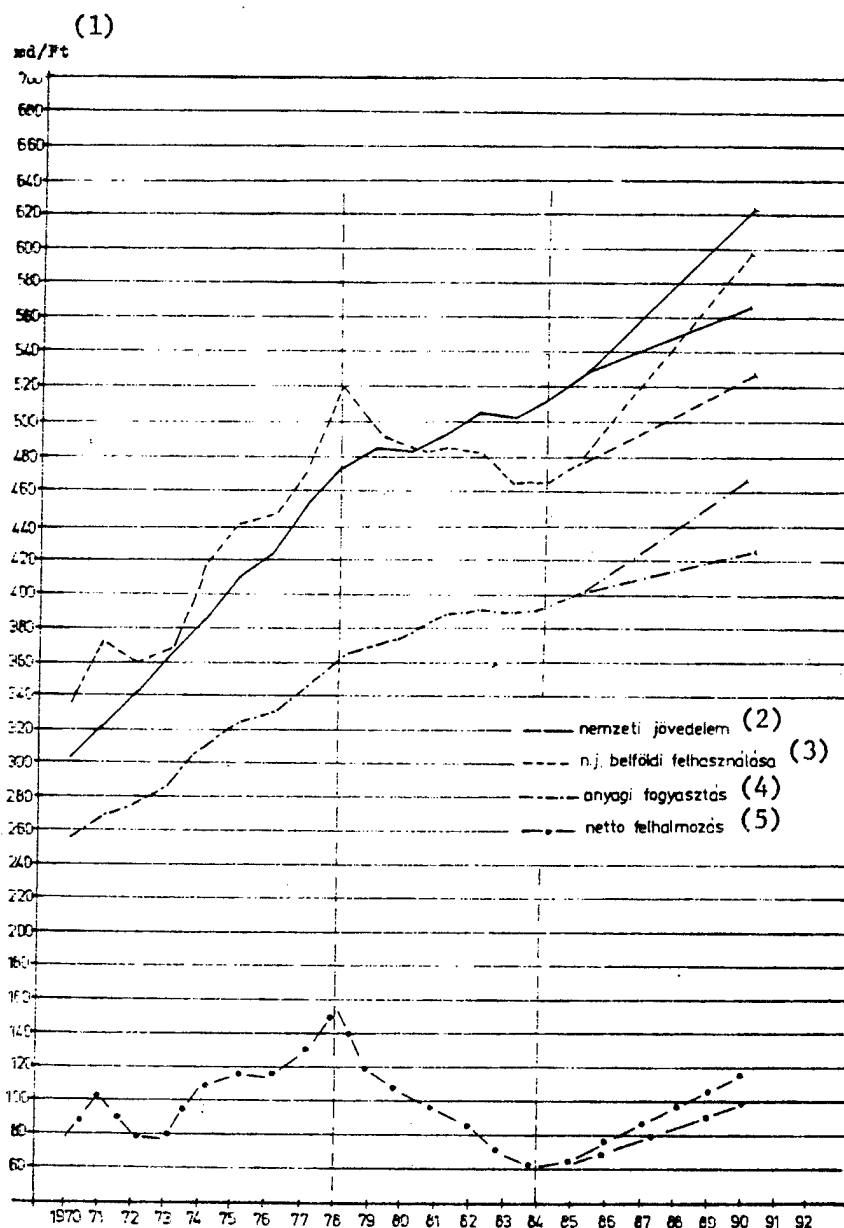
be laid down also structurally, that is, from the side of domestic production, but at the same time also of the foreign markets, that is, the export opportunities. The following data and figures illustrate this well:

Table 2. Development of the main economic indices (yearly average growth rate, in terms of percentage)

Megnevezés (1)	1970—1978	1979—1984	1985—1990
Nemzeti jövedelem (2)	5,7	1,4	1,5— 3,2
Nemzeti jövedelem (3)			
belföldi felhasználása	5,6	—1,8	2,3— 4,4
Fogyasztás (4)	4,4	1,4	1,2— 3,1
Nettó felhasználás (5)	9,0	—15,0	8,0—11,0

Key: 1. Name 2. National income 3. Domestic utilization of national income 4. Consumption 5. Net utilization

Figure 3. National income and its domestic utilization, consumption and the development of net accumulation between 1970-1990 (at 1976 comparison prices)



Key: 1. Billion forints    2. National income    3. Domestic utilization  
of national income    4. Material consumption    5. Net accumulation

It can be seen from Figure 3 that domestic utilization decreased significantly between 1978 and 1982 while the national income's production increased, even though at a somewhat lower rate than planned. In addition, the main element of decreasing domestic consumption was investment-accumulation, and as a result of all these things a positive difference of significant size came into existence between production and consumption which we can spend to improve the balance, to consolidate the economy.

The data also show that by 1984--according to our present judgment--such a positive difference could expectedly develop between production and utilization on the basis of which we can increase every element of domestic consumption, not only export but also import from capitalist relations, that is, we can ease the restrictions which exist in this area. This is a significant step in the direction of lasting consolidation. To the degree that we succeed in making this situation permanent, that is, develop a ratio of export and import which assures the surplus necessary to decrease the amount of outstanding foreign debts adequately (and do this in such a way that the given export and import dynamics are coupled with modest growth of the domestic consumption), the necessary investment and import conditions can be preserved in order continuously to improve the economy's ability to generate resources. And after a while the opportunity may open up for taking the steps to establish better foundations for economic incentives in the population's consumption and also in the standard of living policy.

In today's judgment, inasmuch as our expectations--that is, developing harmony between domestic consumption and resource generation, as well as creation of a foreign trade surplus sizeable enough to ensure our international liquidity--as outlined above, are proven by 1984 or 1985, then from the end of the 1980's or beginning of the 1990's the economy may embark on the new growth path. On this path, also, growth can be prognosticated only within suitable ranges, and where the actual growth specifically occurs within this range will basically depend on whether:

-- the economy will actually be in a situation in 1984-85 which corresponds to our expectations outlined earlier;

-- how the foreign trade and international market conditions develop;

-- through our concrete economic policy goals and economic management steps how well we can conform to the new conditions, that is, in what way and with what efficiency we can reevaluate our development goals and through improving the economic management to what extent we can improve the efficiency of economic operation.

If the basic economic situation planned for 1984-1985 can be achieved only later, then the time of consolidation and together with it the possibility of changing over to the new growth path will be delayed.

As far as the foreign trade and international market conditions are concerned, in this respect also it is expeditious to take into consideration several--

in the favorable case--future changes and the effect they will exert on the Hungarian economy.

It can thus be presumed that the foreign policy tensions will again be replaced by a tendency of relaxation, and parallel with world trade as a whole the East-West economic relations will also become livelier. The system of conditions of relations within CEMA is also developing relatively favorably, and our cooperation has deepened in several areas. All these can create favorable conditions for the Hungarian economy's development and growth.

But it also cannot be ruled out that the East-West political tension might become permanent, which would also affect the economy in a broader and broader spectrum. The cooperation mechanism of the CEMA countries would not improve significantly, even the trade of merchandise would expand only modestly, and perhaps even structural changes less advantageous for us could occur. The development of such a situation could greatly slow down the economy's growth.

It is not out of the question either--and perhaps this seems to be the most probable--that a combination of the above-mentioned global economic changes will take place. It is practical for our economic policy and economic management to prepare for every alternative as possible, so that in the time period of the seventh and following 5-year plans it could better conform to the situation which actually develops. Long-range planning may fill an important role in this respect as it can develop more concrete, script-like action alternatives for these various possible alternatives. The current long-range planning work (which runs to the year 2000) in essence serves this goal, and according to experience not without results, either.

Economic management is also definitive in the development of present and future growth. Changes which take place in this area depend basically on domestic decisions. But it must be seen that creating the conditions of progress is still not simple, since modernization on merit may also cause social tensions. But the acceptance of these is justified not only by the results which can and necessarily must be achieved but also by the severe consequences if we fall behind in development.

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HUNGARY

PRICE OFFICIAL INTERVIEWED ON ROLE IN MARKET SUPERVISION

Budapest HETIVILAGGAZDASAG in Hungarian 21 Jul 84 pp 50-51

[Interview with Laszlo Racz, main department chief, National Materials and Price Office, by Gyorgyi Kocsis]

[Text] The 17 April 1984 stand taken by the Central Committee of the MSZMP concerning the tasks of further development of the economic guidance system devotes a special paragraph to the theme of market supervision, emphasizing that "the balance of domestic supply and demand must be ensured with the deliberate organizing activity of the state and a regulated market mechanism." In our series of articles on the further development of economic guidance, after discussing the new enterprise leadership forms and planning, we have asked Laszlo Racz, a main department chief of the central market supervision organ, the National Materials and Price Office [OAAH], about the role and tasks of market supervision.

[Question] The official documents dealing with a further development of economic guidance state that the changes are being built on the basic principles laid down in 1968. But the words "market supervision" do not appear in the documents of 16 years ago. So, are we witnessing the birth of a new concept?

[Answer] The guiding principles of the 1968 reform do not contain the expression "market supervision," but this does not mean that the activity which the words designate did not exist either--at least in a relatively undeveloped form. "Market supervision" as a technical term entered domestic economic and legal regulation at the time of the release of Government Resolution No 1060/1980 (XII 28), 4 years ago, practically simultaneously with the acceleration in the activity of the Economic Committee. This regulation defines the concept of market supervision in detail: it means the continuous, organized study and evaluation of the short-term factors affecting the domestic market, especially supply and demand and prices, and it means aiding the undisturbed realization of market processes on the basis of this.

The meaning of market supervision has developed further in the course of the years since, and in my opinion this is reflected primarily by the formulation in the recently published Council of Ministers guiding principles



according to which market supervision is a uniform, comprehensive government task. But basically, creating a balanced market situation is not the business of one specific state institution or one ministerial organization; rather, it is a manifestational form of economic guidance. This does not mean that there should not be a separate central organ responsible for market supervision--this currently is the OAAH--in the organizational system for guidance, but it also does not mean that the OAAH is taking over responsibility for this from the other organs of the government. It is the right and obligation of the central organ for market supervision emphatically to represent, in the government, the viewpoint of a balance of trade and to make recommendations in this connection. We are talking about a functional role which directs attention, in the work of the entire government, to the realization of harmony in commercial processes.

[Question] The market is not an easily circumscribed sector of the economy, for the network of supply and demand is interwoven with the depth and breadth of the economy and is inseparable from production. So how can it be handled as a separate element of economic guidance?

[Answer] When we talk about the concept we generally think of the supply and demand relationships of products, but we usually do not include the manpower market--which has its separate supervisory organ, the State Wage and Labor Affairs Office--and we do not include investment activity or technological development, although we recognize that in the final analysis the market is uniform--or, more precisely, it should be. We mean by the concept--in the narrower sense--the supply of materials and the sale of finished goods. But the OAAH participates in the formation of the economic policy conception as a whole, for example, in setting income regulations and manpower or development policy. But in the course of execution its task is to see, at the beginning of production, if the necessary materials, parts and machines are available and, at the end point of production, if the finished products are proceeding along the planned paths.

[Question] So why is there a need for market supervision? Is it because a market has been created in Hungary over the years or because a real market has not been created?

[Answer] I would say in brief for both reasons, because we must aid the development of the market and at the same time prune its wild shoots. Here I must turn to the two activity spheres of market supervision--market regulation and market organization. By the former we must mean, in simplified form, that we should try, by direct and indirect means, to establish a market balance when this cannot be done with prior planning, organizational or general regulatory tools. Thus we should influence price formation by the enterprises, establish authoritative prices, make recommendations to the government for establishing product trading quotas, direct the inventory management and cooperation contacts of the enterprises. At the same time, market organization, again simplified form, consists of initiating the development of a market system or market forms which aid rational competition, changing the organizational frameworks or profile obligations of the enterprises, shortening the path of goods and decreasing the costs of this.

Of the two chief areas of market supervision mentioned, elements of market regulation appeared in the 1968 system, too. Even earlier the OAAH was called on to indicate to the government where in the economy there was over-production and where there were shortages. We made recommendations for establishing product trading prescriptions which were included in the national economic plans. At other times we asked the government for authority to prevent disturbances. But in the past few years it has become clear that regulation is effective if we organize the market as well. The most important of the organizational tasks include the so-called material conservation programs--for example, the energy rationalization program or the waste ban by-product processing program--for the execution of which, in part, the OAAH is not responsible, (the affected special ministries are), but it is responsible for coordinating and supervising execution. In large measure we can thank these programs for the fact that in recent years the market disturbances did not go deeper, despite the substantial import limitations.

Another very essential and increasingly important task of market organization is cooperation in developing the enterprise organizational system, speaking plainly, the liquidation of monopoly situations, creating rational competition and guarding the purity of competition. The significance of market development, the fact that this system cannot be operated well without a vigorous market, was recognized around 1980. The decentralization process started more vigorously in 1982-1983 and it can be expected to get a further impetus in the near future with the birth of the new enterprise forms.

[Question] With regard to the transformation of the enterprise organization, could this not be--should it not be--entrusted to the movement of the market itself? Is it not too great a risk for a state organ to assume the odium of saying of this or that enterprise that it is big enough, or even small enough?

[Answer] If the state, in the past 20 years, established the over-centralized enterprise organization in which we think we see one of the causes of our economic troubles then it must undertake to break it up, too, if its time is past. But it is forced to do so as well, for it follows from the weakness of the market that our market alone is not capable of initiating this process with sufficient intensity. We created artificially a very strong interest system, the subjects of which are now the hottest opponents of a rational break-up of the enterprises, of giving life to competition. On the other hand--in my opinion--not even the richest states could permit the large, declining enterprises to fall apart in a spontaneous manner, with hands made into fists. So, in the situation which developed here in the 1960's and 1970's, I cannot imagine an organized shift to a new "order of battle" without central guidance.

The next step of the question is the extent to which central guidance should make use of direct and indirect tools. The present guiding principles list the tasks of market supervision in practically the same way as did the 1980 government resolution. But under different circumstances the same thing is not entirely the same thing. If the entire organization and

guidance of the economy are more "market" or less direct than earlier than the link between market organization and the enterprise will be different, too. In all certainty, the lining up into the new enterprise guidance forms will be our last far-reaching opportunity to make changes, centrally, in the enterprise organizations which have developed. After the birth of the new enterprise guidance forms, the possibilities for direct intervention will narrow greatly and financial interest solutions will come into the foreground. It will probably be the same with the conservation programs mentioned above; instead of "ordering" them from above we will have to make use of incentive based on interest.

[Question] It appears from the foregoing that when there is a calm in the commercial sphere then the market supervision organ can remain in the background, as if the market tranquility were praising the satisfactory "planning-preventing-maintaining" work of guidance. But if a storm breaks out those responsible for order must come on stage, and their deeds become visible. But what counts as a market disturbance, who decides whether external intervention is needed to smooth out the disturbance?

[Answer] It is the right of the OAAH to judge whether a disturbance may come from a market conflict which is of such magnitude as to affect the entire economy, so that central intervention is required. If it considers the situation to be of this nature then it reports about it to the government and recommends action which the government approves, rejects or modifies. In exceptional cases the direct means for avoiding a disturbance is an operative, ad hoc directive, for example, pertaining to the continuation of production, the directions of marketing, changing import source, cooperation, use of stockpiles or the order of service. But we must reduce the number of open and hidden direct orders and ad hoc interventions which have proliferated in the recent past! From this viewpoint I would compare the role of market supervision over the longer term to that of a physician. It must treat a sick market in such a way as not to weaken its own regenerative powers so that finally it will make itself--the physician--almost dispensable.

[Question] Still, direct intervention is a declared weapon of market supervision--although characterized as an exception--and this could clash with the expanding enterprise independence. What legal redress can an enterprise count on in the future if it feels that an ad hoc directive has harmed its interests?

[Answer] There are ad hoc market supervision measures affecting single enterprises--for example, product trading quotas--which are built into the national economic plans. The enterprises affected are obliged to fit these into their own plans, and there is no possibility of lodging a protest against them. And when the plan is forced to prescribe, for example, how much of a certain raw material available in limited quantities a producer can purchase, this often affects most seriously just those large users who are able to produce the largest national economic results. There is a need for such sacrifices in the interest of the balance of the market as a whole, but these are exceptional cases. One must distinguish quotas built into

the plan from the ad hoc production or trade directives. I am informed that a regulation is being prepared now about how and where it will be possible to appeal against ad hoc directives and ask for damages, in general, going beyond the present economic court legal redress possibilities.

[Question] According to the formulation of the Council of Ministers' guiding principles, "the direction of progress for market supervision is concentration toward the central guiding organ empowered to handle it, toward the National Materials and Price Office." How successful was the OAAH in coming to an agreement with the branch ministries in dividing up the spheres of authority for market supervision and, in any case, why was it necessary to redesignate the "territorial waters"?

[Answer] When the already much-mentioned 1980 resolution on market supervision appeared the thinking was that the Ministry of Industry would not have market supervision authority or an apparatus serving this purpose. The ministry still does not have authority for this, but in practice it turned out that branch supervision could not be carried out if the ministry did not participate in organizing the market. The ministry could not be left out of organizing the central programs or of participation in regulating export and import or of defining the number of market players, that is, the enterprises--taking into consideration their ownership rights.

Although the new, precise market supervision spheres of authority have not been developed even now, still it can be taken as certain that the branch ministries will have legal market organizing rights, they will watch market processes in their areas, they can initiate measures, but the OAAH will be the central market supervising organ invested with market regulation and directive rights. For the time being--beginning 1 January 1985--all this will apply primarily to the Ministry of Industry, because it is possible that the Ministry of Construction and Urban Development, the Ministry of Transportation, the Ministry of Agriculture and Food and the Ministry of Health Affairs may, for a while yet, take care of all market supervision, including regulation, in their own areas--with the agreement of the OAAH. A decision about this will be made in the near future.

[Question] Finally, does this mean that the role, authority and importance of the OAAH in guiding the economy will increase further at the expense of other institutions?

[Answer] In a sense the authority of everyone will decrease as the system of informal measures, extraordinarily extensive at present, will probably end or at least be greatly reduced. But in a certain sense the sphere of authority of the OAAH will increase because hereafter only it will have the right to issue directives in the area of market supervision. Hopefully, the intervention money fund planned will increase the weight of our measures also. All this will serve the goal of reducing the burden on and thus making more effective the government economic guidance work at the highest level.

# ROLE OF INDUSTRIAL COOPERATIVES BECOMES MORE DIFFICULT

Budapest NEPSZABADSAG in Hungarian 26 Jun 84 p 3

[Article by Lajos Rev, president of National Organization of Artisans:  
"Industrial Cooperatives Under New Conditions"]

[Text] As the result of many external influences, the past year has brought about complicated market conditions. One of the consequences is that the industrial cooperatives have been able to fulfill their tasks only by opening up newer markets, partly with customers other than those they had up till now. Particularly remarkable were the considerable drop in the buying of domestic trade and the impact of financial restrictions on capital goods. Thus, in the sales of the cooperatives' products the export proportion has risen. Another significant fact is that the cooperatives were able to turn out about 3 billion forints' worth of import supplement. Pertaining to the whole picture is the fact that increasing interim withdrawals and greater than planned and expected work force reductions in the conventional cooperatives have hindered the cooperative economy. Another trouble was that large enterprises that have business contact with the cooperatives have delayed their payments more often than before.

The cooperatives have tried to draw lessons from 1983 in various approaches and to make use of them for their 1984 target. Among other things it can be explained that when the directional figures accepted by our state council for 1984 were adapted with the nature of the cooperatives taken into consideration, they were described as acceptable to them. This year's planned target of the cooperatives bear evidence that they are pursuing possibilities for more accelerated progress in the not at all easy economic and market situation. Based on the results of the first 4 months, they have not been unsuccessful.

## The First 4 Months

Both the sales and the manufacturing of the industrial cooperatives' products rose about 7 percent, which has exceeded the planned growth rate. Within the entire sale, production has had a more rapid rise both for ruble and non-ruble markets, almost 14 percent more for the former and 17 percent more for the latter. The fact which plays a role in the increase of non-ruble export is that in the same period of the past year the cooperatives accomplished 13 percent less than the year before in this area.

Judging from the expected annual performance in capitalist export, it should be pointed out that the growth rate will drop, especially that of light industrial products. The achievements of the 4 months and the order stock--though 10 percent more than the previous year--amount to only about four-fifths of the amount planned for capitalist market. Therefore, cooperatives must gain new orders to enable them to meet the target.

Compared to the previous year, the domestic sales have increased significantly. Obviously, the decreased import possibilities of domestic trade play a role, as does the effort to make the variety of the products suit the buyers' demands better than before. In 1984 the planned domestic sales can presumably be fulfilled. However, this does not mean that further efforts are not necessary to widen the variety and to manufacture modern products.

Also expanded are cooperative relations at home. The cooperatives sold 8 percent more than in the same period of the previous year for production use. Industrial cooperatives are producing in greater proportion products that up till now were purchased from capitalist imports by the receivers.

Cooperatives of building industry, falling behind the target, produced 6 percent less than the year before. Their annual contract stock is only 61 percent. This is due to the further growing proportion of maintenance work, which has reached 65 percent. It has caused these cooperatives no little anxiety that the number of the employees can hardly keep up with the changing circumstances. This applies, above all, to work in technical industries. It is not rare today for a building industrial cooperative to be forced to have part of its work done by artisans. The competition among the emerging building industrial cooperatives has resulted in a reduction of rejected orders to about half of last year's.

#### New Types of Cooperatives

Services activities were further on the rise, though to a lesser degree than last year. There are quite a number of cooperatives belonging to the services branch that are in a very difficult financial situation. Now the experience has already proved that one of the solutions is to increase the number of modern organizational forms. Only in this way will it be conceivable to achieve cost-saving to such a degree that with its help--with the advantages taken into consideration--we can consider the survival of services cooperatives guaranteed.

Last year the number of new types of organizations increased rapidly. By the end of the year there were 238 small cooperatives, 638 specialized groups and 320 economic cooperative teams in operation, with 12,000 people working full-time at these cooperatives, compared to the previous year 86 percent more in small cooperatives and 118 percent more in specialized groups. Members of economic teams can only work part-time. Their number

at the end of last year was about 2,500, six times as many as on 31 December 1982. In 1983 the small cooperatives' return from sales reached a total of 4.6 billion forints, 125 percent more than the year before, making up 5.5 percent of that of the conventional cooperatives. At the same time, the 1983 total personal income at small cooperatives was 1.3 billion forints, three times as much as that in the previous year, making up 11 percent of the total personal income of the conventional cooperatives.

The distributions of the return from sales and the total personal income by organizational type differed significantly. While 77 percent of the small cooperatives' total return from sales was made by the small cooperatives, only 57 percent of the total personal income was paid by them. The specialized groups accomplished 20 percent of the return and paid 36 percent of the total personal income. The economic teams made 3 percent of the total return and paid 7 percent of the total personal income. This disproportion gives us ground to subject the work done by small cooperatives and the achieved income volume to a thorough assessment.

The take-off in 1984 was better than last year. After a short transition period, the cooperatives were able to offset part of the burdens by improving their management and marketing. Presumably they will meet their annual target, which can create a good foundation for transition into 1985, for the preparations of the Seventh 5-year Plan.

#### Well-Considered Development Plans

For the rest of the year the industrial cooperatives must not simply fulfill the tasks they are undertaking for this year; they must also prepare extensively for a new plan period of extended range--as has, in general, become the practice. Therefore, among other things, the cooperatives review the timeliness, marketability and profitability of their products. They make well-considered development plans, taking into consideration the effects of the governing amendments relating to further development of the economic governing system. Thus, with better knowledge of their circumstances, they will be able to assess their own capabilities.

In the course of discussions on further development of the economic governing system, the Central Committee of our party has made known its position with regard to this, stating that the cooperative movement in our country is developing with good results. The important source of the improvement of the cooperatives' economy is the improvement of their internal system. Within this framework the cooperatives must develop democracy in their electoral system, their representative forums, and the membership's ownership awareness and obligations, the integration of the cooperatives with each other as well as state enterprises. The hidden possibilities should better be exploited. Their corporate bodies must eliminate in their activity such official and administrative jurisdiction that obstructs the correctly interpreted safeguarding of interests.

The Central Committee has acknowledged the cooperatives' work performed up till now. It stated that we must continue in our country the sound policy on cooperatives. At the same time it also called our attention to the fact that there are plenty of things to do in managing the cooperatives, improving their internal organizations and establishing interest relationships. If we want to meet the demands, we must carry out thorough and various activities to make the cooperatives and their corporate bodies suitable for high level work both in economy and in cooperative policy.

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MORE UNCOMPLETED INVESTMENTS SEEN IN INDUSTRY

Budapest FIGYELO in Hungarian 2 Aug 84 pp 1, 4

[Article by Dr Gyorgy Winkler: "Investments in Industry; the Incomplete Complement Has Increased"]

[Text] Between 1971 and 1975 we put 226 billion forints into investments in industry, and 365 billion forints between 1976 and 1980, in the Fifth 5-Year Plan period. The Sixth 5-Year Plan calculated on a reduction in the investment volume for industry.

In its studies the Industrial Economics Institute sought an answer to what the distribution of investments among branches in industry should be and how the machine investments involving developed technology might be increased.

The share of the electric power industry in the investments increased constantly and the proportion of investments going to it is the largest. Indeed, it is also probable that the actual expenditures will exceed what was imagined in the Sixth 5-Year Plan. Since the energy need is a function of use by the other branches of the economy (not least of all of the specific use), it is primarily the demand or development of those branches which determines its ratio or magnitude. So from this viewpoint it would be worthwhile to review, rank order and possibly modify the developmental goals (for example, the olefin agreement or ferrous metallurgy). If we do not do this then the energy problems may become more profound later and make necessary the tying up of even more resources than we have thus far in order to develop the energy industry.

Distribution of Industrial Investments (in percent)

<u>Branch</u>	<u>1971-1975</u>	<u>1976-80</u>	<u>1981-85</u> <u>plan</u>	<u>1981</u>	<u>1982</u>	<u>1984</u> <u>plan</u>
Mining	12	11	12	14	14	17
Electric power industry	13	16	19	20	20	24
Metallurgy	8	9	10	11	8	5
Machine industry	15	18	16	16	16	16
Construction materials industry	8	6	5	4	3	4
Chemical industry	19	15	16	14	16	15
Light industry	13	9	9	8	10	7
Other industry	1	1	1	2	1	1
Foodstuffs industry	11	14	10	12	11	10

What has been said of the electric power industry is more or less applicable to the various extracting industry and primarily material producing branches also, and these, taken together, tie up about half of the investments of industry. If we want to achieve the goals formulated in the plans, then there is also a need for modifications in the structural distribution of investment; we should increase the investment ratio of the processing industry branches -- as areas conducting export-- while modernizing the methods of energy and materials management.

Material-Technical Composition of Industrial Investments (in percent)

<u>Branches</u>	<u>1976</u>			<u>1982</u>		
	<u>Construction</u>	<u>Machines</u>	<u>Other</u>	<u>Construction</u>	<u>Machines</u>	<u>Other</u>
Mining	42	50	8	40	40	20
Electric power industry	46	42	12	31	46	23
Metallurgy	22	64	14	30	50	20
Machine industry	22	67	7	31	61	8
Construction materials industry	36	54	10	24	64	12
Chemical industry	27	61	12	28	60	12
Light industry	27	64	9	26	65	9
Other industry	50	50	--	50	50	--
Foodstuffs industry	34	58	8	35	56	9
Industry, total	32	58	10	32	55	13

It is striking that the ratio of construction is substantially unchanged; the ratio of machine investments is declining; and practically at the expense of this the ratio of expenditures under the "other" heading has increased. The high ratio of construction investments in 1982 is a consequence of the structural composition of electric power, metallurgy and machine industry investments.

#### We Build Too Much

We studied the development of construction investments from several aspects. We compared the complement of investments put into operation, those for the subject year and these incomplete. In 1976 the subject year fulfillment in industry was higher than the value for investments put into operation by 23 percent while in 1982 it was higher by only 6 percent. This is a favorable change, but if we include the uncompleted complement in the sphere of the study then the picture is unfavorable. In 1976 the incomplete complement exceeded that put into operation for the year by "only" 18 percent and was practically identical with the year's fulfillment. In 1982 the incomplete complement was more than that put into operation by 67 percent. This ties down more than 1.5 years' construction capacity as compared to one year's capacity earlier! The postponement of putting investments into operation is linked primarily to the delayed arrival of machines

and equipment. This phenomenon is especially characteristic of the mining and electric power industry investments begun.

In another approach we analyzed in what sort of structures the construction investments of industry were being embodied. The number and value of the buildings handed over every year is stable enough. In 1980, 370 industrial buildings, 356 of them plant and factory buildings, were handed over. Between 1975 and 1980, 2,205 industrial buildings were built, of which 171 were plant office buildings. So, at first sight it appears that there are many new industrial buildings. The rate of growth of industrial production and the unfavorable development of utilization of capacity did not justify and do not justify such a swift growth in the number of industrial installations.

It is worthy of note that the ratio of administrative, cultural-educational, social, housing or hotel type construction totals about 7 percent. It appears that despite all the regulations forbidding it or making it difficult these still tie up significant capacity and financial resources.

The decreasing ratio of machine investments is unfavorable. In 1982 nearly half of the machine needs of the investments were satisfied with domestic machines. The ratio of socialist import was 20 percent. The ratio of capitalist import reaches 33 percent. But probably this is distorted by duties and other taxes to such an extent that if they were left out of consideration this share would coincide with the ratio of socialist machine import.

General purpose machines make up the largest item in the machine investments of industry, and here capitalist represents only 11 percent. The situation is different with machine tools where this ratio approaches 50 percent. The role of capitalist machine acquisition is most significant for special machines; for example, about 80 percent of the chemical industry machines and 85 percent of the light industry machines derive from this area. Technological assembly work makes up about one-sixth of all machine investment.

The investment expenditures shown under the "other" heading increased by about 63 percent as compared to 1976. Two items are especially worthy of special attention.

As compared to past years, interest on loans has increased significantly; its share is 43 percent within the "other" investments. A significant part of the interest deriving from investments begun earlier and being protracted burdens the large enterprises assuming the credits--and they have low profitability.

The cost of economic-technical planning is more than one quarter of the "other" investment expenditures. The unrealistically high ratio is linked to the present incentive interests. The cost of planning is proportional to the planned investment costs, so this does not make the planners interested in cheaper solutions.

## Frozen Funds

The incomplete complement increases year by year for industry as a whole; it increased from 52.1 billion forints to 93.1 billion forints from 1976 to 1982. The energy industry branches are the determining factor in this increase. The incomplete complement increased in the entire economy; the proportion of industry is significant in this. It made up 45 percent in 1982!

Comparing the incomplete complement and the yearly investment fulfillment offers an interesting picture of the development of investments and the exaggerated magnitude of new investment. In the 1960's a ratio of around 70 percent was characteristic in the economy; in the first half of the 1970's this increased to 80 percent; in the second half of the decade it approached 90 percent. This developed even more unfavorably in industry in recent years. The investment expenditures exceed the value of what is put into operation and the difference--in essence--is the accumulation of uncompleted investments. The causes of this are: the slowing of economic growth, the narrowing of financial resources, the after-the-fact withdrawal of buying power and the late arrival of machines, but primarily the pulsating and high number of starts.

The gap between the incomplete complement of industry and the annual investment expenditures widened significantly between 1976 and 1982. In 1976 the annual investment expenditures still exceeded the value of the incomplete complement by about 6 million forints; but in 1982 the incomplete complement exceeded the annual expenditures by 24 billion forints. The turnaround took place in 1980. Beginning then both the complement placed into operation and the investments decreased while the number of starts did not moderate--at least not to this degree.

The ratio of the complement of uncompleted investments compared to investment fulfillment is nearly threefold in the electric power industry and is large in mining (34 percent) and metallurgy (18 percent).

In the years 1976-1980 they placed into operation in industry 425 billion forints' worth of fixed assets, which is nearly half the value of the 1982 gross stock of fixed assets. This means that half of the fixed assets in operation are not older than 7 years. However, if the construction ratio does not decrease then we must count on a further aging of the machines.

Up to 1979 the magnitude of investments placed into operation increased, reaching 73 billion forints; but by 1982 it had declined to 58 billion forints and it is to be feared that this process will continue to decline--if we do not concentrate on completions and if the ratio of starts increases. The danger of this will exist even in the case of a quite small investment upswing.

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POLAND

PAP REPORTS URBAN PRESS CONFERENCE

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[Report by Anna Gembicka and Ryszard Ginalski]

[Text] Warsaw, 17 Jul--Opening a routine news conference for Polish and foreign newsmen in the INTERPRESS agency's press centre here today, the Polish Government spokesman Jerzy Urban presented the programme of celebrations to mark the 40th anniversary of the birth of People's Poland.

One of the main events to mark the occasion will be a gala meeting of the Polish Sejm (parliament) on Saturday, July 21, at noon. On the same day in the afternoon, a grand spectacle titled "Our Homeland--Our Home" will be staged at the Polish capital's biggest stadium.

The government press spokesman said that the ceremonies to mark People's Poland's anniversary will be attended by party and state delegations of fraternal socialist states.

The Soviet delegation will be headed by CPSU CC Political Bureau member and Prime Minister Nikolay Tikhonov. The Czechoslovak delegation--by CPC CC Political Bureau member and Deputy Prime Minister Josef Korcak.

The GDR delegation will be led by Egon Krenz, SED CC Political Bureau member and vice-chairman of the Council of State.

HSWP CC Political Bureau member and Prime Minister Gyorgy Lazar will be heading the Hungarian delegation.

The Bulgarian delegation will be headed by Chudomir Aleksandrov, GCP CC Political Bureau member and first vice-premier.

Georghe Radulescu, RCP CC Political Bureau member and vice-president of the Council of State, will be the head of the Romanian delegation.

Another topic touched upon by Minister Urban in his introductory statement at the conference today is also connected with the 40th anniversary of People's Poland: Urban said the Polish state authorities referred with understanding to the appeal by the National Council of the Patriotic Movement for National Rebirth (PRON) to apply broad amnesty to people charged with offences committed

for political reasons and those ordinary offenders who are not too dangerous socially. Work is under way on the draft amnesty law which will be submitted to the Sejm.

Minister Urban recalled that declaring amnesty was traditionally connected with significant state and national anniversaries. In this case amnesty is also favoured by stability in the country, lower influence by opponents of our system, the growth of the country's strength and social support for stability which was reflected, for example, in the returns of elections to people's councils.

The government press spokesman recalled that as of July 14, a total of 58 people sentenced for offences committed for political reasons were either imprisoned or under investigative arrest. Another 602 people are under temporary arrest for the same reasons.

Western correspondents wanted to know the reasons for the fact that indictments were brought in courts recently against Father Jerzy Popieluszko, Lawyer Maciej Bednarkiewicz and writer Marek Nowakowski though the possibility of amnesty has already been mentioned. They also asked about the expected scope of amnesty, whether it would apply to four KOR leaders and whether trial against them would be continued on July 18.

Minister Urban replied that these indictments were brought in courts before the call by the PRON National Council, and under the Polish legislation the authorities could not have anticipated this currently expected legal act. The government spokesman explained that the scope and forms of amnesty will be decided by the Sejm, and, therefore, it is difficult to make any speculations on this issue today.

A significant issue of interest for journalists which was raised by Minister Urban in his introductory statement was the repayment of Poland's foreign debt. As the government spokesman stated, Poland recently started to repay a portion of debts in virtue of commitments referring to the year 1981. The Polish Government expressed hope that this will create a climate conducive to further discussions with the Paris Club.

At the same time, Poland presents to its partners from that club a programme of getting out of the economic crisis. Expectedly, further meetings on repayments in 1985 will take place soon, the minister said.

Minister Urban also commented on the recent visit to Poland by Chairman of the International Olympic Committee Juan Antonio Samaranch, and voiced satisfaction over the talks held by members of the Polish authorities with the IOC chairman.

Poland reaffirmed its interest in further participation in the Olympic movement, which serves the cause of peace and understanding between nations, Urban stressed.

The government press spokesman stated next that negotiations on the farming fund have led to the setting up of a committee for this issue. It is an intra-church institution. Further talks on the fund are expected next week.

Minister Urban denied what he termed false, untrue and biased information, circulated by Western mass media now. For example, he firmly denounced the VOICE OF AMERICA's claim that election returns and turnout had allegedly been fixed by the Polish authorities in advance.

Referring to Western press reports on excessive work carried out by capitalist states' consulates in Warsaw because of numerous applications for tourist visas, Urban recalled that under martial law the same papers criticized difficulties in obtaining passports by Polish citizens.

The editorial boards of those newspapers apply double measures to the assessment of the situation in Poland. At that time they charged Poland with infringing CSCE provisions, while refusing visas to Poles who want to go to the West as tourists can also be described as violation of the same principles, Urban pointed out.

One of the correspondents asked whether a meeting between Gen Wojciech Jaruzelski and Primate Jozef Glemp was expected soon. Minister Urban assured him that if both sides see the necessity to meet, the meeting will take place like it did already many times before.

Next the government spokesman told the conference about a visit paid to Beijing July 12-15 by Polish Foreign Vice-Minister Ernest Kucza, who held talks with Chinese Foreign Vice-Minister Tsien-Tsi-Chen [PAP spelling]. During the visit a meeting with Chinese Foreign Minister Wu Xueqian also took place.

The talks in Beijing reflect growing mutual interest in expanding contacts after many years of stagnation and also readiness to develop cooperation in many fields between Poland and China, Urban said.

Exchange of views made in Beijing was a continuation of a dialogue initiated last May during the visit to Warsaw by Vice-Minister Tsien-Tsi-Chen and of the meeting between Poland's Foreign Minister Stefan Olszowski and Minister Wu Xueqian in New York last October.

Talks held by Vice-Minister Kucza made it possible to assess progress in the to-date development of bilateral relations also in the context of recent talks held in Warsaw by MS Chen Mu-Hua, who is member of the Council of State and Chinese minister of economic relations with foreign countries and foreign trade.

The signing of significant agreements (that is an agreement between the Polish and Chinese Governments on economic and technological cooperation, and inter-government protocols on setting up an inter-government Polish-Chinese committee for cooperation in economy, trade, science and technology) provides a basis for development of economic relations between the two countries.

The foreign vice-ministers signed a consular convention which meets halfway new needs and is a significant facilitation in the development of to-date contacts, Urban said.



During talks in Beijing views were also exchanged on significant international issues and stands of both countries on some key issues for the contemporary world.

The activation of relations between Poland and China corresponds to Poland's foreign policy aimed at dialogue and cooperation with all countries.

Asked whether his recent visit to Paris was useful, Minister Urban stated that it was "very useful because it afforded possibilities for a broad presentation of the principles of our policy."

"I suppose that the meeting (in Paris) perhaps will bear fruit in some editorial boards not only over short- [as received] but also over long-run, serving possible reconsiderations of their editorial line on Polish issues," he said.

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FORTY YEARS OF ECONOMIC POLICIES REVIEWED

PM011610 Kielce SLOWO LUDU in Polish 16 Jul 84 p 3

[Interview with Prof Czeslaw Bobrowski, chairman of the Consultative Economic Council, by Nina Schwarzer; date, place not given]

[Text] Schwarzer: You, professor, are an economist who, on account of his knowledge, experience, and finally, his continuing intensive activity and great authority, is supremely qualified to reflect on the subject of the 40 years of economic management in Poland.

Bobrowski: These 40 years are viewed in a different light by different groups in our society. For the handful of my contemporaries (as 40 years cover only one-half of my life), as well as for those people who, although they are somewhat younger, also knew the realities of prewar Poland, it is precisely that period which constitutes the main basis for comparison. And if one remembers those times, one can risk the statement that a radical change has taken place in our economy. For a majority of the problems which used to preoccupy my own generation have by now disappeared.

Our rural sector is no longer overpopulated--although, of course, compared with highly developed countries, we have significantly more people living in rural communities. However, their level of equipment with modern means of production is unsatisfactory.

We have no unemployment; on the contrary, we have excess employment, but our manpower potential is not being used rationally. But not even during the period of crisis did we resort to trying to facilitate our battle against the crisis through the application of the kind of rough remedies which are inherent to the capitalist economy and which are very harsh on those who have to pay the price of their application.

We still have not solved our housing problems; but let us remember that 60 percent of the country's existing apartments were built after the war. In Warsaw the prevailing norm was a one-room apartment which, statistically, would house four persons. I was, luckily, spared this kind of hardship, but I lived in those times and I was not blind.

On the whole, all the people from my generation--provided that, having belonged to the privileged groups, they are not misled by their memories--are similarly

aware that tremendous progress has taken place in the living conditions of the population. For me this is even more important than the fact that our industrial potential has been increased. Why? Well, one does not need to be an orthodox Marxist to maintain that the economy exists for the benefit of man....

Schwarzer: And yet economists are much more often concerned about the system according to which the economy is supposed to function, and forget whom it is supposed to serve....

Bobrowski: Precisely. Let us have a look at the situation as it is today. We have regressed by almost 10 years, to the 1975 levels, with our national income. The trouble is, however, that income was artificially raised. It was, after all, achieved through our contracting massive debts. It was thus by definition impossible to maintain for any considerable length of time.

Schwarzer: And this means that we are now at a point where we have to pay for certain things?

Bobrowski: Yes, Following the road of progress, where we encounter both the stages of felicitous decisions and those of terrors, we sometimes forget about the mistakes we had made in the past. Especially if they have since been rectified. But their effects remain a burden on our economy to the present day. I am, for example, very proud of the fact that during the 3-year plan (1947-49) we applied the policy of haste. At that time we did not even attempt to modernize the existing plants, or those which were being rebuilt. We owe our excellent results in those first years to this fact. We must, however, also attribute to it the fact that we have so many old-fashioned plants with difficult working conditions and poor results. Unfortunately, that mistake has not been rectified. A considerable proportion of our production apparatus is still obsolete.

During the following period, in the times of Gomulka, we had a reasonably good starting point. We were able to eliminate the mistakes of the 6-year plan (1950-1955) within a few years. Unfortunately, the policy we subsequently pursued was bound to provoke resistance and dissatisfaction among the population. For example, the prolonged stagnation in pay levels caused by the advent of the critical year 1970. Young graduate engineers became aware of the urgent need for new technologies, while economists came up with the concept of selective development. Examples of this kind could be quoted at length. These various concepts, quite justified in themselves, gave rise to appetites which were destined to come into their own in the following phase.

During the 1970's our economic situation was mainly influenced by the rigid and highly centralized economic system and the voluntarist attitudes of the leadership, but it was also affected by the very considerable pressure on the part of the population which demanded parallel increases in the level of investment and the living standard.

Schwarzer: We know the outcome. What was the state of our affairs when we were bidding farewell to the year 1980?

Bobrowski: We came to our senses with a huge package of debts and unfinished investment projects. The economy was riddled with disparities. We had, for example, dissuaded farmers from producing and using their own animal feeds and got them accustomed instead to producing one-third of their meat output on imported feeds. In modernizing our industry we did not build complete production cycles but instead, through a series of effective moves, we continued to increase its import intensiveness. And that became the accustomed practice.

Schwarzer: So that today we are paying for the mistakes made at different stages over the past 40 years?

Bobrowski: Of course. It is often assumed, and I think that there are good reasons for it, that in the capitalist countries the process of economic activity is almost automatically subject to progressive rationalization, although this does not always occur to a sufficient degree. Moreover, the rationalization of economic processes does not, as a rule, consist of the state exercising any particular influence but is based on the individual economic entities deciding on their own choice of targets and means of their realization, while at the same time remaining in a state of approximate balance of respective chances.

The socialist system, with its more or less pronounced degree of centralization, is characterized by the fact that it effectively amplifies the effects of both correct and erroneous moves alike. In a system where development is not measured out in minute moves effected by a large number of enterprises, a felicitous decision yields excellent effects and a wrong decision results in disastrous consequences.

It is also characteristic of the socialist countries that they exhibit haste in trying to attain their development goals. Great importance is attached to the social and cultural transformations which are expected to ensue as a result of economic progress.

This haste also denotes optimism. With us that (excessive) optimism manifested itself at least twice. In the 6-year plan an assumption was made that if we carry out certain successive investments then the whole structure would automatically fall into place. Moreover, we never managed to put together a bold, exports-favoring production program. We had thought we had a trump card in our coal. Today we know that it is certainly not enough. Another often repeated assertion was that we had favorable conditions for developing our agriculture. The trouble is that this is not true. Our soil and climatic conditions are rather inferior by European standards.

The optimistic attitude continued to be instrumental in decisionmaking. After all, popular opinion persists in saying that there is a crisis going on, while at the same time refusing to acknowledge it.

After 1956 the Hungarians came to terms with their low living standard for a few years, but afterward they were able to make it rise steadily and consistently. In the socialist economy all decisionmaking does not rest exclusively with a bunch of wise men. The pressure of public opinion plays a very great role in influencing it. We, on the other hand, tend to support the policy of "An Overabundance of Valid Goals."

Schwarzer: Quite so, but our capabilities were not rationally assessed by those in the leadership echelon. How, then, were we expected to be aware on a nationwide scale of the realities of the situation?

Bobrowski: That is true. At certain stages the authorities in power were virtually convinced that it was advantageous to maintain the moods of enthusiastic optimism. We are dealing here not only with an economic crisis in Poland but also with a crisis in our economic thinking. There was a time when it was possible to counter people's demands for pay increases with this argument: What do you want those zlotys for if there are no additional goods to buy? This, naturally, was never sufficient to make people give up their demands, but it gave them food for thought. It constituted an opener for discussion. But now something has changed. Everyone agrees that a currency without its backing is worth nothing, but everyone still wants to have the money. This is something I consider a regression in our economic awareness. We have done little--too little--toward developing the trait of treating our reality in rational ways.

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BANK OFFICIAL SUMMARIZES 1984 CAPITAL CREDIT POLICIES

Warsaw PROBLEMY ROZWOJU BUDOWNICTWA in Polish No 2, 1984 pp 16-24

[Article by Janina Kraszewska: "Investment Policy and Principles of Issuing Investment Credit in 1984"]

[Excerpt] General Principles of Issuing Investment Credit

Investment credit is issued to enable enterprises to implement management processes which, at the time of their undertaking (investment decision), are not adequately covered by funds already accumulated or anticipated by the enterprise itself during the construction planning period.

The credits issued by the bank for the disposition of enterprises are subject to repayment and are not unlimited. For this reason, the bank granting credit is interested in the purpose for which the money is being lent and considers the degree of risk involved in the economic enterprise that the borrower intends to realize in using the credit. In lending money, the bank has the right to dictate the conditions of granting credit and its repayment and to investigate whether the borrower is in a condition to meet those conditions. For this purpose the bank reserves to itself the right of monitoring the enterprise, monitoring carried out exclusively from the point of view of ensuring the repayment of the credit. Such monitoring cannot be considered an infringement on the independence of the enterprise, especially when the credit is not an obligatory source of financing the investment undertaken by the enterprise.

The enterprise, if it wants to take advantage of credit, must submit to the demands made by the bank, including monitoring by the bank. The monitoring right is accorded the bank also by the bill on bank law<sup>1</sup> and by the order of the Council of Ministers in the matter of general principles of granting credit by banks<sup>2</sup>.

The first and basic condition for obtaining bank credit, including credit for financial investment, is the credit rating of the borrower. According to the evaluation of the bank, enterprises have a good credit rating if their current and prospective efficiency in management and their capital status ensure solvency that guarantees repayment of credit together with interest in keeping with the terms of repayment agreed upon.

If the bank believes that the enterprise does not have credit capability, the

credit will not be granted. Also, an enterprise cannot count on being granted credit if the intended investment does not guarantee -- when it is put into use -- a reasonable profit (increment in profit), or if its realization involves a degree of risk that might not be offset by the interest collected. In making a decision to grant credit, to ameliorate the degree of risk, before granting social funds for uncertain investment purposes, the bank may require that a certain portion of the project be financed from the enterprise's own funds.

Another reason for the bank's refusal to grant credit is incompatibility of the purpose of the investment with economic interests of the state or the statute activity of the enterprise.

The characterization of the general regulations for granting investment credit presented above, of necessity in a very abbreviated form, indicates that bank credit fulfills the role of an economic instrument that acts through money on both the dimensions of investment and level of its effectiveness and on the realization of purposes recognized by the government as being of high priority from the economic standpoint or from important social aspects.

The principles of bank credit activity, including the NBP (Polish National Bank) in the first place, are contained in the following:

1. Credit instruction No 1/84 of the NBP effective 1 January 1984.
2. The principles of the money-credit policy adopted annually by the Sejm of the Polish People's Republic, together with the credit plan that defines the allowable amounts of credit that the banks may grant, specifically for investment purposes during the given year.
3. Orders of the NBP of 3 December 1983 in the matter of interest on credit granted to units of the socialized economy (Mon Pol No 44, item 264).

The credit instructions regulate the overall relations between debtors and the bank that are in force in connection with the granting of credit for investment beginning from the moment of applying for credit in the bank department and ending with repayment of that credit. By making the credit instructions available to the client, the bank presents, in good time, the requirements that must be met if bank credit for financing investment is to be granted.

The basis of the monetary-credit policy depends on stating precisely the immediate -- determined for annual periods -- purposes of the credit, that make it possible in this way to realize the needs that are most urgent on a national scale. The bank cannot lend money for all investments, but only for those in which the interests of specific enterprises are consonant with the interests of the national economy described in multi-year and annual central plans. The scale of credit capability of the bank described in the credit plan for the given year depends on the money accumulated in bank accounts and on the existing credit involvement. Exceeding the accumulated pool of funds

by credit action would mean disturbing the economic and financial equilibrium of the state.

Interest on credit granted, specifically its amount in the computation of the effectiveness of the investment, acts as a measure of the effectiveness of expenditures. Interest is the price of credit that the debtor assumes for having funds made available that make it possible to realize a projected undertaking. No discussion is necessary of the fact that these enterprises must be sufficiently efficient to ensure a repayment of credit and the cost of its servicing within the period set in the agreement between the bank and the debtor. The higher the effectiveness of the investment, the shorter the period of repayment, and therefore the lower the total interest paid. The more indebted to the bank an enterprise becomes, and the longer it takes to repay the credit, the more onerous will its debt be because of the interest.

Beginning in 1982, the basic rate of interest for investment credit is 9 percent on an annual basis and 18 percent on debt not paid off within the period specified, that is, on credit not repaid within the period stipulated in the agreement with the bank. At the same time, interest relief is anticipated for credit granted for financing investments realized in certain branches of industry, for example, in the mining industries, and for financing cooperative housing construction. As of 1 January 1984, the rate of interest on credits granted for financing investments started after 1 January 1984 is 12 percent.

It must be added that the basic rate of interest on credit is calculated on the basis of the level of average degree of profit, that is, the relation of profit before granting of credit to profit after capital investment.

#### Granting Credit for Enterprise Investment

Enterprise investment includes practically every kind of investment that can be realized in an enterprise on the basis of decisions adopted by its administration in agreement with the self-government of the workforce.

The source for financing enterprise investment, with the exception of plant social and housing investments, is the development fund. This fund is created for the most part from amortization of fixed assets and nonmaterial and legal worth and from the profit of the enterprise.

If an enterprise is not in a condition to accumulate sufficient funds of its own to finance the realization of the investment within the planned period, bank credit and a budget appropriation may be supplementary sources of funds<sup>3</sup>.

In a situation that prevailed for years and anticipated further high demand for investment credit, the bank, having at its disposal a limited pool of funds that, in keeping with the confirmed credit plan, it can lend for investment purposes, must place adequate demands on both future debtors and on the proposed investments that they plan to finance with the credit.



A basic condition posed by the bank to the enterprises applying for credit, as has been said earlier, is having credit capability. But having this capability does not entitle an enterprise to demand credit from the bank. Nor does agreement of the proposed investment with the purposes (directions) of investment described in the stipulations of the monetary-credit policy or basing realization of the investment on development needs of the enterprise constitute entitlement.

What criteria, then, should investments that enterprises want to realize with the help of bank credit meet, or what criteria does the bank use in deciding to grant credit for investment purposes? The criteria are these:

- 1) level of the economic index of the investment;
- 2) credit repayment period;
- 3) level of participation of enterprise funds in financing the cost of the investment.

These indices are determined annually in the formulation of monetary-credit policies and in guidelines issued by the NBP president with respect to credit policy.

Enterprises applying for credit should present the following documents within the period announced by the bank:

- 1) credit application together with a description of the investment (examples of these documents can be found in the credit instructions);
- 2) that part of the technical-economic plan that contains the computation of economic efficiency of the investment;
- 3) prognosis of the financial situation that encompasses the period of realization of the investment and the period of repayment of credit; this should take into account the effect of the planned investment on the financial results of the activity of the enterprise;
- 4) all other documents that would complete and support the numerical data and information supplied in the credit application.

In preparing these documents as justification for obtaining credit, the enterprise should take into account the time required for the bank investigation before a decision on granting credit is made (specified in the credit instructions) and work up the documents so that none of the questions are omitted that are of particular interest to the bank.

The bank, guided by the criteria mentioned above, analyzes and evaluates the conclusions of the enterprises, consults on the results of these evaluations with the enterprises with the participation of credit committees, and formulates the conditions under which it can extend credit to the enterprise. At this point most essential are: the credit amount, the period of repayment and the required proportion of enterprise funds used to finance the investment. If the enterprise accepts these conditions, a credit agreement is drawn up between the enterprise and the bank department.

In cases where the amount of credit applied for exceeds the competence of the

bank departments or if the credit requirement exceeds the credit capability of the bank as stipulated in the credit plan for the given year, credit decisions will be made after investments qualifying for credit are selected. This selection is equivalent to competition on a national scale. The competition will be "won," and therefore the enterprises can count on primacy in obtaining credit, by enterprises whose investments are characterized by:

- 1) the highest efficiency index;
- 2) the shortest credit repayment period;
- 3) the least proportion of credit for financing the cost of the investment in relation to the amount specified in credit policy guidelines.

The bank will notify the enterprises as to the investments selected for credit by sending them a copy of the credit agreement and specifying any additional conditions for granting credit.

After the agreement is signed by the enterprise, it can use the credit under the conditions stipulated in the agreement. The bank makes payments for financing the investment to the extent of credit granted and funds (its own or other noncredit funds) transferred to this account.

The indebtedness of the account may exceed the credit granted by an amount equal to the total interest due for the period of realizing the investment.

During the crediting period of the investment, the bank evaluates the use of the credit and the degree of certainty of its repayment, and if it finds that the enterprise is not honoring the conditions of the agreement, it may withhold payment from credit or refuse credit. Withholding payments from credit may occur immediately or 30 days after the enterprise is notified of the bank decision. In refusing credit, the bank may demand repayment of a part or all of the credit in a shorter term than that set in the agreement on granting credit. The procedural method will depend on the reasons that precipitated the decision of the bank and on the evaluation of the financial situation of the enterprise. Renewal of the credit is possible if the reasons that caused withholding of credit payments are eliminated by the enterprise.

After concluding the investment, the enterprise is required to file, within 60 days, a projected plan for credit repayment and a computation of the funds earmarked for this purpose. In this plan, the enterprise may propose the annual rate of credit repayment, taking into account the actual amount of indebtedness (including credit used and the interest accumulated during the period of investment realization) and the actual amount of development fund write-offs. It should be emphasized here that a delay in realizing the investment cannot be a basis for extending the period of credit repayment since the terms of repayment, specified in the agreement made at the time credit is granted, are binding without regard as to whether or not the enterprise completes the investment within the planned period.

After the bank verifies it, the projected plan of repayment becomes the final plan of repayment binding on the enterprise. The enterprise must pay the annual rates by 20 December; thus the enterprise should make advance monthly

payments to the installment account of amounts equivalent at least to the amortization write-offs from capital funds and the value of nonmaterial and legal worth realized from the investment and, in quarterly payments, an adequate amount from profit. The credit installment not paid in a given term will be transferred to the overdue indebtedness account and will be subject to the higher interest rate of 18 percent, and this interest payment will be included in accounting as an extraordinary loss incurred by the enterprise in its operations.

Enterprise investments also include social and housing investments undertaken to meet the needs of workers of the enterprise. These investments, being connected with an isolated financial activity of the enterprise, are realized from funds created specifically for financing social (plant social fund) and housing (plant housing fund) activity\*.

If means accumulated by the enterprise in such funds are insufficient, the enterprise may apply for bank credit. A condition for obtaining credit for financing social or housing investment is the accumulation of a specified proportion in the enterprise funds and documentation of the ability to repay credit from the money of the given fund within the period stipulated by the bank, including the condition that enterprise funds will be used to cover at least 60 percent of the planned cost of construction and that the enterprise will be able to repay the credit within a period not to exceed 15 years.

#### Crediting Central Investments

Central investments are, as a rule, capital-intensive development investments, the realization of which is required by the production potential of an industry involving raw fuel materials and energy, by the state of the national technical and social infrastructure, or by the production capability of other areas of industry recognized as being indispensable for proper functioning of the economy<sup>5</sup>. Under the conditions of the economic reform, this is the only kind of investment that was reserved to the competency of central authority and this mainly from the point of view of determining the scope of the investments and the sources for financing them. This actually distinguishes central investments, the realization of which will be entrusted to enterprises (subsequent users of production assets obtained when the investments are put into operation), from other investments independently undertaken by enterprises. The source for financing central investments realized in enterprises are development funds and bank credit repaid subsequently from these funds within a period of 10 years, beginning from the projected time of completing the investment specified in the decision on its being undertaken, or up to 15 years, if the investment financed by this credit is in the mining, energy or agricultural industry.

If the enterprise funds together with bank credit, the amount of which indicates the ability of the enterprise to repay this credit from its own funds in the specified period, are insufficient, then a budget appropriation will be the supplementary source of financing the cost of the investment. The amount of this appropriation will be stipulated in the decision to undertake the central investment. Funds allotted from the budget appropriation are

earmarked for current financing of the investment. These principles will, however, be applied only to central investments undertaken in the second half of the 1980's.

Considering the limited financial capabilities of the state budget, it was decided that beginning in 1983 the bank will grant credit for financing continued central investments included in the national socioeconomic plan for 1983-1985 and part of the investment cost exceeding the ability of the enterprise to repay credit, which are therefore paid from budget funds.

Consideration by the bank of enterprise credit applications for financing central investments is based on principles similar to those applied in granting credit for investments by enterprises. Obviously the bank does not make the selection of investments qualified for credit. Inclusion of the investment in the central annual plan ensures that the enterprise fulfilling the function of the investor will be granted bank credit either for partial or total financing of the costs of the investment. The subject for negotiation between the enterprise and the bank is primarily the amount of credit that the enterprise can repay from development funds, the period of repayment of the credit and the amount of development fund money that can and should be earmarked for current financing of the investment, considering the financial situation of the enterprise.

If the level of economic efficiency of the investment does not assure the enterprise of profit (growth) during its exploitation, then the midyear value of amortization write-offs from capital funds and the nonmaterial and legal worth anticipated from this investment during the determined economic exploitation of the fixed assets, not to exceed 15 years, will be the basis for determining maximum bank credit paid from development fund money.

The difference between the confirmed cost value of the central investment and the amount of credit repaid by the enterprise and from the development fund appropriated for current financing of this investment will also be financed by the bank with credit, with the stipulation that that part of the credit, together with interest accruing from it, will be paid by the enterprise from budget funds it receives for this purpose. In this case, a condition for concluding an agreement between the enterprise and the bank for granting credit for central investment is the presentation by the enterprise of a guarantee given it by the Minister of Finance for payment of part of the indebtedness from budget funds.

Conditions of using and repaying credit granted by the bank for financing central investment do not differ from principles of using credit granted for enterprise investment in that the enterprise that benefits from budget assistance in repaying credit, pays this credit together with interest both from its own funds and from budget funds earmarked for this purpose in annual installments, the amount of which and the terms of payment being established in the agreement concluded between the enterprise and the bank when credit is granted.

The principles of granting credit for central investment characterized above

refer to all tasks, and include, therefore, those that are not of a directly productive type that are included among the investment undertakings listed in the resolution on the national socioeconomic plan for central investments.

#### FOOTNOTES

1. Cf Bill of 26 February 1982. Bank Law (Dz. U. No 7 item 56).
2. Cf Order the Council of Ministers of 26 November 1982 (Dz. U. No 45 item 293).
3. The principles of awarding budget appropriations will be determined by the Council of Ministers in the form of an order.
4. Cf Bill of 26 February 1982 on financial economics of state enterprises (Dz. U. No 7 item 54).
5. Cf Resolution No 192 of the Council of Ministers of 3 September 1982 in the matter of central investments (Mon. Pol. No 3 item 96).

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CSO: 2600/1143

## UNPUBLISHED SOCIAL POLICY ANNEX TO 1985 PLAN DETAILED

Warsaw ZYCIE GOSPODARCZE in Polish No 32, 5 Aug 84 p 15

[Excerpts] In the previous issue, ZYCIE GOSPODARCZE gave an analysis of the proposed highlights of the draft Central Annual Plan for 1985, which ended with the remark that a lot of space was devoted in the document to the welfare policies and to some other areas of the non-material sphere. It is, in a way, paradoxical that at a time when means were objectively easier to obtain for welfare and the non-material sphere, economic plans spoke very little about them. Now the pressure of social needs resulting from the crisis situation and the special demographic characteristics of population growth partially explain the changed proportions in the contents of the document in question. However, it would be a good thing if this new approach became a permanent feature.

The special demographical determinants of 1985 are the following: population is to increase to some 37.4 million people (this information is taken from one of the unpublished annexes to the preliminary outline of the draft plan that ZYCIE GOSPODARCZE was granted access to). Population of productive age, i.e. men from 20 to 64 years of age and women aged 20-59, will increase only slightly (by 51,000 to reach 21,821,000).

There will be an exceptionally big growth in the number of youth from 7 to 14 years of age--by 115,000, to reach 4,813,000, while the number of children from 3 to 6 years will increase by 40,000, to 1,690,000, with the number of youths in the 15-17 age group going up by 30,000 to 1,526,000. Also the number of people in post-employable age will increase significantly, by some 110,000 people, to 4,556,000. All of these are, of course, estimates.

In the light of these figures, the emphasis on education is understandable. As a result of investment decisions adopted over the last few years by people's councils the number of classrooms will total 173,500, up 3,700 on the 1984 figure. Yet there will be no improvement in the working conditions of schools and two and three shifts will still be commonplace because of the fast growth in the number of pupils.

The authors of the draft plan quote the decisions of the government Presidium of January 9 concerning endeavors aimed at ensuring the full implementation

of the priority tasks of the national plan for the years 1983-85 with regard to the building of schools and kindergartens. In line with this decision, viovids should make an analysis of the degree of implementation of the targets ensuing from the Sejm with regard to building educational projects; they should also define the tasks they will undertake in the years 1984-85 in order to ensure a full implementation of investment plans in education. In the years 1985-87, a part of the new schools are to be embraced by government orders. The implementation of the plans for 1985 is to be supported by voluntary commitments to help education.

It is estimated that in 1985, kindergartens will admit 1,364,000 children between 3 and 6 years of age, or 50.7 percent of all children in that age group. In that year, 206 new kindergartens are to start work. Yet the number of children denied admission would stay at the 1983 level because of the growth in the number of children.

The number of primary school graduates in 1985 is estimated as 464,200 children, a growth of over 18,000 on 1984. It is estimated that 97.5 percent of these children will go on to study in secondary schools of various kinds. While the number of primary school graduates is growing the number of admissions to general-education secondary schools is to remain unchanged.

As for vocational training, the efforts will continue to be focused on adapting the pattern of enrolment to the needs of the national economy. Therefore it is being pointed out in the document that on the labor market there will still be demand for skilled workers, while the demand for personnel with secondary and higher education will be more or less met.

As for universities, the number of freshmen to be admitted in 1985 is estimated at 48,900, which implies reduced enrolment in technical universities and higher schools of economics combined with unchanged enrolment in universities, artistic schools and maritime colleges. The envisaged enrolment in extramural course is to be as high as in 1984 and total 12,000. These courses are mainly destined for teachers who do not have higher school degrees, civil servants, farmers and leading workers and supervisory staff in the construction, mechanical and electronic industries.

Another area of social policy deserving special attention is health protection and welfare. The document stipulates that efficient health protection requires first of all long-range and multi-pronged preventive measures, especially the provision of suitable living conditions, better environmental protection, a reduction in the number of work-related accidents and the development of the custom of active care for health and a hygienic way of living. The development of the health service potential and improvement of its efficiency is only a fragment of the broader problem of health protection, which is related to the whole area of living and working conditions.

However, the suggestions included in the document indicate that the problem is getting due attention. It is envisaged that employment in the health service will increase by 21,000 people in 1985, which attests to preferential treatment of this domain of non-material services.

According to the draft plan, in 1985 the number of hospital beds will reach 214,400, or 4,400 more than the amount that is expected to be reached at the end of 1984. The number of beds per 10,000 inhabitants will rise to 57.3, compared to 56.6 in 1984. The number of beds in psychiatric hospitals will reach 37,000, which is 600 more than in 1984. As a result, the number of beds per 10,000 inhabitants will be 9.9, compared to 9.8 in 1984.

The number of beds in nurseries will rise by one thousand to reach 104,000. The number of beds in welfare homes will rise by 2,100 to 67,600 and the ratio per 10,000 inhabitants will rise from 17.6 to 18.1. However, 12,000 people are waiting for a place in a welfare home while 6,000 chronically ill patients are staying in hospitals for humanitarian reasons, which testifies to the scope of the shortage of beds.

It is acknowledged in the document that the problems with the supply of medicines cannot be solved overnight, both because of the many years of neglect in investing in the industry and of its strong dependence on imported raw materials and components. However, some steps have already been taken to stop the depreciation of the industry's capital equipment. Despite balance-of-payments difficulties, the outlays on the import of drugs from capitalist countries are to increase by 7.6 percent in comparison to the plan for 1984. However, these moves will only partially alleviate the difficulties.

It is also emphasized in the preliminary guidelines of the 1985 plan that more attention should be paid to identifying the needs with regard to welfare. This should be facilitated by the expansion of welfare services from 1,400 employees in 1976 to 8,200 in 1983.

While speaking about this aspect of welfare policy, it is also worth drawing attention to the passage in the document dealing with environmental protection. There are plans for undertakings to be launched in 1985 and aimed at preventing the spread of pollution and contamination to ecologically sound areas and to curb the threat to environment in the polluted regions. In the risk areas, the ban on the construction of new polluting projects or expansion of the existing ones will stay in force.

It has been estimated that a total of Zl.45 billion will be spent on environment-related projects, which represents an 8 percent growth on the 1984 figure. This growth is particularly high when it is compared to the planned overall 9 percent cut in investment spending. The bulk of the outlays should be spent on projects related to the protection of waters. In addition to projects aimed at improving water quality, a program of building huge reservoirs to ensure water supply to big conurbations is going to be implemented next year.

Many of the main water supply projects are to be treated as central investments (including 8 sewage treatment plants, 7 reservoirs and 3 mains systems). It is expected that the principal tasks connected with improving water supply shall be implemented under government orders, which will guarantee the



supplies of materials. It is connected in the draft plan that these efforts will not produce a tangible improvement in environment quality in view of the serious backlogs of the preceding years. This concerns especially the most polluted areas. Under the plan for the years 1983-85, a complex long-range program of stopping the deterioration of environment quality and its gradual improvement.

Among the remaining domains, relatively much attention is paid to problems of culture and the arts, recreation and sports, welfare activities of factories and institutions and the improvement of working conditions.

The passages dealing with culture and the arts emphasize the need to ensure a better use of the existing culture dissemination centers, especially theaters and musical institutions, public libraries, museums and art exhibitions.

The overall production of books is to reach 215 million copies next year, with priority treatment given to school textbooks, books for children and youth, dictionaries and Polish language textbooks and encyclopaedic publications. The number of new film releases is to go up, and so is the amount of radio and television airtime. The Culture Development Fund together with budget subsidies are to remain the principal source of funds for financing artistic activities, the dissemination of culture and protection of historical monuments.

The development of tourism and recreation is hampered by the lack of appropriate facilities and equipment, whose production is incomparably smaller than the demand. (...) It is also planned to expand tourist exchange with the neighboring countries next year.

With regard to welfare activities of factories and institutions, the preliminary assumptions for 1985 envisage that they will spend over Zl 47 billion on the enterprise social fund and some Zl 20 billion on the housing fund.

The authors of the guidelines also point to the growth of the number of accidents at work recorded for the last 3 years and the high incidence of occupational diseases. Therefore, it is planned to launch diverse economic, legal and social solutions to counteract these phenomena next year, including tax concessions for enterprises investing in improving working conditions or the signing of government orders for protective clothing. The government is also going to see to the elaboration and implementation of new quality standards applying to the materials used in protective footwear and work clothes and to the clothes and footwear themselves. Stricter observance of these standards is also going to be enforced.

CSO: 2600/1199

## DEBIT SIDE OF JANUARY-JUNE ECONOMIC PERFORMANCE ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 32, 5 Aug 84 pp 1, 6

[Article by Marek Misiak: "The Economic in the Middle of the Three-Year Plan"]

[Excerpts] In its opening chapters, the recently published GUS [Central Statistical Office] communique on January-June national economic performance lists the achievements scored in the first half of this year. But in this commentary, attention will be focused on the still existing troubles and dangers which will make it possible to concentrate effort in the remaining period of the 1983-1985 National Socio-Economic Plan on dismantling the major barriers to quicker recovery from crisis.

Such an approach seems warranted by the extent of delays, as compared to the already achieved pre-crisis level of the economy, by the steady rise in societal production (quantitative and in terms of value) and its economic effects.

The years ahead will see continued crediting by the Soviet Union of its trade surplus with Poland. But in relations with the remaining CEMA countries, exports and imports will have to be almost fully balanced. Just as this year, we want to earmark in 1985 \$1.5 billion worth of export earnings for the servicing of debt to Western partners. But at the same time we are deprived by the creditors of many facilities usually offered to countries in the same situation as that of Poland.

#### External Determinants

In this context, let me cite those passages of the GUS communique which concern foreign trade. The trade deficit with payments zone I reached Zl 13.2 billion (TR 186 million) at the end of June 1984, representing 21.6 percent of the Central Annual Plan (CAP) target for the whole year. The trade surplus with payments zone II stood at the same time at Zl 85.6 billion (\$805 million), or 42.2 percent of the yearly figure. (It may be recalled that last year the actual trade deficit with payments zone I was minus Zl 41.8 billion, against the planned minus Zl 80.8 billion, while the actual surplus with payments zone II was Zl 131.8 billion against the planned Zl 113 billion.)

As a result, our debt in socialist countries' currencies increased from Zl 261.4 billion at the beginning of the year to Zl 304 billion at the end of June (from TR 3.8 billion to TR 4.2 billion).

Despite the surplus in trade, Poland's debt in currencies of capitalist countries rose too--respectively, from Zl 2,331 billion to Zl 2,655 billion. In terms of foreign currencies, the increase was from \$23.7 billion to 23.9 billion. The higher increase in terms of dollars, compared to zlotys, comes as a result of the devaluation of the zloty. Besides, the liabilities on account of interest fees which were neither paid nor formally deferred are estimated at Zl 278 billion (\$2.5 billion) at the end of May. The combined debt in currencies of capitalist countries is thus estimated at Zl 2,933 billion (\$26.4 billion).

There is no need explaining that the increase in debt, coming despite the high trade surplus in capitalist countries' currencies, results from the still higher costs of foreign credits. When the still unfavorable terms of trade are added (96.9 and 98.5 for, respectively, payments zones I and II in the first half of 1984), we will have a full picture of external determinants of the economy--the picture which hardly inspires one with optimism.

In the light of this, the barrier of import growth, mentioned in the preliminary draft plan for 1985, is becoming a real danger already in the second half of this year. If it is to be surmounted, export production will have to grow. In the first half of the year, despite some improvement in its last months, the annual plan target for trade in currencies of capitalist countries was reached in only 44.7 percent in exports and 45.6 percent in imports. The respective indices for trade in socialist countries' currencies were 47.6 percent and 45.2 percent. This compares with the 49.9 flow of the annual working time and the 49.8 percent passage of calendar time.

In these circumstances, increase in exports, and especially of manufactured--and profitable--exports in capitalist countries' currencies, becomes a problem of utmost importance for economic policy in the latter half of 1984.

#### Reserves and Efficiency

Another reason why this commentary lays emphasis on dangers, despite the continuation of upward trends in production and national income produced, is that the simple reserves, instrumental in attaining the relatively high dynamics in the first year and a half of the NSEP for 1983-1985, are being exhausted.

Let it be recalled that in 1983, socialized industry's output rose 6.7 percent and national income produced 5.8 percent, against the CAP figures of 4.4 percent and 2-2.5 percent, respectively. In the first half of this year compared to the same period of 1983, socialized industry's output went up 4.8 percent, against the CAP target of 4.5 percent for 1984. The growth in national income produced was put in the annual plan at just 1.8 percent but the January-June performance shows that the actual figure may be much higher. There are grounds, it seems to estimate the January-June increase (over the same period of last year) in national income produced in socialized industry at between 3 and 4 percent.

Such a conclusion can also be drawn from the information, supplied in the GUS communique, on the financial performance of enterprises in the whole socialized sector of the economy and in industry. The socialized enterprises' combined financial accumulation [the difference between the value of sales and total enterprise costs] on all operations reached Zl 810.9 billion, or 27.4 percent more than in the same period of last year.

Around 74 percent of the accumulation comes from industry, and especially from the distillery, refinery, automotive and brewing industries. With increased accumulation, industry recorded a cost index at almost the previous year's level (around 85 percent, or 0.2 percent more than in 1983). The increase in financial accumulation was accompanied by higher contributions to the budget, mostly in the form of sales tax which totaled Zl 486.2 billion, or 34.9 more than a year earlier.

Increasing in step with contributions to the budget were budgetary grants. Their major component, subsidies, reached Zl 297.1 billion, or 19.7 percent more than last year. Socialized enterprises' financial result (i.e. profit, if the figure is positive, or loss, if it is negative) amounted to Zl 645.5 billion in the first 5 months of 1984, which represents a 23 percent rise on the same period of last year. This amount was charged with the corporate income tax of Zl 338.3 billion, up 13.2 percent from January-May 1983. After income tax, the combined profit of socialized enterprises reached Zl 307.1 billion, or 36.1 percent more than in the same period of last year.

But the value of this information about economic results of socialized enterprises is not entirely clear. We have yet to learn how to present the financial performance of enterprises in such a way as to permit more unequivocal conclusions about the real processes taking place in the economy. This notwithstanding, I presented the GUS information in full as it is this kind of information which, with the passage of time, should become instrumental in answering the question: what, if any, has changed in the efficiency of the economy.

The depletion of simple reserves and the necessity of turning to efficiency improvement as the main source of production growth require, among other things, that enterprise financial performance be presented and interpreted more widely in both the GUS communiqués and other documents of this kind--including the items published in ZYCIE GOSPODARCZE. It is desirable that changes in the pattern of enterprise financial performance be presented not only in the traditional sectoral and sub-sectoral breakdown. Against this background, it would be purposeful to discuss--also in this paper--methods of breaking down enterprises according to selected economic criteria, such as the degree of efficiency or profitability, employment of individual factors of production, or implementation of particular economic goals (export, consumer-market production, etc). This kind of research could provide a welcome sequel to the recently published list of 500 biggest enterprises (see ER 56-84).

## Construction and Investment

In assessing the sphere of construction and investment, the problems involved are no less complex than in the case of industry. The value of base production of socialized construction/assembly enterprises totaled Zl 438.4 billion in the first half of 1984, up 11.2 percent (at constant prices) on the same period of the previous year. This compares with the CAP target of 0.9 percent drop in construction/assembly operations this year from the expected last year's performance (which proved lower than the actual performance). As a result, the CAP target for construction enterprises' base production in 1984 was reached in the first half of the year in 52.4 percent, against the 49.8 percent flow of annual working time. Regrettably, the progress in housing construction is not nearly as fast, as reflected in the corresponding index of 44.7 percent in January-June 1984 (51.1 percent in January-June 1983).

Investment spending, as reported by the GUS, ran at Zl 546 billion (at current prices) in the first half of 1984. This represents a 15 percent growth on the same period of last year, even though the CAP called for a 5.7 reduction. The Central Annual Plan for 1985 also calls for an investment cut of some Zl 100 billion, which--with the capital spending at more than Zl 1.1 trillion--would represent a 9 percent drop. Does that mean that two different paths are allowed under investment policy--one of the plans and the other of faits accomplis?

I am aware of disinvestment processes in the national economy, and I wouldn't like to approach the investment problem in a formalized manner. As stated unequivocally in the draft CAP for 1985, capacity in the production of most items of capital equipment and industrial supplies is much underutilized. It would thus be worthwhile to take a closer look at concrete investment projects, starting from the biggest ones (both those run by the Center and by the enterprises), and check whether or not they boost capacity in areas where the existing potential is actually underutilized.

In 1981-1985, attempts were made--with only partial success--to reduce the burden accumulated in this sphere in the 1970s. The CAP for 1985 provides for a drop in the supply of investment money, especially for construction/assembly operations. But in the light of past experience, the announcement of tighter money for investments does not seem convincing. The negative financial accumulation of many powerful investors--a result of excessive investing--is still being generously offset by subsidies and credits, which permits many of them to make handsome profits and prosper with relatively high employment and wages.

More firm economic policy measures are required still in the second half of this year--without waiting for the effects of more difficult access to investment money, as planned for the next year. This, incidentally, was announced at the post-9th Congress National Conference of PZPR delegates.

## Monetary/Consumer-Market Situation

The most immediate and also very important reason why the assessment of the first-half 1984 performance should be viewed through the prism of dangers is the too slow process of dismantling the monetary/consumer-market imbalance. Its negative repercussions are seen in many fields.

The first half of 1984 saw a drop in livestock procurement (in terms of meat/fat mass) by 6 percent, including a 23 percent fall in hog procurement. But the returns of the June 1984 livestock census show signs of gradual, if slow, recovery of herds.

The plan for 1985 calls for a higher increase in livestock procurement compared to livestock production--respectively, 8.6 percent and 5.6 percent. At the same time, inflation is expected at a single-digit level, which may indicate a cautious recourse to price increase as a stimulator of procurement. These expectations can materialize only if greater progress is achieved in balancing the market for nonfood articles and services.

The January-June results indicate some slowdown in the dynamics of the population's money incomes. They increased 20 percent on the same period of 1983, against the corresponding last year's index of 24.7 percent. However, they will be much higher than the 13.8 percent growth target provided for in CAP-1984. Assuming the same dynamics in the latter half of this year as one recorded in the same period of 1983, the population's money incomes may approach Zl 5.1 trillion in 1984, which compares with slightly more than 4.8 trillion provided for in the plan.

So the growth-rate of money flowing to the consumer market was slightly reduced, although less than planned. And the dynamics of the population's money expenditures continued at a high level, higher than that of incomes. The expenditures rose 23 percent in the first half of 1984, compared with the same period of last year. (the corresponding 1983 index was 31.3 percent), against the 16 percent growth target provided for in CAP-1984. With the same dynamics as in the latter half of last year, the population's money expenditures may reach Zl 4.9 billion for the whole 1984, against Zl 4.6 billion provided for in the plan.

As a result of these developments, the population's money reserves (cash plus savings) increased by only Zl 75 billion in January-June, while the plan calls for a Zl 250 billion growth throughout the whole year. The last year's growth was Zl 300 billion, or almost just as planned. Assuming that the monthly growth-rate figures for money incomes and expenditures (as compared to the previous month) are the same in the second half of 1984 as they were in the second half of 1983, the level of money reserves will grow this year by some Zl 150-200 billion, or Zl 50-100 less than planned.

This might be encouraging, if accompanied by a greater increase in the supply of consumer goods and services and by a better pattern and quality of this supply. The increase in supply, however, is only slightly higher than the increase in sales, as a result of which trade inventories continue at an absolutely too low level.

The index of inventory rotation in retail trade, which stood at 23 days in the critical year of 1981 (against more than 80 days in the second half of the 1970s", is now estimated\* at some 35 days at the end of June 1984. This represents some progress from 32 days in June 1983, but it is too slow to permit any significant measures normalizing the consumer market. If the improvement in this field proves the same in the second half of this year as it was in the second half of 1983, the rotation index will reach 39-40 days at the end of 1984. But it should be remembered that it is not only the juxtaposition of global aggregates of sales and inventories that counts, but also (the greater share of) consumer-market supplies and inventories meeting societal requirements, as expressed in the structure of effective demand.

#### Prices and Costs of Living

There was a 12-14 percent increase in prices and costs of living in January-June 1984 (compared to the same period of 1983), or 1-3 points below the 15 percent growth target planned for the whole of 1984. Assuming in July-December 1984 the same month-to-month increases as in the latter half of 1983, there may emerge a surprising situation of "underfulfillment" of the planned index of price increase. This might be a cause for jubilation if accompanied by greater progress in balancing the market, but in our particular situation it seems that a slightly faster second-half rise in prices can be expected this year. Monthly increases in prices of 1-1.5 percent will be enough to attain the annual plan figure.

Naturally, it is not indifferent whether or not the planned price index will be "fulfilled." Some price increases seem justified, e.g. for goods bought out for the purpose of profiteering, especially if these are goods which meet higher order requirements.

But it is the growth in consumer-market supplies, and not the increase in prices, that should increasingly provide the key to solving consumer-market problems. Such is the line chosen in the Central Annual Plan for 1985, where a single-digit figure is set for inflation. This is a very difficult target, the meeting of which will require not only a much greater switch towards consumer-market production but also an authentic step forward in pursuing the policy of tight money for the enterprises and the population.

There is a host of more optimistic conclusions that can be drawn from the January-June statistics. But the goal of this article is to shift the reader's attention from achievements to delays and difficulties, and to their too slow overcoming.

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\*We draw here on initial estimates made by a team of the Price Board's Institute for Price Research, led by Grzegorz Jedrzejczak and Kazimierz Ryc.

JANUARY-JUNE 1984 FOREIGN TRADE PERFORMANCE

Warsaw ZYCIE GOSPODARCZE in Polish No 31, 29 Jul 84 p 14

[Article by Stanislaw Lustyk]

[Text] June saw further improvement in pursuing the tasks set in the annual foreign trade plan. Assuming as the measurement the difference between the passage-of-time index and the degree of annual plan-target implementation, the mid-year delay was lower than that of the end of May--respectively 2.1 and 3.7 percentage points in exports to payments zone I [inconvertible currencies] and 5.0 and 6.0 points in sales to payments zone II [convertible currencies].

The delay was also reduced, even if to a lower degree, on the import side--respectively, 5.1 and 5.5 points in purchases from payments zone I and 4.1 and 4.8 points in imports from payments zone II.

Compared to the good May performance, the current-price trade exchanges were higher in June by 6.0 percent in exports and 4.9 percent in imports.

The combined January-June 1984 turnover was higher, at current prices, than the last year's corresponding levels--by 18.8 percent in exports and 19.2 percent in imports. Also, a high constant-price dynamics continues to be the case, with exports rising 9.9 percent and imports increasing by 8 percent--which compares with the constant-price increase in industrial production in the first half of this year (compared to the same period of 1983) by 4.8 percent.

It may also be noted that exports were only 0.9 percent lower (at comparable prices) than the level for the first half of 1979--with imports down 24 percent (including a more than 40 percent drop in hard currency imports). This testifies both to the Polish economy's regaining its pre-crisis capacity to export, and to growing rationalization of the consumption of imported raw materials and components, especially those bought for convertible currencies. After the 3-year-long fall in capital-equipment imports, this year enterprises expressed marked interest in this line of purchases. Their dynamics, from both payments zones, is much higher than the figure for imports in general, and is also higher than the corresponding Central Annual Plan (CAP) target. There is no reason to view this as an unwelcome development, the more so as the necessary cutbacks on capital-equipment imports in 1981-1983 now began



to pose a threat of disinvestment and growing technology gap, thus becoming a factor behind the downward trends in engineering industry exports.

Because of the low share of capital equipment in total imports, standing at 9.1 percent in purchases from payments zone I and 5.8 percent in shipments from payments zone II, its quickly-growing purchases will hardly affect the flow of imported raw materials, intermediates and semi-finished products to the economy.

Production-supply purchases still account for the bulk (79 percent) of imports--from both payments areas.

In imports from payments zone I, particular increase was seen in the group of fuels and energy and in products of the engineering, metallurgical and light industries, while in purchases from payments zone II this was true of supplies to the food industry (nearly 4-fold growth), fuels and energy, and metallurgical products.

In studying the enclosed table, it may be useful to know the reasons why, in trade with both payments areas, the trade dynamics counted in current transaction prices [international prices expressed in zlotys at the official rate of exchange] is much higher than the constant-price growth-rate.

There are three factors behind this:

- movements in foreign prices expressed in other currencies than the zloty;
- changes in the physical volume of exports and imports;
- changes in the exchange-rate of the zloty to other currencies.

The index of current-price trade dynamics is a product of indices reflecting changes in the three above mentioned factors. Their influence differs between the payments zones, and within the zones between exports and imports and among individual sectors.

In the first half of 1984, the current-price growth in trade (compared to the same period of 1983) was a result of the following factors (in that order);

--in trade with socialist countries: physical growth in mutual deliveries; and then--in exports, devaluation of the zloty against the transferable ruble and increase in foreign-currency prices, while in imports, increase in foreign-currency prices and only in the last place the devaluation of the zloty against the ruble;

--in trade with capitalist countries: devaluation of the zloty against convertible currencies, and then increase in the physical volume of mutual deliveries.

The fall of foreign-currency prices [in trade with payment zone II] was steeper in exports, compared to imports, and as such was a factor hampering the current-price growth in trade.

Specification	Payments zone I (Inconvertible currencies)				Payments zone II (convertible currencies)			
	CAP target Plan implementation for 1984 from Jan.1, 1984-June 30, 1984 (updated)				CAP target Plan implementation for 1984 from Jan.1, 1984-June 30, 1984			
	Value (billion Zl)	Percentage of CAP target	Jan.1, 1983- June 30, 1983 = 100		Value (billion Zl)	Percentage of CAP target	Jan.1, 1983- June 30, 1983 = 100	
	1	2	3	4	5	6	7	8
<b>Exports</b>								
at constant prices	-	248.7	-	106.9	-	296.2	-	113.7
at current prices	587.4	279.8	47.6	112.4	703.8	314.3	44.7	125.2
of which products of the following industries:								
- engineering	363.8	166.2	45.7	111.6	200.7	65.1	32.4	110.3
- construction services	16.7	11.9	71.5	152.1	36.7	15.8	43.0	95.1
- fuels and energy	66.9	32.4	48.5	108.6	135.8	72.0	53.0	124.3
- metallurgy	29.3	12.8	43.5	110.7	88.6	43.2	48.7	127.3
- chemicals	51.8	27.0	52.1	115.9	74.4	33.6	45.2	140.0
- minerals	2.9	1.7	59.5	132.4	7.8	4.0	51.0	154.7
- wood/paper	5.2	2.1	40.8	103.7	22.3	9.9	44.5	145.7
- light	31.1	13.7	44.1	109.6	30.4	15.7	51.5	138.7
- food processing and farm produce	13.0	9.5	73.3	140.4	92.7	47.5	51.2	151.6
<b>Imports</b>								
at constant prices	-	245.8	-	106.4	-	196.5	-	110.0
at current prices	648.4	293.0	45.2	116.4	501.2	228.7	45.6	122.9
of which products of the following industries::								
- engineering	210.6	100.0	47.5	130.3	83.9	41.2	49.1	118.4
- fuels and energy	247.9	117.0	47.2	116.7	57.9	15.8	2.2	57.7

	1	2	3	4	5	6	7	8
- metallurgy	63.1	25.5	40.4	105.0	48.9	23.0	47.1	131.2
- chemicals	53.7	19.9	37.0	101.6	114.6	51.8	45.2	123.6
- minerals	8.0	3.6	44.6	105.3	5.8	3.5	60.1	135.0
- wood/paper	15.0	6.3	41.8	104.6	6.3	3.0	47.5	172.4
- light	20.2	11.0	54.7	122.6	26.8	17.7	66.2	97.8
- food processing and farm produce	13.3	5.1	38.5	58.8	150.6	68.9	45.8	190.0
<u>Imports by form of utilization</u>								
- capital equipment	47.3	26.8	56.6	160.3	26.3	13.1	49.8	132.3
- production supplies	520.0	231.1	44.4	112.4	423.9	181.9	42.9	138.6
- consumer goods	81.1	34.4	42.5	119.9	51.0	29.6	58.0	129.5
Balance of trade:	-61.0	-13.2	21.6	+480.2	+202.6	+85.6	42.2	131.6

Source: Ministry of Foreign Trade

Ed. Note: In column 7, figures second and fourth from the bottom are illegible in the original Polish text, so we made our own calculations on the basis of corresponding figures in columns 5 and 6 (which, however, seem to be different from what can be deciphered from the original). But since the figures in column 6 (2d, 3d and 4th from the bottom) do not add up to the equivalent of total imports from payments zone II at current prices (13.1+181.9+29.6=224.6, rather than 228.7), it may be that some of them are misprinted, and in such case the ER calculations would have to be slightly revised. When this issue was going to press, we could not clarify the problem.

## HIGHWAY NETWORK MODERNIZATION PLANS

Warsaw PRZEGLAD KOMUNIKACYJNY in Polish No 6, Jun 84 pp 147-152

[Article by Jerzy Walawski: "Trends in the Modernization of Poland's Main Highway Network"]

[Excerpts] Highway motor transport, which will undoubtedly continue to play very substantial role in the country's social and economic life, is considerably dependent on the condition of the highway network itself. This dependence applies to the number of highway links, their quality and the distance between them. Highway motor transport and the highway network itself are interdependent with the latter affecting the state of the former and vice-versa. The transportation tasks facing highway motor transport encourages the development of the highway network; the latter then, depending on the degree of development, either enhances or impedes highway motor transport.

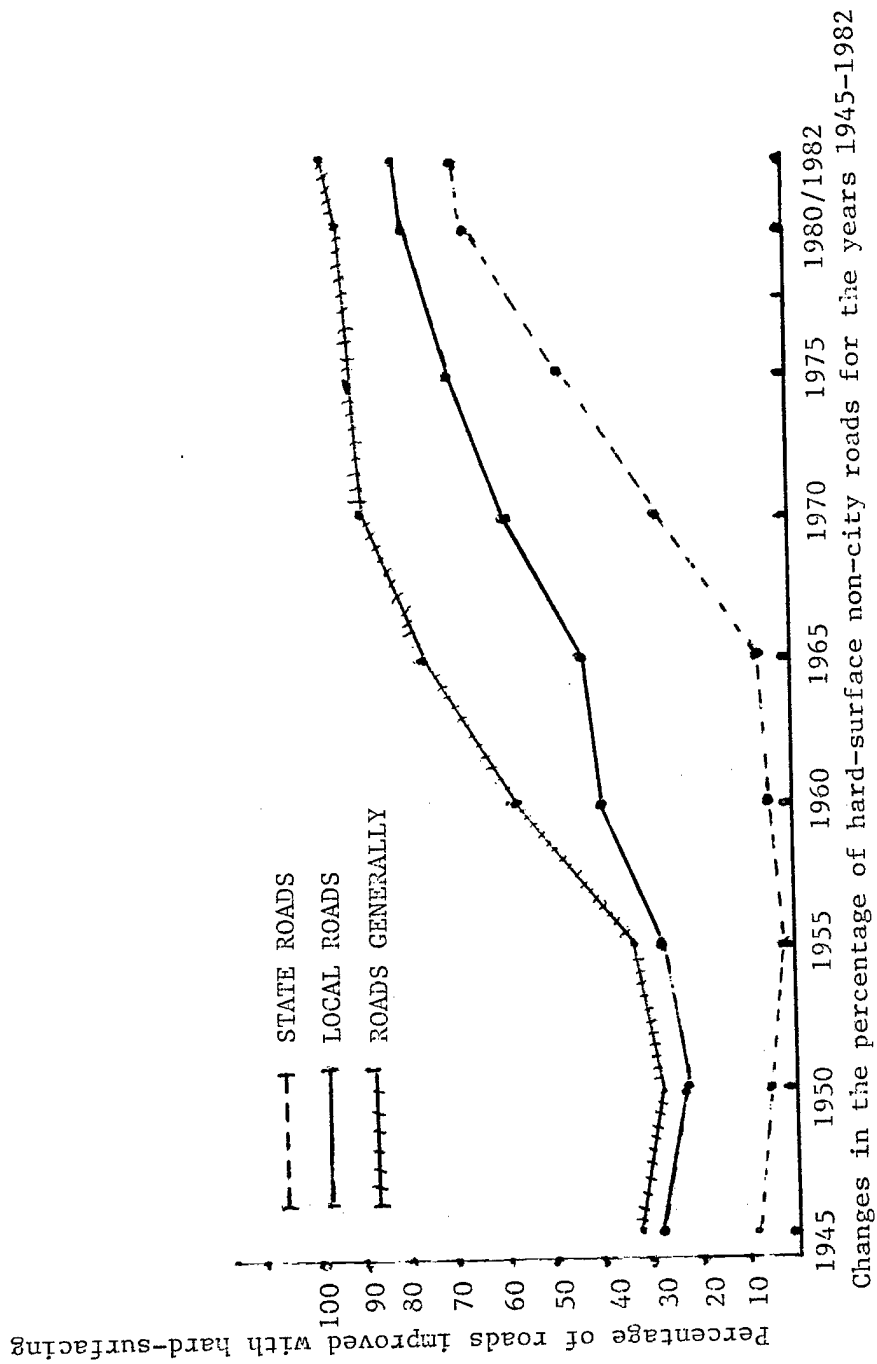
This article discusses the problems dealing with the development of the public highway network, particularly the modernizations of the main junctions of the national highway network, which carries the greatest traffic and is the target of the Transportation Ministry's investment and modernization activities of road-building operations.

### An Evaluation of the Current Highway Network

The non-urban public highway network totals 248,000 kilometers, of which more than 147,000 kilometers are paved; the remainder of the network is made up of earth roads. The average density of the paved roads is 48.4 kilometers per 100 square kilometers. Currently, there are 901 kilometers of highway which have been built according to the highest technical standards; these include: 168 kilometers of superhighways, 152 kilometers of express highway, which are designated for use by motor vehicles only and 581 kilometers of two-lane roads open to mixed types of transport.

As a 1980 general survey of road traffic revealed, the average daily traffic load for the year on non-urban state superhighways was 1,355 motor vehicles; there were 3,403 vehicles per day on our interregional roads, 1,455 vehicles per day on regional roads, and 629 vehicles on the remaining types of roads. This means that the interregional roads carry almost 2.5 times more traffic than the superhighways. The non-urban public highway network has undergone

Figure 1.



substantial changes during the 40-year history of the Polish People's Republic. During these years, the total of paved non-urban roads rose from 91,000 kilometers to 151,000 kilometers and their density from 29.2 kilometers per 100 square kilometers to 48.8 kilometers per 100 square kilometers. The type of road surface structure has been fundamentally changed, replacing unimproved surfaces of crushed stone, stone and gravel with improved surfaces on roads, the length of which together total 100,000 kilometers (see figure 1). The total length of all bridges taken together has increased from 120,000 meters to nearly 355,000 meters. An important element in the modernization of the highway network was the construction of 766 kilometers of two-lane highways, including 30 kilometers of superhighways. These accomplishments, however, still cannot obscure the basic needs and weaknesses of the highway network.

A majority of the sections of the main interregional routes, including those which have been designated international routes, is being made open to all types of traffic. As traffic increased, they were modernized, but they serve now both long-distance motor and local area traffic; local traffic does have its own peculiarities. Such a situation causes congestion on the most heavily traveled sections; the negative results of all this are the threat to user highway safety, excessive fuel consumption, and the high cost of transport.

A structural shortcoming of the highway network is that a considerable portion of the network, which is designated primarily for long-distance traffic, passes through the centers of localities and endangers both through traffic and town and village traffic simultaneously.

The material and equipment shortages of many years, as well as insufficient financial resources, have not permitted repairs or modernization befitting the requirements. It is estimated that around 34,500 kilometers of non-city public highway require resurfacing; i.e., they need to be rebuilt to meet the new needs of traffic, while 8,075 bridges--35 percent of all currently in use--need urgent reconstruction or modernization.

In 1983, the length of highways paved to handle heavy vehicular traffic totaled only around 20,000 kilometers. The paved surfaces of the remaining highways handle loads two-thirds to four-fifths as great as those allowed on our best highways; this limits their use by vehicles with extremely heavy loads. A trend has also been observed where heavy vehicles using highways inadequately improved for them cause a premature deterioration of these highways. Some areas of the country, especially in the east and northeast, have an extremely low density of hard-surfaced roads which can meet public and economic requirements.

#### General Trends in the Modernization and Development of the Non-city Public Highway Network

As the above-mentioned points illustrate, our highway network requires intensive modernization and development. Delays in this area are already resulting in difficulties for highway motor transport; these difficulties are caused by the failure of a considerable portion of the highway network to meet traffic demands--and these difficulties will increase as traffic increases--as well as by the shortage of hard-surfaced routes to many localities. It

is worth emphasizing that the harmful effects of too many roads plays a major role in highway investment. These effects often cause problems between highway users and urban areas on the one hand and between the users and the environment on the other. Thus, it is not necessary to link the problem of further modernization and development of the highway network exclusively with the prognoses for the motor transport of freight. This is something which certain planners have been trying to do.

Modernization and development are supposed to ensure the better utilization of the highway network and so, there should be several different thrusts to these programs. In this regard we can pinpoint three critical types of programs:

--the modernization of the main interregional routes most used by traffic,

--the construction of new hard-surfaced roads to meet the needs of those parts of the country where the hard-surfaced road density does not correspond to local needs and is particularly detrimental to the development of agriculture,

--improvements in the technical condition of the highway network with special attention paid to road surfaces and bridges.

I will address the first of these issues here.

#### Modernization of the Main Interregional Routes in Light of Present and Envisioned Determining Factors

Improvements in the traffic conditions of the main interregional routes is particularly important, inasmuch as they must handle the most traffic, while the social and economic effects of traffic difficulties on these routes are being felt most intensively. The objective of modernizing interregional routes is the creation of such conditions that traffic on these routes can move smoothly, at an economically advantageous speed, usually estimated to be around 80-100 kilometers per hour for automobiles, and that this traffic be effectively separated from local traffic and the immediate roads used by local traffic. Of course, this objective does not apply to all interregional routes. Depending on the importance of the roads and the amount and nature of the traffic, a differentiation of the interregional routes into three technical classes has been made:

--superhighways: routes designated exclusively for motor transport. These highways are specifically planned and constructed without special attention paid to servicing adjacent localities; they are made up of two divided one-way lanes intersecting all criss-crossing routes in a way which prevents collisions, i.e., over- and underpasses;

--expressways: two- or single-lane highways designated exclusively for motor transport which does not service the local area; they cross over and under intersecting routes, but also permit single-level turnoffs to certain public roads;

--general-access interregional routes: up until now, they were technically classified as Class III Roads, which can carry mixed traffic and can serve the local area with or without restriction; they are different from general-access roads of lower technical classification;

--with regard to general-access interregional roads, these are roads designated to serve long-distance motor transport which is distinguished by its high speeds, 80-100 kilometers per hour, and, when justified, and restrictions in servicing the local area.

Super- and express highways are being designated in Poland as "high-speed routes", the characteristic and common features of which are: utilization exclusively by motor transport traffic and no service access to local areas. It is common practice to refer erroneously to two-lane roads, which do not have the features of super- and express highways, as "high-speed routes."

On the basis of several years of study, it has been established that the objective for the foreseeable future is the conversion of about 7,000 kilometers of interregional roads into high-speed routes. On the other hand, it has not yet been decided whether to designate the above-mentioned 7,000 kilometers of high-speed routes either super- or express highways, and that this issue needs to be examined on the basis of individual technical-economic studies of specific routes. The routes that will be designated superhighways are actually sections of international, European, or transit routes: E8: Terespol-Warsaw-Poznan-Swiecko, E22: Przemysl-Krakow-Katowice-Wroclaw-the Polish/GDR border, and E16: Gdansk-Lodz-Czestockowa-Katowice-the Polish/Czech border.

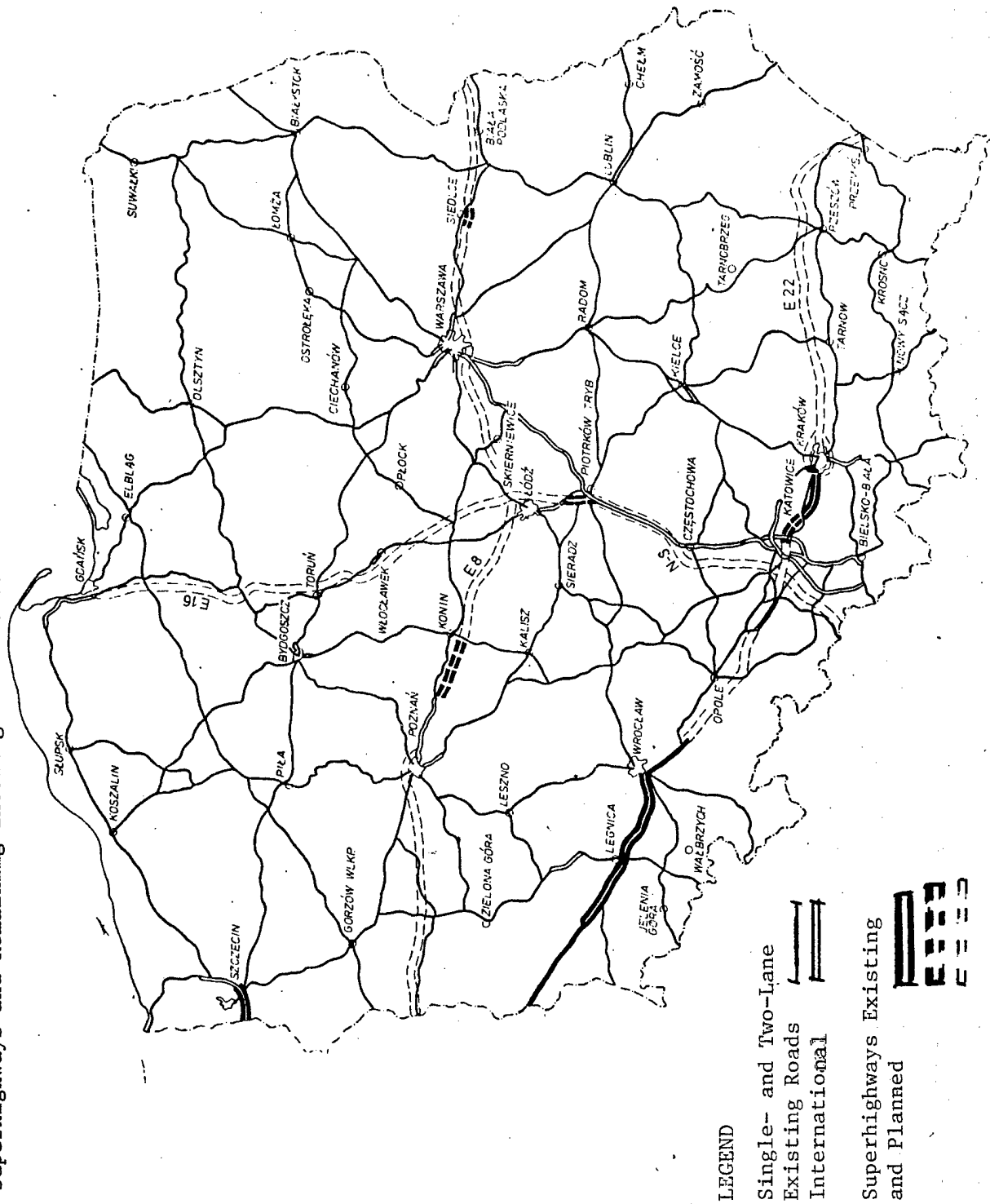
Superhighway E16 is a section of the "Trans-Europe North-South Superhighway", the planning and building of which are coordinated in a joint program by 10 interested countries, including Poland; this program is being implemented under the auspices of the United Nations. (See Figure 2)

General experience shows that a condition for the economic and safe flow of motor transport is the reconstruction of the highway network into superhighways along the most heavily traveled routes. The countries with the highest degree of motorization--the United States, West Germany, Italy, Switzerland, Austria, France and many others--already have had a superhighway network for many years. Superhighways are currently being constructed in almost every European country, including the socialist countries. Examples of countries belonging to the Council for Mutual Economic Aid and building superhighways are: Czechoslovakia, Bulgaria, Hungary, and the German Democratic Republic; the last country named already has an extensive superhighway network and is constructing additional superhighways where needed, while modernizing those sections built either before or during the Second World War.

The program to modernize the Polish interregional highway network up until 1985 and then during the subsequent 5-year period is being influenced by the country's economic situation, including investment restrictions, the shortages of basic road- and bridge-building materials, the limited opportunities to develop executive potential (i.e., the difficulties in providing the enterprises with modern and technical equipment, often obtainable only in Second World countries), etc. These factors are forcing limits on the amount of construction for the foreseeable future. It is planned that by 1990:



Figure 2. Superhighways and Remaining Interregional Routes



--Route E8 will see a continuation of superhighway construction on sections from Wrzesina towards Konin and Kolo (the section Wrzesina-Slugocin, about 34 kilometers long, will be open to traffic towards the end of 1984, the beginning of 1985); the section from Warsaw towards the west (Warsaw-Strykow) will also be renovated;

--Route E22 will see continued construction of a superhighway along the section Krakow-Katowice (from Chrzanow towards the west); this new section of superhighway will be linked with the Krakow road network. Further construction will be undertaken of the existing superhighway in the area from its end in the vicinity of Wroclaw towards Gliwice;

--Route E16, the North-South Superhighway, will see completion of the section Lodz-Piotrkow, while work will begin on a northern section of the superhighway, primarily from Gdansk to Tczew.

Details on the scope of the construction of superhighway sections will be spelled out in the 1986-1990 5-year plan. However, on the basis of the currently recognized financial and contract workload capabilities of the road-building industry, one can safely assume that construction will be stretched out over a relatively long time. An important factor determining the effective utilization of financial and material resources and contract management potential, as well as the quality of the work preformed, is the establishment of a stable and realistic long-term superhighway construction plan. For the foreseeable future, the practice of holding back the implementation of superhighway construction, already decided upon, is having many negative consequences; e.g., freezing resources already invested, destruction of unfinished engineer construction facilities used for roads and bridges, the disruption of contractor enterprise operations, losses resulting from the need to eliminate and then later once again organize construction funds, etc. With regard to the limited chances of developing in the near future a swift tempo of large-scale superhighway construction as a strategic prerequisite in the modernization of the main transit routes (E8, E22, and E16) a gradual improvement in the traffic conditions has been made through the coordination of investment activities (i.e., the construction of superhighway sections on the most heavily traveled routes) with appropriate modernization of the remaining sections of the existing roads where superhighway construction has to be deferred until after 1990. The implementation of this prerequisite will permit a gradual improvement in the traffic conditions along the entire length of the above-mentioned routes by gradually including superhighway sections along the ways which carry the traffic of the routes mentioned.

Improvements in the traffic conditions on the remaining interregional routes will occur primarily through the modernization of existing roads. This modernization consists of straightening out the routes, building hardened road shoulders, lanes for slow-moving vehicles on inclines, adding lanes onto those sections where it is justified because of traffic volume, building bypasses around built-up areas, etc. Some of the renovated sections will be designated as express highways.

The most important ventures beyond those already described with regard to routes E8, E22, and E16 envision the implementation by 1990 of the following:

- continuation of the thorough modernization of Route E14: Swinoujscie-Goleniow-Gorzow-Zielona-Jakuszyce,
- construction of a new bridge crossing over the Vistula in the vicinity of Zakroczymie on Route E81: Warsaw-Gdansk,
- construction of a bypass around Cieszyn together with a new border-crossing point between Poland and Czechoslovakia,
- reconstruction of the Warsaw-Radzymin section into a two-lane highway,
- completion of the bypass around Kielce on Route E7 (Warsaw-Krakow) and modernization along the same road of the transit route through Radom.

Improvements in traffic conditions on our main highways are resulting in multiple advantages in the form of increased traffic safety, reduced fuel consumption, reduced costs of travel and time savings in moving people and freight. Reduced fuel consumption for traffic on high-speed highways as compared to fuel consumption on congested single-lane roads is the result of the creation of conditions permitting constant, uninterrupted driving at optimum speeds, at least as far as fuel consumption is concerned. Research done by the Research Institute of Roads and Bridges using the results of national research efforts conducted by the Institute of Motor Transport and the Industrial Institute of Motorization, and by foreign institute showed, inter alia, that individual savings in fuel consumption could be gained by moving a daily traffic load of more than 8,000 vehicles from single-lane roads to high-speed highways the following fuel savings could be realized:

- for a private automobile: about 10 percent, or about 0.81 liters per 100 kilometers,
- for a truck: about 9 percent, or about 2.41 liters per 100 kilometers,
- for a bus: about 13 percent, or about 3.11 liters per 100 kilometers.

Looking at the mix of typical vehicles in use in Poland today, one could assume that the average reduction in fuel consumption per vehicle would amount to 1.51 liters of fuel saved for every 100 kilometers. Not only the degree of road congestion, but the technical condition of the road itself, especially the surface, play a major role in vehicular transport fuel consumption as well. Differences in unit fuel consumption, depending on the type and state of a road surface, can reach up to 25 percent and more. Additionally, not only the construction of high-speed highways along the most congested routes, but also intensified maintenance and modernization of the entire highway network can lead to a reduction in fuel consumption. The consistent implementation of a modernization program for our heavily traveled inter-regional roads will undoubtedly result in significant social and economic advantages.

POLAND

#### BRIEFS

AUTO OUTPUT PICKS UP--Four hundred new cars, the exact amount prescribed by the daily production plan, rolled off the assembly line at the Zeran FSO plant on 31 July. This output marked the end of the overhaul and vacation shutdown that ran from the beginning of July at this plant. At a press conference held in the plant's administration building it was pointed out that the plan calls for the production of 30,100 "FSO" cars and 14,000 "Polonez" cars by the end of this year. Judging from the condition of the plant's equipment and the stock of parts on hand, it may be assumed that both these targets and the plan targets for the first half of the year will be fulfilled.

[Text] [Warsaw TRYBUNA LUDU in Polish 16 Aug 84 p 1]

'POLONIA' TRADE AWARDS--On 15 August Tadeusz Witold Mlynczak, deputy chairman of the Council of State and president of the "Polonia" Society, presented "40th Anniversary of the PPR" medals conferred by the Council of State to a group of officials who have made outstanding contributions to the promotion of economic cooperation between Poland and the Polish community abroad. The award ceremony was followed by a meeting of the economic subcommittee of the "Polonia" Society's Executive Board. The meeting was called to discuss problems associated with the further advancement of mutually beneficial economic cooperation and trade between the Polish community abroad and the homeland. The participants assessed the results of the 9th Polonia Economic Forum, which is held every June in Poznan, and discussed the recommendations made by the participants in this forum. The meeting was chaired by the subcommittee chairman, Antoni Karas, vice minister of foreign trade. [Text]

[Warsaw ZYCIE WARSZAWY in Polish 16 Aug 84 p 2]

CSO: 2600/1198

BETTER USE OF AGRICULTURAL RESOURCES URGED

Bucharest AGRICULTURA SOCIALISTA in Romanian 7 Jun 84 pp 1, 6, 7

[Article by Ion Ceausescu, state secretary minister, first deputy chairman of State Planning Committee: "Agricultural Resources Should Be Better Used"]

[Text] The plenum of the National Council of Agriculture, the Food Industry, Silviculture, and Water Resource Management, an eloquent expression of our socialist democracy, discussed and adopted documents of major importance in meeting specifically the plan targets for 1984, a decisive condition for meeting the targets of the current five-year plan and for reaching the objectives set for carrying out the new agrarian revolution. The positive results, mentioned at the plenum, that were obtained during the first months of the year are due to resolute application by agricultural workers of an entire complex of measures indicated by the party leadership, which has constantly guided and supported activities so as to ensure complete and more efficient use of all land resources, increase in the number of livestock, concentration of efforts in the priority directions of intensive development, increase in responsibility and strictness in performance of the tasks assigned, and achievement of a new quality in work in all sectors of crop and livestock production.

Considering the especially important tasks assigned to us by the 1984 agriculture and food industry plan, given concrete expression in a 5.4 to 6 percent increase in aggregate agricultural production over 1983, in accomplishing a significant volume of production in physical terms, represented chiefly by 29 million tons of grains, over 10 million tons of beets, over 10 million tons of sunflower, 6.8 million tons of vegetables, more than 7 million tons of potatoes, 2.8 million tons of meat, more than 56 million hectoliters of milk, and substantial amounts of other plant and animal products, we have the obligation of acting with firm resolve, as we have been instructed by the party leadership, to create all the conditions needed for full accomplishment of all the plan assignments for this year and to eliminate the deficiencies displayed in the past in conduct of activities in some sectors of agriculture.

Only in this way will it be possible to provide the amounts specified in the Territorial Self-Management and Self-Supply Program at the quantity and quality level of food consumption meeting the needs for maintaining and developing labor capacity, improving the state of health of the entire people, and meeting the needs for agricultural raw materials for industry and surpluses for export.

The provisions of the 1984 plan for development of agriculture rest on a firm foundation, being based on the actual potential of land resources, the livestock potential that can be realized in the animal husbandry sector, and the measures established jointly with the ministry, departments, and central offices, the Academy of Agricultural and Forestry Sciences, the unitary agroindustrial councils, and the production units. The tasks in the field of agriculture are supported by a powerful and constantly evolving material base which was outfitted this year with 15,700 tractors, 4600 grain harvesting combines, and a large number of fodder crop harvesting combines, potato harvesters, and other highly productive and highly efficient complex agricultural equipment. At the same time, agriculture will receive more than 1.8 million tons of chemical fertilizers (in terms of primary component), which, together with the 35 million tons of organic fertilizers, fully meet fertilizer needs. The irrigated arable land will exceed 2.7 million hectares, the amount of land reclaimed by drainage will reach more than 3 million hectares, and the area on which erosion control projects have been carried out will reach about 2 million hectares.

A matter of importance in meeting the plan targets in the sphere of crop production is radical change in the erroneous conception of specialists who estimate the production capacity of the soil and the biological potential of plants on the basis of the poor performance accomplished thus far in some units, as a result of significant deficiencies in organization of production and work, failure to carry out farm work during optimum periods, noncompliance with specific technologies, unsuitable crop location, and failure to apply the crop rotation procedures needed for each zone.

The fact that many agricultural units situated in varying soil and climatic conditions have obtained results far above the planned level and that in Romania the farm land and arable land area per inhabitant is much larger than in countries which routinely achieve yields substantially higher than those in Romania once again demonstrates the realistic nature of the plan and the need for firm commitment on the part of the labor collectives and the specialists of the research and production units, as the party leadership has pointed out to us on many occasions, in carrying out all the tasks provided by the plan.

We have the duty of concentrating our efforts on firm application of the measures established for increasing the farm and arable land area, full cultivation of the land, outfitting of the areas scheduled for irrigation and use of these areas in their entirety, use of agricultural machinery and equipment, and of the recently approved system of machinery, at full capacity, and execution of farm work of high quality and during the optimum periods.

In order for us to accomplish the especially important tasks assigned to us, we must act more resolutely to ensure creation and utilization of biological material of superior quality and rapid introduction into production of the results of scientific research, modern technologies involving low consumption of materials and energy, and the experience of units which have obtained outstanding results. We must take all the measures necessary to ensure fuller integration of research into production, education, and planning, using the example of the horticultural sector.

Among the many actions which must be carried out to obtain high and stable yields, now and in the future we must concentrate our efforts and those of persons working in the field of agriculture on several actions of obvious importance.

Above all we must take more resolute action to increase the humus content over the entire farmland area, both by organizing crop rotation with soil-improving plants and by use of organic fertilizers, as well as through maximum use of biomass resources which can be put to no other use. At the same time, we must act to correct the soil acidity of 2.1 million acres the soil production capacity of which is currently limited and must reduce the influence of chemical fertilizers. In order to broaden the production base of agriculture and the basis for obtaining higher harvests in future years, the party leadership has assigned us the task of increasing the farmland and arable land area by about 500,000 hectares, at the expense of non-agricultural land categories. Both the specialists of production units and research and development personnel have the duty of taking part in this important action.

Particular attention must be devoted to measures for organization of production and work, so as to eliminate the substantial losses of material resources still being recorded, as a result of repeated handling and unsuitable storage of fertilizers and pesticides, and so as to prevent harvest losses even now, during the period of preparation of the combines and transportation means.

The party leadership assigns workers in the animal husbandry sector the task of fully meeting the targets of the plan and special programs relating to increase in the number of livestock, especially cattle and sheep, which can make the best use of natural pasturelands, grass forests, and secondary plant products.

The more than 4 million hectares of pastures more or less evenly distributed over the territory of the country represent a dependable material base for raising cattle and sheep. To be added to this are the existing new and modernized shelter facilities, with improved technologies and a high degree of mechanization of the principal operations.

Despite all these factors, livestock production is unsatisfactory, the increase in the numbers of stock from year to year is still small, the natality figures are still below potential, and economic efficiency is low. For this reason it will be necessary to take action both in the socialist

sector and on private farms to make certain that cattle and sheep become a permanent production source, as a result of better utilization of the cheap fodder resources available in the crop sector through creation and use of simple and efficient operating systems. For this purpose we must promote the establishment of small units which can be easily constructed with local resources and facilities, the size of the units being adapted to the particular type of agricultural unit. In the operating system we must make better use of natural conditions, keeping the cattle and sheep on natural or cultivated pastureland for a longer period during the year.

In the raising of sheep, proceeding from our traditions and the good conditions relative to many other European countries, we must apply all the measures established for development of flocks and achievement of production at the level of the plan targets. We must extend the experience of ranches which obtain good results, make wide use of agricultural by-products, develop cultivated pastures, and utilize aftercrops, stubble, and cornfields. In this area also we have to counter certain erroneous conceptions to the effect that a sheep becomes profitable only when it produces more than 10 kilograms of wool. How can the specialists who hold this viewpoint explain the fact that the tzurcana long-wooled sheep, the wool production of which, in keeping with the breed, is 3 to 4 kilograms, has for many years been and continues to be of particular importance both to sheep raisers and to the national economy? Profitability must be assessed differently for each breed. Along with the effort to provide cheap fodders, it will be necessary to avoid transportation of fodder, by moving the sheep to areas in which feeds are produced, as has always been the practice in these regions and as was requested, on other occasions and at the recent plenum, by the sheep raisers, especially those in hilly areas. The Ministry of Agriculture has the duty of solving the problem of moving flocks under the new conditions of modern socialist agriculture.

In order to increase profitability and carry out the instructions of the party leadership to obtain 120 lambs for every 100 sheep, it is necessary to establish the optimum covering and lambing periods for each breed and zone and to provide suitable shelters for sheep which lamb during the autumn and winter periods so as to achieve 3 lambings every 2 years or a high percentage of double lambings.

A significant share of total meat production is represented by pork and poultry, for the raising of which substantial investment funds have been allocated, both for production areas outfitted with installations meeting world technical standards and for reproduction stock. Meeting the plan targets for these species now requires energetic measures in order to provide sufficient amounts of good quality feeds. This is in fact the basic problem of development of the livestock raising sector and fulfillment of the plan for production of meat, milk, wool, eggs, and other products.

The agricultural development plan has provided for large areas for production of concentrated and bulk feeds. In 1984 these areas represent more than 45 percent of the arable land of the country, and to this area are to



be added the 4.5 million hectares of natural pastures and the 3 million hectares of grass forests.

The planned number of livestock and planned production increases can be obtained only if resolute action is taken to eliminate the deficiencies manifested in past years in organization of the activity of feed production and in application of the technology specific to each crop. It is easy to understand, and has been abundantly demonstrated in practice, that average yields per hectare of 900 kilograms of soya, 1400 kilograms of sunflower, 600 kilograms of peas, and 1800 kilograms of corn cannot sustain the development of intensive, high-yield livestock raising.

Hence it is necessary to take energetic action to ensure strict application of the instructions given by the party leadership so as to provide every livestock raising unit with the possibility of and assign it responsibility for producing the feeds required and creating reserves for unforeseen situations. The intermediate links will thereby be eliminated and hauling distances will be reduced, with favorable effects on fuel consumption and economic efficiency.

In all activities in the sphere of livestock raising the contribution of scientific research must be greatly increased by creation of new and more productive types or breeds, improvement of indigenous breeds, and establishment of technologies ensuring high production at low cost.

Private farms still have untapped potential for increasing agricultural production. To implement the provisions of the unified program, the people's councils, and the agricultural authorities in particular, have the duty of constantly assisting farmers in cooperatives and private farmers in full and efficient use of land areas held and used, in provision of the material resources specified by the plan, primarily selected seeds, planting stock, reproduction livestock, pigs, one-day old chicks, and the feeds due for persons providing livestock under contract.

An especially important condition in achievement of intensive agriculture is represented by concentration and specialization of production. The scope and content of these concepts require reconsideration, however, in that they should not refer exclusively to the quantitative aspects but should cover in particular the qualitative aspects linked to optimization of the dimensions of the production branches and the interrelations of these branches, as well as better processing and utilization of products, with direct links to the consumer being assured. This in effect constitutes the concept of horizontal and vertical integration of agricultural units, something that will ensure increase in economic efficiency and incentives to those who work in agriculture and will create the possibility of improving the organization and management of units. Conditions are thereby created for firm application of the economic and financial mechanism having the two essential aspects, self-management and self-administration. Of particular importance is establishment of direct, functional relationships between agricultural units and units which perform services

for agriculture, for the purpose of increasing responsibility for better use of material resources and management of raw materials. For this purpose consideration should be given to reorganization of the present system of services for agriculture by shifting the responsibility for some activities directly to the producer. This would make it possible to eliminate intermediate links and would act to lower costs, increase profitability, and ensure better mastery of production elements.

A radical change in concepts must also be brought about in the approach to the cooperation and trade relations with other countries in agriculture. Romanian agricultural exports are still below the potential level. This is shown even more clearly when we consider the past tradition of Romania as a major exporter of certain agricultural products. Before the war, for example, Romania established the price level on the world market for walnuts and other products and exported significant amounts of clover and alfalfa seeds at good prices. The country was known as an exporter of goose liver, feathers, and sliced meats.

To increase the volume and efficiency of exports in keeping with development of our socialist agriculture, we have the obligation of concentrating on organization and execution of production intended for foreign markets which will make better use at low production cost of the natural conditions specific to Romania. In place of the current situation marked by export of a wide range of products in small batches and large volumes of low value obtained with high material and energy consumption, we must bring about a scientifically substantiated radical change ensuring their replacement with products of low volume and high value, such as alfalfa and clover seeds, vegetable and cereal seeds, industrial crops, planting stock, reproduction livestock and seminal material, and other items.

To assure total fulfillment of the 1984 plan tasks for all indicators and attainment of the objectives of the national program for achieving dependable and stable yields, all of us concerned with agriculture have the task of taking responsible action to assure identification and utilization of all crop and livestock production resources to increase production in all sectors, so that we can celebrate with outstanding results the two major events of 1984, the 40th anniversary of the victory of the social and national antifascist and anti-imperialist revolution and the 13th Congress of the Romanian Communist Party.

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## MORE PROFITABLE ACTIVITY FOR STATE FARMS ENVISAGED

Bucharest AGRICULTURA SOCIALISTA in Romanian 14 Jun 84 pp 1,5

[Interview with Costel Eremia, state secretary minister, head of Department of State Agriculture, by V. Stancu; date and place not specified]

[Text] [Question] At the recent plenum of the National Council of Agriculture, the Food Industry, Forestry, and Water Resource Management, it was demanded that everything be done to bring about sharp increase in the efficiency and profitability of all agricultural activities. What are the prospects for achievement of better crop yields in state agricultural enterprises this year?

[Answer] The state agricultural enterprises have the task of obtaining 5.8 million tons of grains in 1984, including 4 million tons of corn, as well as higher yields of vegetables, grapes, and fruit. To achieve higher yields, the per hectare averages being 4500 kilograms for wheat, 4550 kilograms for barley, 5700 kilograms for corn, 2465 kilograms for sunflower, etc, at the department and trust level and in the units timely measures were taken to accentuate the intensive nature of production. Master technologies, crop programs, and new actions have been established, all of them representing permanent preconditions for increasing harvests. We are devoting particular care to execution of the priority programs for corn under intensive cultivation, and for rice, cotton, and mushroom growing.

The foundation for achieving higher yields was laid in autumn and in the spring farm campaign. Agricultural operations have been carried out at a higher agricultural engineering level. Along with the measures for decisive elimination of deficiencies, effort has been made to ensure sensible location of crops, improvement in hybrid and varietal structure, assurance of crop rotation and the planned densities, application of organic fertilizers and calcareous soil improvers over larger areas, and distribution of chemical fertilizers, with account taken of agrochemical mapping and the level of plan production. Other important measures have also been taken in a spirit of greater responsibility to make certain that they will be carried out more promptly and with higher quality. Mention may be made of extension of scarification and mole drainage operations, modernization of the old irrigation systems over 80,000 hectares, enlargement of the areas covered by local systems and the furrow irrigation method, improvements and

modernization that have been carried out in rice plantation systems, and so forth.

Crops are growing well at the present time. The heads of farms, machine operators, and all personnel of state agricultural enterprises now have the obligation of carrying out maintenance operations with the greatest care, since this is a critical factor in determining harvest size. At the same time, it is urgently necessary to prepare all equipment for the forthcoming harvest campaign. In the light of the instructions issued by the party and state leadership, all our specialists and machine operators are also concentrating their attention on carrying out the program relating to achievement in 1984 of yields from the 373,000 hectares of double grain corn crops, corn for silage, soya, sunflower, flax and fiber hemp, vegetables, and potatoes, in the growing of which priority is assigned to use of irrigated land.

Along with improvement in the material conditions for conducting activities in state agricultural enterprises, we constantly strive to establish high technological discipline, improve the organization of labor, and introduce elements of technical progress in all branches of activity, in order to increase production and economic efficiency.

The intensification of efforts to ensure better harvests this year must be accompanied by immediate action in the direction of creating even better conditions for obtaining record harvests in 1985. There is the need for completing the campaign for organizing the territory and for transition in autumn of 1984, in all state agricultural enterprises, to conduct of intensive agriculture under a stable crop rotation system.

[Question] What is the situation in livestock production?

[Answer] Although some progress has been made, it must be said that it is not satisfactory. In a number of units, especially the state agricultural enterprise trusts of Braila, Botosani, Calarasi, Covasna, Dimbovita, Giurgiu, and Satu Mare, there are still deficiencies in full production of the required numbers of maternal stock. The planned number of births of sheep and hogs has not been reached and the losses of livestock due to mortality are still high.

The situation is not satisfactory even in units with imported biological material. Although they have had cows of high genetic potential which can easily yield 4500 to 5000 liters of milk, in the state agricultural enterprises of Timma in Mehedinti District, Amzacea in Constanta District, Focsani in Vrancea District, and Berzovia in Caras-Severin District yields have been low and naturally cannot ensure suitable profitability. In the case of hogs, we have model farms and complexes such as those in Timis, Ialomita, and other districts where very large numbers of animals are raised, with very good economic results. But as was pointed out by the secretary general of the party at the recent plenum of the National Council of

Agriculture, the Food Industry, Silviculture, and Water Resource Management, we still have problems with this species, especially in reaching the desired slaughter weight; large amounts of feeds are required per kilogram of meat, and this raises the costs.

To increase physical production it is necessary to take very strict action at the level of each farm in order to strengthen technological discipline, improve veterinary medical activities, and consistently fulfill the programs established for each species. Stress must be placed at present on reaching the plan targets for bulk feeds, on obtaining the largest possible number of feed units per hectare cultivated or per hectare of pastureland, in the assortment established by the fodder budgets. The conditions in 1984 even make it possible to produce a substantial feed surplus in each unit.

We must then obtain a cattle birth index of at least 85 percent and intensify efforts for genetic improvement in cattle, in order to obtain an average cow milk production of 4000 liters in 1985. In the case of sheep we must devote even greater attention to the early covering campaign and genetic improvement in livestock so that in 1985 about 86 percent of the wool produced will be fine wool. In the case of hogs we must reach the situation of obtaining 1765 pigs per 100 sows on hand at the beginning of the year and ensure high weight increase in all units on fattening farms, with consumption of around 4 feed units per kilogram of meat. Heavy increases in production and continuing enhancement of the biological potential are also planned in poultry raising and the raising of other species.

[Question] We have many profitable units, but there are still some enterprises the economic and financial activities of which result in deficits. Expenses in these units are higher than income; the balance sheets do not reflect a profit or the planned profits are not reached.

[Answer] It is true that in some state agricultural enterprises product costs exceed the plan targets, but they as well can quickly emerge from this situation. How? Above all, as has been pointed out by the party and state leadership, through decisive increase in the production per hectare and animal fed and improvement in product quality, so as to receive the benefit of more substantial bonuses for deliveries to the state through increase in labor productivity, by improving professional training, extending mechanization and utilization of complex machinery, and by lowering material, common, and overhead expenses.

To sum up the experience of the leading units, the management of the department is exercising close supervision to make certain that in these enterprises as well the worker councils will ensure the most sensible use of the land and all fixed and circulating capital. By taking energetic action everywhere to improve responsibility and work quality and by exercising more rigorous preventive financial control, all our farms and enterprises will unquestionably soon enter the ranks of the efficient units.

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INTERVIEW WITH KIRO GLIGOROV ON STABILIZATION PROGRAM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 16 Jul 84 pp 17-21

[Interview with Kiro Gligorov by EKONOMSKA POLITIKA, the first in a series of articles on the topic "Why the Stabilization Program Is Not Being Carried Out": "A Year of Amendments Without Changes"; date and place not specified]

[Text] Although there is a great deal to do in any organization in the economy to normalize business operation, that fact by no means removes responsibility from those called upon above all to implement the economic stabilization program--and they are undoubtedly, to paraphrase the assessment of Kiro Gligorov--the Federal Executive Council and the SFRY Assembly. With this interview, which we are publishing in a liberally edited version, the editors begin on the anniversary of adoption of the stabilization program a series of articles with the working title: "Why the Stabilization Program Is Not Being Carried Out," out of a desire, of course, for the series to be as short as possible, that is, for it to lose the basis referred to in the working title.

EKONOMSKA POLITIKA: A year has passed since enactment of the long-range economic stabilization program. That period affords the possibility of drawing up the balance of where we are, what has been done and what is the situation today, that is, what we ought to do.

Kiro Gligorov: Perhaps it should first be said in this connection that the long-range economic stabilization program stated that this is an economic crisis. Accordingly, the way out of that crisis cannot be through adoption of a particular package or set of measures which are supposed to return the conjuncturally disturbed economic flows to their previous state. Especially since it was stated that this is not merely an economic crisis in the strict sense of the word, but rather is a crisis which has serious social and political implications. Accordingly, the way out of the economic crisis also cannot be expected unless the action of society is combined in the sense of carrying out the indispensable economic, social and political changes in the country. That is why the program, if we recall, stated that changes are necessary in the economic system, accordingly also in the socioeconomic relations that exist and which were created under the operation of such an economic system. Which means that there has to be a fundamental change of development policy and economic policy and a reorientation in foreign economic relations, emphasizing that these economic changes must also bring about appropriate

changes in other spheres of social and political life. It is only through that process that the long-range program sees opportunities for getting out of the present situation. Although it has been emphasized several times, it is not superfluous to state once again that the stabilization program is not merely a prescription for changes in the economy, but we are dealing here with a deeper social undertaking. After all, that is why it is referred to as "long-range" and why it was envisaged in definite phases so that the program as a whole would be carried out by the year 2000.

Second, it should be mentioned that the stabilization program also took into account everything that has been happening in the world. Which means that it was mindful both of the obvious changes which have already begun in the world as well as everything implied by the present progress of science and technology and the consequences arising therefrom in the economy. Third, it is stressed in the long-range program that ideological unity and the readiness of the subjective forces to enter into such a serious and profound social undertaking are a precondition. Not only are the risks great if that precondition is not met, but an operation of this kind is unfeasible.

EP: When you speak about the world situation, are you referring to the thesis that the environment is considerably worse than in 1965, when the reform was adopted?

Gligorov: What I have in mind is this. First, the quite profound reordering in the entire world economy is obvious, since the reaches of a technology have been exhausted. Science has in any case indicated new possibilities in a whole series of fields, above all in microelectronics, microbiology and robotization. This brings about different lineups in relations among the factors of production, in relations of labor and the results of labor. This kind of development requires an extremely large investment of capital, concentration of that investment, the share of live labor is dropping off considerably, and so on. Those changes, as indeed was the case in the past, inevitably bring about serious changes in world economic flows. First of all, in the international division of labor, which under these new conditions will be set up altogether differently. It is no accident that now entire branches of industry are moving from one region to another, and that certainly will also bring about large changes in linkage, association, industrial cooperation and similar processes. This is a process that began with the formation of the multinational companies, but now it is taking on different forms and flows under the new conditions. The particular markets are shifting in importance either from the standpoint of their upsurge in production, that applies to a portion of Asian space, or from the standpoint of their importance in trade and foreign exchange. We are about to see the yen join the group of world reserve currencies.

So, all these changes--whether they be economic, technological or financial in nature--are under way, and Yugoslavia must find its place in that. Aside from that, you see, major innovations in individual spheres of production are taking place almost daily. We dare not neglect all those functions in devising development policy up to the end of this century. On the contrary, they must be included in the calculations. That is precisely why the long-range program

took as its point of departure an assessment of the international economic situation and of everything happening in the world, be it the capitalist or socialist world or the developing countries, seeking Yugoslavia's place. Nor is it an accident that the program was presented in separate documents dealing with various lines of development and policy in key sectors of the economy, that is, those places where the greatest technological changes are occurring. Once again, of course, seeking our economy's place.

EP: World flows necessitate changes independently of the crisis in which the Yugoslav economy has found itself.

Gligorov: Absolutely. As a matter of fact, we have been tardy in making the changes. What began to change in the world with the occurrence of the first oil crisis was not met with an appropriate reaction in our country. The consequences were manifested as an aggravation of our economic crisis beyond what objectively had to follow as the result of those changes if we had reacted in good time. Only these past few years, let it be said in passing, have we made serious changes in the price of petroleum. Even though we have a shortage of petroleum and even though 10 years ago we were spokesmen for the idea among the developing countries that we should adapt as soon as possible to that kind of situation in the world.

So, although the long-range program was highly mindful of what is changing in the world and of what the consequences of those changes are, the main conclusion--which has been confirmed in the meantime--still stands: that the principal causes of the economic crisis are above all internal in nature. The program starts from the premise that even if there had been no changes in the world, we had exhausted the capabilities of a period and of the economic system which prevailed in our country during that period: that is economic development and raising the standard of living by a constant inflow of capital from abroad. That no longer works, at least not without augmenting internal difficulties, difficulties which are not only economic.

From that viewpoint I do not acknowledge the validity of all those judgments, since they have not been documented at all, to the effect that the long-range program, at the time when it was drafted, did not evaluate deeply enough all the implications of world changes and of difficulties in the country, and that one of the reasons for the lag in carrying out the stabilization program is that we have had to go further than the long-range program in investigating the causes of our present situation. After all, it is difficult to make a more serious and comprehensive evaluation than that we find ourselves in an economic crisis which has its social and political implications unless one assumes that we are dealing with a social crisis. Accordingly, I think that such arguments can serve only as an excuse for not carrying out what the long-range program envisages or not carrying it out on time and consistently enough.

EP: Is there more of a basis for the argument that the main obstacle lies in the existence of what are referred to as objectively differing interests?



Gligorov: That argument should be taken with a grain of salt, since often it is used to conceal certain other differences and certain other reasons for those differences which people do not desire to present openly and clearly in public. I have in mind here, first of all, that ideological differences which have persisted even after adoption of the long-range program have not been cleared up in our country. Even in the first discussions of implementation of the stabilization program there were differences in ideological views as to what we wished to accomplish with the stabilization program, especially when it became clear that the very first phase required very major changes in the entire economic system and creation of new conditions for business operation that would be based above all on economic rather than government coercion. They would be, just to repeat, a single measure of value embodied in the dinar, the treatment of foreign exchange as means of payment abroad, market formation of prices, price parities, income, accumulation and depreciation which are realistic in economic terms, a real rate of interest--all the way to real rents and a distribution of income premised upon the use of factors of production and contribution to productivity and efficiency in the use of social capital.

All of a sudden it turned out that these were profound and revolutionary changes when set against the prevailing criteria and conditions in the conduct of business. It was natural, then, that this should then inevitably put on the agenda what are referred to as interests, whether we are talking about a material interest enveloped in an ideological wrapper, or we are truly dealing with differing ideological views on certain key issues in the conception of socialism and its economic and social constitution. Several points are most obvious in this regard. Certain people still do not grasp, or do not wish to acknowledge, the duality of the worker's position in the system of self-management: that he is a worker-producer and that at a particular work station he must fight for the highest possible productivity, and that he is at the same time and in another status the sole factor, and that, as the manager of social capital, he must be directly motivated to use that capital optimally. If conditions for the conduct of business, and that means the economic system, are not so arranged that the worker is equally motivated to conserve his labor at the work station and so that the effects which he achieves through the use of social capital essentially influence his gross personal income, then this latter status of his, the status of manager, is inoperative. This is now the typical situation in our country. The worker thinks of himself as anything but a manager and as the responsible user of social resources.

Unless we achieve that status of the worker, then everything that follows from that is only a consequence, and then someone must replace him in that status. In our country that is the government. In that case self-management cannot yield the anticipated results, and it remains only as a program and a vision instead of being a real implement of the working class for achieving its economic and political liberation.

Accordingly, if we want to state the gist of the matter in one sentence, the long-range program furnished a synthesis of self-management and of an efficient economy. Naturally, at the present level of development of the productive forces and for the foreseeable future up to the end of this century--by

which time the economy should be reordered to respect all the real economic criteria, development should be based on those conditions and a much more significant and appropriate place should be ensured in the international division of labor than is now the case.

EP: Without which there is no self-management?

Gligorov: The basic conflict on the ideological plane begins with that issue which has probably been present since socialism's first steps: to implement socialism, but under our conditions of self-management, with a market economy. Everything which the long-range program speaks about comprises creation of market and economic prerequisites for the development of self-management, proving that respect for the laws of commodity production is an essential prerequisite for development of self-management even under the conditions of social ownership.

EP: Without the market can self-management avoid political voluntarism, can the manipulated dinar be separated from manipulation of the self-managers?

Gligorov: Of course, it can't. After all, so long as the results of the labor of individual collectives and individuals must be ascertained in an objective way, the market is the only and most objective standard of measurement which answers the question of the quantity and quality of everyone's merit, regardless of all the injustices which the market economy contains. Never in Yugoslavia--regardless of all the injustices which the market economy contains. Never in Yugoslavia--regardless of all the faults in the economic system both before and especially after the adoption of self-management--has it been debatable that individual results of the labor of individual collectives must be tabulated which means, as Kidric said back in his time, that they are economic and legal entities. So far the entire past development of an economy, not only ours, shows that objective standards of measurement cannot be established without the help of the market and market criteria so long as commodity production exists. The worker must know those objective standards of measurement, beginning with the sole measure of value to the market setting of prices and the real rate of interest, as an expression of the value of social resources, and he must be familiar with their role in the production process and the process of the creation of value.

EP: Critics say that no one has been explaining what these economic laws are.

Gligorov: The situation is the other way about. I think that it bothers no one for the stabilization program to speak about economic laws, since everyone agrees that certain laws exist. But it bothers those critics that those economic laws are being concretized, and that in clear and definite form. After all, there could be no doubt whatsoever about how the economic laws manifest themselves concretely, when the sole measure of value in the national currency and real factors of production as the basis for distribution of income are designated as the characteristics of the unified Yugoslav market. Precisely that concretization is the cause of the assertion that the advocacy of economic laws in the long-range program is vague and that it does not answer the question of what they signify and how they operate under our conditions. In

fact this is a question of disagreement with the market criteria set forth in the long-range program.

EP: Others say only the pace of the application is at issue.

Gligorov: Changes are not, of course, painless, and any illusion in that regard could be very dangerous. The program calls for a change of basic habits, of everything that has become the normal climate and the normal way of life--but which must be abandoned.

The question should be put in another way: What can we expect if we persist in the present standards of labor and the present economic system and its mechanisms? Does that make it possible for us to overcome the difficulties more easily? And, related to that, assuming we agree that changes on the line of the stabilization program are indispensable--will we arrive at a way out sooner if we introduce the new categories anemically and at half-measure into a situation of which we have said that it demands fundamental changes? The answer to that question is contained in the following: we ought to undertake consistent application of the long-range program, respecting the nature of those new forms and criteria of business operation, and at the same time all the innovations must be accompanied by appropriate social and political measures. The stabilization program calls attention to that. Accordingly, whereas it is said of the 1965 reform that basically it was well-conceived, but neglected the social consequences, that objection is without grounds in this case. The long-range program has examined the economic and social aspects of the changes as complementary components, making affirmative responses, for example, in the field of creating new jobs, so that the problem can be overcome. You see the kind of resistance that must be overcome by everything related, say, to small business or to agriculture, where the main issues still concern the planting plan, the harvest, purchases, and so on, rather than changes in the basic conditions for business operation which would make it possible for the interests of the producers to be aroused far more than is brought about by the present scarcity.

The ultimate conclusion from all this runs: it is an illusion that the stabilization program can be carried out by changing only certain parts of the present economic system while the rest are left untouched, or in such a way that certain elements of the new economic system would through some kind of graduality approach the goals over a lengthy period of time: or for nothing essential to change in development policy--or, as we now often see, for the difficulties that have arisen to be resolved above all through social welfare measures which are not based on changes in development policy and on creation of conditions for creation of new jobs, but through solidarity funds, shorter working hours, and so on--with, that is, surrogates that temporarily mitigate, but actually put off the solution of that problem and make it more difficult. Of course, appropriate changes of the same importance also need to be made in the sphere of decisionmaking, especially concerning personnel policy, as well as in those prerequisites of the political system without which changes of any seriousness in the economic system cannot be accomplished. It is indispensable to open up opportunities for advancement of those personnel who would commit themselves to changing the status quo along the line plotted by the long-range program.

One of the unavoidable issues in these ideological discussions is the attitude toward the social means of production. That very conception of the nature of ownership of the social means of production, which, to put it in the mildest terms, is referred to in oversimplified terms with very scanty scientific foundation as everyone's and no one's so that a maximum degree of the nonowning attitude is manifested, contains the foundation of a system in which there is not an adequate obligation and responsibility for optimum use of social property. That does indeed lead in the direction where social property becomes everyone's and no one's in practice. Social ownership is not confirmed by the fact that no one will feel it to be his, but it will be confirmed as social insofar as the one who directly manages it is deeply concerned about its fate, strives to put it to maximum use, since his and his family's standard of living depends on that. At the same time, it is precisely social ownership conceived in that way, combined with that kind of responsibility on the part of the worker, that constitutes the material foundation of his social power. If the worker does not have an attitude toward social property in which he sees it as his direct personal interest and the material basis of what we might refer to as his dominant role in society, then there is no one to be concerned about that social property, then it truly is something there for the taking. Or ultimately some new titleholder must emerge, and in our country that would again be in the form of the government. Which is why there is so much talk in our country about the bad or insufficient concern of our law enforcement agencies, inspectorates, protectors of self-management, defenders of self-management law, and so on, that is, the thesis that if they perform their functions and discharge their obligations properly, social property would not be threatened. However, there are no changes in the attitude toward social property, let me put it drastically, so long as the worker's gross personal income for the month, at least a third of his earnings intended for his reproduction and the reproduction of his family, does not originate in optimum use of social resources. Only then will he take an exceedingly proprietorial interest in that property, both as his own and as that of society, only then can we speak of a true material basis of self-management.

If social property is so treated that the worker does not see an interest in using it optimally, then there is no other solution but for income to be treated solely as the result of current labor and for the income per worker to be the basic scale of measurement for distribution. This view is consistent with that attitude toward the resources of society. Which is why the changes in this connection envisaged by the stabilization program are among the most important: that is, the view that the income realized by work collectives should not be treated as a noncontradictory category. Income contains two parts with differing economic functions. One part is intended for the worker's personal consumption, and the other part for the future, either of that collective or of the broader community.

Neglecting that fact leads to voluntaristic distribution of income. Which is why today we have low personal incomes and at the same time accumulation that figures as the remainder. There is a very broad space between low personal incomes and the low accumulative capacity of the economy in which all the non-economic factors have become entrenched with their share in the distribution of income, and ultimately indeed with a decisive position with respect to use

even of that remainder, also figuring as a factor constantly limiting personal incomes according to some criteria of their own. All of this indicates that there is no solution in the division of income unless income depends upon the productivity achieved in current labor and on optimum utilization of the available resources.

Distribution according to work ought to have the result that an equal or approximately equal reward is attained for equal work. All existing differences show that widely differing personal incomes are now received for the same work. Instead of implementing the basic principle, it has thus become the rule that the same work is differently remunerated. Those differences, since they lack economic justification, are a serious cause of inflation. After all, on the principle of comparison with others, there is an interrupted process of equalization taking place, followed by renewed differences and yet another equalization, always at a higher level. But all personal incomes and the sum total of income are becoming relatively low because of low productivity of labor and because of the immense social overhead, which is appropriating an ever more sizable portion of income. In view of the fact that the other factor in distribution is not operative either, that is, since the quality of utilization of social resources has very little impact, and usually does not affect personal incomes at all--we have gotten into a situation in which accumulation is not only the remainder, but is not even an essential factor in the motivation of the workers for better work and higher income.

Accordingly, unless two objective criteria governing distribution are introduced, they are contained in the stabilization program, there is no way out of this situation in which the economy has a smaller and smaller share in the distribution of income, nor is it motivated to create larger income.

In our country, however, this issue has been cast over into the area of the trade unions, as an issue in the internal division within work collectives. What the trade unions have now prepared, and what has been in the process of public discussion, has been highly criticized, since it was not proposed in a pure form that made it possible to deal with all opposing views in terms of clear-cut principle. Nor in the year which has passed have we reached consensus on the social compact concerning division of income, and that is only the first step toward the corresponding compact in the republics and provinces and in every organization of associated labor. Yet that is one of the most important areas of the system. After all, if the other parts of the economic system undergo change in the manner foreseen by the long-range program, postponement of changing distribution would signify retention of government intervention in a very sensitive area.

EP: Can a system be imagined in which economic entities can independently make decisions about what they will spend today and what part of spending they will defer?

Gligorov: He can do that and must decide in that way even without all those compacts. But under one essential condition: that objective criteria adhered to by every work collective are given as the consequence of all these and other changes in the economic system. Adherence is not meant literally, but

the criteria would serve him as a reference in judging whether he is in conformity with what is envisaged by the long-range program and what the consequences are if he behaves differently. So, there is no other way than for the work collective to make that decision. But to decide in a way which requires that it always be mindful of all the economic criteria. When he is aware of those facts, then he is also the only one capable of making the economically optimum decision and of confirming himself as a self-manager. Then he needs neither the assistance from any government, nor government intervention. Nor will he then have anyone to blame for those decisions about distribution than himself.

EP: You have illustrated a number of postponements in the first phase of the stabilization program. Which delays are the most dangerous?

Gligorov: We are late, I would say, if not in all areas, then in most of them. Let us begin with what is supposed to ensure the unified Yugoslav market. We must first draw the line which separates us from foreign countries, but on the basis of our own measure of value, and on that basis to establish all values and other relations within the country so that we arrive at a clarification of where, by whom and what contribution is really being made to this society. Given this kind of inflation rate, given the hesitations over the role of the domestic currency, and given the tardiness of all the changes envisaged in the credit and monetary sphere--let me only illustrate by mentioning the real rate of interest and nonperformance of mutual obligations, as is the case with all those who are not creating new income on that basis, but are actually melting down social property, living off fictitious income and losses--we still find ourselves facing a very broad set of interrelated issues. I would emphasize that there is not a single point in this which is fundamentally unclear or on which we do not know what to do if we want to consistently implement the principle that the dinar is the sole measure of value. This ties in with the foreign exchange system and the vacillation which is still very pronounced. If we have made progress anywhere, this is above all in the fact that now hardly anyone any longer disputes that there can exist a money market or market for goods without a foreign exchange market. Or, no one today any longer asserts, at least in the discussions and bodies making the decisions, that foreign currencies can be a means of payment in the country. But we still cannot say that we have actually eliminated that.

These and similar examples show how strong the vacillation is over a clear-cut concept to the effect that foreign countries are only a means of payment to foreign countries. The foreign exchange market cannot be viewed solely as a function of the quantity of foreign exchange which is possessed, since ultimately the quantity determines only the level of rate of exchange under conditions when the entire economic policy leads toward equilibrium of the economy. The quantity of foreign exchange is not decisive as to whether there will be markets. Incidentally, that could also be applied to goods and the market could be eliminated in those sectors where the supply is less than the demand. But money is another thing that we cannot replace with any surrogate, since the shortage of money is pronounced at many points in the economy.

EP: From that standpoint inflation has resulted from postponement of application of the stabilization program.

Gligerov: This discussion is being conducted in such manner that the causes of the rise of inflation are being explained in terms of the consequences. The real rate of interest and the real rate of exchange are conditions and elements of stabilization. But provided everything else that derives therefrom is functioning. The interest rate, say, is viewed from the standpoint of its immediate inclusion in production costs as of the moment when it takes on a real expression, but what is essential is not examined: the real rate of interest is being introduced so that economic entities will behave differently, above all in the use of social capital, so that they will reflect on where and how they invest, on whether the investment is justified, and so on, regardless of whether the capital to be invested is their own or borrowed.

This is establishing order in the economy. This is an act against inflation, and only then would the economy gradually be restructured and altogether different criteria would be applied in investment.

The same is true of the real rate of exchange. Regardless of all the objections to the effect that the dinar has been rapidly devalued, the fact remains that the realistic rate of foreign exchange, for all the other shortcomings that have remained in the economic system and policy--has nevertheless earned most of the credit for the results that have been achieved in exports to the convertible area. We can only assume what that interest in exporting would be if the real rate of exchange of the dinar were unhesitatingly established as a permanent component of our policy, and that with all those accompanying changes which such a rate of exchange demands in domestic economic policy. Unless the different attitude toward the rate of foreign exchange is described as a lack of understanding or ignorance, then this can only be a longing for those methods of operation and economic activity which have in fact got us into this situation.

EP: So, a further postponement of the stabilization would augment the existing problems and create new ones.

Gligerov: Precisely so, since it has been clearly confirmed in the past year that a policy based on small steps cannot yield good results. The experience of others shows that there is no way out of the crisis without quite profound changes and without a decisive confrontation with everything that follows therefrom. On the foundations of our system, of course, on the basis of our social situation. But even that does not make it possible to overcome the crisis without quite far-reaching social changes and reorganization. Accordingly, instead of small steps, the changes in all spheres--but they must be linked, synchronized and simultaneous--are our immediate goal. It can no longer even be said that it takes time for people to become familiar with the program. A year is presumably enough for that process, and there is no justification whatsoever for a further delay, even of 1 month, except indecisiveness or a lack of interest.

Prolonging application of the stabilization program is fraught with great danger. Those dangers lie above all in the aggravation of the entire economic crisis and in a lag of our economy, a lag which already exists. That would necessitate a further continuous concern with the current situation, and neglect of long-term problems which do not brook delay, since the material basis is inevitably being created for a more serious internal crisis.

So, everything indicates that time is now playing a very important role. Letting this year pass as well would objectively mean preparation of the terrain for the judgment that the stabilization program has not provided the right answers. After all, if it had--it should already have yielded results. That is a terrain for other solutions, which at present are not emerging as a conception. However, there is constant talk about some sort of alternatives which have not yet been articulated, but it is obvious that they lead in another direction.

The danger of overestimating the results achieved is also arising. Although we should be cheered by even the smallest success under conditions of this kind, which I would describe as a convulsive effort to get out of the present situation, it would be dangerous to exaggerate the importance of the growth of production after 3 years of stagnation and after a 10-year investment cycle in which 40 percent of the social product was invested in major projects. In that context this year's 4-5-percent growth of industrial output, while the growth of the social product will probably not exceed 3 percent, is quite modest. Nor would it be good if we exaggerated the importance of the growth of exports to the convertible market, since in the 3 previous years we did not have any growth of total exports, but only changes within the existing volume--or if on the basis of the 8-percent growth of exports in the first 5 months we draw the conclusion that we need not change anything very seriously in the sphere of foreign economic relations. That logic brings the threat of a serious danger of a slacking off of attention and interest in the more profound changes which must nevertheless be carried out. Otherwise we would be relying only on whether at half-year or for the year one, two or three successes have been achieved in certain domains of the economy, instead of exports becoming an organic need of the economy, which is undergoing reorganization toward a different position for us in foreign economic relations.

EP: Who bears the greatest responsibility for carrying out the stabilization program?

Gligorov: There are tasks, when we talk about certain indispensable changes in the economy and society, which cannot be accomplished by other bodies than those which bear the constitutional responsibility for that. Changes can be made in the economic system only by the SFRY Assembly and the Federal Executive Council as the proponent of those changes. With the support, of course, of the most responsible agencies in the Federation. Passing on that responsibility and that obligation primarily to work collectives and the like cannot bear any sort of fruit. A change in the economic system cannot be expected from the work collective. This must be an organized act accomplished through appropriate changes of the laws regulating relations in the economy, based, of course, on the stabilization program, which is a general obligation and point



of reference for all changes. So, that action must begin with bodies within the Federation. This, of course, does not diminish in the least the need for activity and responsibility in every work collective, since there is a very great deal to be cleared up even before those changes are enacted. But all those actions will bear partial fruit, then they will come to a halt, and mobility will slack off in all organizations, unless those principal changes are forthcoming.

EP: Everything indicates that the upcoming party debate will not be able to bypass these issues.

Gligorov: Certainly. In my opinion this must be topic Number One in the party debate. Otherwise the debate would be reduced to a discussion about internal relations in the League of Communists, which is certainly important, but those internal relations will be examined much better in a realistic social and economic context. If they are discussed in relation to what is most urgent at the moment, and that is the program for transformation of society, then it will have a realistic intonation and will lead to definite results. If the debate is separated from that, and if it confines itself solely to internal organizational and other aspects of the activity of the League of Communists, then this will be a debate which cannot yield large results except to reiterate the consecrated principles set forth in the LCY Program and Bylaws, in the bylaws of the republics and provinces.

7045

CSO: 2800/433

LOW PERCENTAGE OF INTER-REGIONAL INVESTMENTS

Belgrade BORBA in Serbo-Croatian 7-8 Jul 84 p 4

[Article by Dusan Nedeljkovic: "A 28 Cent Step]

[Text] Only 28 paras out of 100 dinars cross the borders between republics and provinces as investments. The alarming nature of this finding is underlined by the fact that even this is neffect token amount is decreasing.

The 1982 inventory of investments made by the Public Accounting Service of Yugoslavia indicated that the investments in question amounted to 33 paras. As is shown by the latest survey of 31 March 1984, investments can convincingly document the isolation of the republics and provinces from the viewpoint of financial capital circulation. It is extremely difficult for the dinar to cross the borders between republics and provinces. What a dinar, the cynics would say; it would be extraordinary for it to do so in view of the current situation.

The Public Accounting Service of Yugoslavia has no comment to make. Nor, it says, is any needed. Everyone can see this from the fact that only 5.48 billion dinars (0.28 percent) out of total investment funds amounting to 1,914 billion cross borders between republics and provinces.

On this occasion as well our social decisions head in one direction and actual practice goes off in another. As the data show, the republics and provinces find it very difficult to invest outside their own territory, even though, as we are convinced, there are good reasons for doing so. In one way Kosovo is a good example of the bad investment policy of the republics and Vojvodina SAP [Socialist Autonomous Province]. This province, for example, has exceptionally favorable conditions for development of energy and working of metals, but received only 267 million dinars "from outside" (163 million dinars from Serbia less the SAP and 104 million from Slovenia). All other republics and SAP Vojvodina invested not a single dinar.

Only nominally are investment funds increasing. In reality they are declining. In a situation marked by increasing needs and decreasing ability, the republics and provinces are being very cautious. It is not important economic criteria that determines what will for the most part be spent and what is most urgently needed, but rather their own concerns. The conversations conducted

of late on transformation of the banking system can to some extent complete the picture of the reasons why the investment dinar remains within the borders of the republics and provinces (if we ignore the token, as it were "disobedient," 28 paras). The Bank Association of Yugoslavia has found, for example, that the banks also have contributed to closing the republics and provinces, and not the opposite. The justification given, if we can speak of any such, is that the influence of the politicians still predominates, so that the banks are not independent enough to make evaluations according to the proper criteria. In fact, bankers themselves admit that they have only minimal influence on decision making in this sphere.

In real terms, investments have been declining for 3 years in a row. This indicates among other things that there is much in poor investment practice that remains to be changed. The turnaround in investment that is so essential also demands much more openness by the republics and provinces, since only in this way is it possible to ensure much higher investment efficiency. The Public Accounting Service of Yugoslavia is not far from the truth in saying that the low investment efficiency is also due to excessive isolation of the republics and provinces. At the same time, it is clear that no single republic or province has all the resources it needs to invest exclusively in its own territory. On the contrary, the need for faster movement of the investment dinar is obvious. These needs are far out of line with the current token amount of 28 paras.

6115

CSO: 2800/401

## CONTRIBUTIONS TO FUND FOR UNDERDEVELOPED REGIONS FOR 1984

Belgrade SLUZHBI LIST SRFJ in Serbo-Croatian No 22, 27 Apr 84 p 664

[Text] Resolution of the Establishment of Annual and Monthly Accounts of Permanent Resources of the Federal Fund for Financing More Rapid Development of Economically Underdeveloped Republics and Autonomous Provinces in 1984

1. The following amounts are established for annual and monthly accounts of permanent resources of the Federal Fund for Financing More Rapid Development of Economically Underdeveloped Republics and Autonomous Provinces in 1984 (hereinafter in the text called simply "The Fund").

Resources based on 50 percent obligatory loan  
(in millions of dinars)

<u>Republic or Province</u>	<u>Annual Account Permanent Fund</u>	<u>Annual Obligation</u>	<u>Monthly Obligation</u>
Bosnia and Hercegovina	12,070.6	6,035.3	502.9
Montenegro	1,830.0	915.0	76.3
Croatia	20,952.9	10,476.4	873.0
Macedonia	4,975.5	2,487.8	207.3
Slovenia	13,193.4	6,596.7	549.7
Serbia proper	20,211.9	10,105.9	842.2
Kosovo	1,809.8	904.9	75.4
Vojvodina	8,942.9	4,471.5	372.6
Total	83,987.0	41,993.5	3,499.4

Belgrade, 28 February 1984

Assembly of the Federal Fund for Financing the More Rapid Development of Economically Underdeveloped Republics and Autonomous Provinces

Pavle Tasevski [signed], Vice President

POOLED FUNDS FOR INVESTMENT IN UNDERDEVELOPED AREAS 1981-1983

Belgrade PRIVREDNI PREGLED in Serbo Croatian 29 Jun 84 p 6

[Article by M. J.: "The Obvious Interest of Associated Labor: Money Pooled for 3 Years for Investment in Underdeveloped Areas"]

[Text] The June 1984 issue of AKTUELNE INFORMACIJE, published by the Federal Foundation for Provision of Credit for More Rapid Development of the Underdeveloped Republics and autonomous Provinces, presented the results of pooling from 1981 to 1983. The report is topical for several reasons, above all because of the data showing how much money was pooled over this period, and also because it reports the number of self-management agreements concluded and the number of investments financed with pooled money. It also informs readers of what investments are involved, in which sectors of the economy and which branches, as well as the nature of the investment projects, showing that not only are new projects being built, but also that money is being invested in rebuilding of existing capacities and so forth.

Several Hundred Proposals

Over the 1981-83 period the foundation organized the signing of 386 self-management agreements whereby 43 billion dinars were pooled. Programs in Kosovo SAP have absorbed 16.4 billion dinars (38.1 percent) of this amount, Bosnia and Herzegovina 15.1 billion (35.1 percent), Macedonia 9 billion dinars (20.9 percent), and Montenegro 2.5 billion (5.8 percent). The largest number of self-management agreements, 272 or 70 percent, pooled money for financing investments in industry and mining. In second place is agriculture with 78 agreements (20 percent). The remaining 10 percent relate to other areas of the economy.

The report also discusses the experience with pooling over the 1981-83 period. The results are accompanied by many problems. This, of course, is the reason why mention is made of the systematic requirements of self-management pooling, the socioeconomic conditions under which labor and money are pooled, the directions in which pooling should be guided, and the measures to be taken to stimulate the pooling process.

According to the report, over the last 3 years associated labor evinced obvious interest in mutual linking and self-management pooling of labor and

funds in the foundation for the purpose of joint development programs in the economically underdeveloped republics and SAP Kosovo. There were several hundred pooling initiatives and proposals, and 386 self-management agreements were concluded, 165 in Macedonia, 138 in Bosnia and Herzegovina, 26 in Montenegro, and 57 in Kosovo Province. Organizations of more than one republic and autonomous province pooled resources in 54 self-management agreements.

The estimated value of the investments financed with funds pooled on the basis of the signed and coordinated agreements is 175.3 billion dinars, programs in Bosnia and Herzegovina accounting for 87.3 billion dinars (49.8 percent), in Macedonia 32.6 billion (18.6 percent), in Kosovo Province 44.9 billion (25.6 percent), and in Montenegro 10.4 billion dinars (5.9 percent). As has already been stated, the foundation pooled 42 billion dinars for these programs, 24.5 percent of the estimated value of these investments.

#### Greatest Amount for new Investments

AKTUELNE INFORMACIJE states that the number of self-management agreements does not determine the size of the share of pooled federation funds in financing economic projects under construction in Kosovo, 36.5 percent. The next largest share is in Macedonia (27.6 percent), followed by Montenegro (24 percent), and lastly Bosnia and Herzegovina (17.5 percent). It is interesting, and not without significance, that the largest number of agreements have been signed and the most money has been allocated for new investments, which are followed in magnitude by rebuilding and modernization and by investment cost overruns. The construction of new facilities, of an estimated value of 86.2 billion dinars, of which 26.4 billion represents financing with money pooled in the foundation, is also interesting because the projects are primarily small industrial facilities from the viewpoint of total funds committed, number of new jobs, and other criteria. Rebuilding and modernization were the purpose of 155 self-management agreements representing an estimated value of around 69 billion dinars, including 13.1 billion dinars of pooled funds. Relatively larger amounts of money will be spent for these projects to introduce new technology, but will result in creation of fewer potential new jobs.

The estimated value of investments in industry was 133 billion dinars, 76 percent of the estimated value of all programs over the 1981-83 period. The estimated value of investments in agriculture is very small in comparison to those in industry, only 24.5 billion dinars or slightly under 14 percent. In industry the largest investments are in metalworking industry, 57 programs with an estimated value of 34.9 billion dinars.

Investments for securing raw and reproduction materials are covered in 54 self-management agreements representing an estimated value of 37.1 billion dinars. Pooled funds amounting to 7.6 billion dinars will be applied for these investment projects.

A total of 35 self-management agreements were signed for carrying out tertiary activity programs. The total value of these programs ran to 17.8 billion dinars, including 2.2 billion dinars of pooled funds. Another item in the report is that 180 agreements were concluded for investments in process industry. The estimated value of these investments amounted to 80.1 billion dinars, 22.4 billion dinars of pooled funds being used for the financing.

6115

CSO: 2800/401

## YUGOSLAVIA

## DISTRIBUTION OF PUBLIC FUNDS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Jun 84 p 6

[Text] Monetary Resources of Public Fund Users

Stanje 31. marta 1984. u milijardama dinara

	(4) Ukupno	(3) Novčana sredstva				
		(5) žiro račun	(6) rezerve	(7) zajednička potrošnja	(8) izdvojena sredstva za investicije	(9) prolazni račun
Ukupno (10)	1020,3	559,6	206,9	73,9	129,6	50,3
Ukupno (bez banaka) (11)	788,9	463,0	72,0	73,9	129,6	50,3
OUR privrede (12)	312,2	164,2	25,0	39,5	74,5	9,0
OUR društvenih delatnosti (13)	86,5	36,0	9,2	11,4	29,9	—
Ostali i određeni						
KDS (14)	23,7	21,6	—	2,1	—	—
Radne zajednice (15)	40,1	22,0	—	18,1	—	—
Banke (16)	231,5	96,6	134,9	—	—	—
Zajednice osiguranja imovine i lica (17)	11,9	7,8	2,5	—	1,6	—
Budžeti DPZ i organi i organizacije DPZ (18)	78,3	45,0	13,2	—	12,8	7,3
Fondovi (19)	41,1	35,3	—	—	—	5,8
Za razvoj privredno nedovoljno razvijenih područja (19a)	1,8	1,8	—	—	—	—
Zajedničkih rezervi (20)	15,9	15,9	—	—	—	—
Fondovi DPZ (21)	3,8	3,8	—	—	—	—
Ostali fondovi (22)	13,8	13,8	—	—	—	—
Neraspoređena i ostala sredstva (23)	5,8	—	—	—	—	5,8
Samoupravne interesne zajednice (24)	156,0	125,1	22,2	2,8	—	5,9
Materijalne proizvodnje (25)	32,8	32,1	0,7	—	—	—
Stambeno-komunalne delatnosti (26)	43,3	42,5	0,8	—	—	—
Zdravstvenog, invalidskog i penzijskog osiguranja (27)	30,8	27,4	3,4	—	—	—
Dečije i socijalne zaštite (28)	7,7	6,8	0,9	—	—	—
Obrazovanja, nauke, kulture i fizičke kulture (29)	15,4	13,5	1,9	—	—	—
Zapošljavanja (30)	1,9	1,6	0,3	—	—	—
Ostale SIZ neprivrede (31)	1,3	1,2	0,1	—	—	—
Neraspoređena i ostala sredstva (32)	22,8	—	14,1	2,8	—	5,9
Drugi nepomenuti korisnici (33)	39,0	6,0	—	—	10,8	22,2
Mesne zajednice (34)	15,4	4,6	—	—	10,8	—
KDS u likvidaciji (35)	1,4	1,4	—	—	—	—
Ostalo (36)	22,2	—	—	—	—	22,2



Key:

1. Status as of 31 March 1984
2. In billions of dinars
3. Monetary resources
4. Total
5. Transfer accounts
6. Reserves
7. Collective consumption
8. Funds allocated for investment
9. Temporary accounts
10. Total
11. Total less banks
12. Associated labor organizations in economy
13. Associated labor organizations in public activities
14. Other and specific KDS
15. Labor collectives
16. Banks
17. Property and personal insurance collectives
18. Government budgets and governmental agencies and organizations
19. Funds and foundations
  - (a) For development of economically underdeveloped areas
20. Collective reserves
21. Government funds and foundations
22. Other funds and foundations
23. Unallocated and other funds
24. Self-managed interest collectives
25. In material production
26. In housing and public utility activities
27. In health, disability, and pension insurance
28. In child and social welfare
29. In education, science, culture, and physical culture
30. In employment
31. Other self-managed interest collectives not in economy
32. Unallocated and other funds
33. Other unlisted users
34. Local collectives
35. KDS in liquidation
36. Other

6115

CSO: 2800/401

PROFESSOR DISCUSSES NEW VARIETIES OF WHEAT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 27 Jul 84 p 6

[Interview with Prof Dr Tihomir Vrebalov, director of the Institute for Agriculture and Horticulture in Novi Sad by Viseslav Subotic, editor at PRIVREDNI PREGLED]

[Text] For the last few days harvesting on the fields of Vojvodina has been better than ever before. A rich yield has made everybody happy: harvesters, producers, and especially scientists and experts at the Institute for Agriculture and Horticulture in Novi Sad who have created the new record-yielding varieties. In test fields in Rimski Sancevi, combines have harvested the elite variety "Jugoslaviya" and other quality varieties created at this scientific and research institute. The yield is from 6.5 to over 8 tons. The "Novosadska Rana II" and other early varieties in wide use in Vojvodina have yielded nearly 9 tons per hectare.

Keeping in mind that the "Jugoslaviya" and "Balkan" varieties were sown in Vojvodina on 30 percent of wheat fields and in other parts of our country on 20 percent, which means on about 300,000 hectares, and that the "Novosadska Rana II" was sown on 40 percent of wheat fields in Vojvodina and the rest of the country, which means on 600,000 hectares in all, it is clear that the rich harvest this year in Vojvodina and the entire country to a large part will be a result of the effort and dedicated work of the Novi Sad breeders.

On this occasion our editor, Viseslava Subotic, has talked with Prof Dr Tihomir Verbalov, director of the Institute for Agriculture and Horticulture in Novi Sad.

[Question] According to all indications, the wheat harvest this year will quantitatively be above all expectations. How was this result arrived at?

[Answer] Judging by all the indications, the yield in Vojvodina will be the highest ever. It ranges from 5.200 to 5.399 kg, and the average yield

is 5.030 kg per hectare. Why such a yield? This year has been very complex for wheat growing. One half of the fields were sown outside the optimal period, in November, and the wheat sprouted only when rain and snow fell. The winter was long and cold and uncomfortable for undeveloped stalks. The plants did not store enough sugar for the winter and that is why they were weak when the winter was over.

The spring was late and the young plants were faced with drought in this period (March-April). Flowers were conceived in this dry spring, and the drought resulted in a diminished quantity of flowers and weak stalks, wheat cannot give a high yield. However May and June could not have been better. There was 100 to 130 mm of precipitation, and in June 80 to 90 mm. Unfavorable temperatures (28° to 30°) lasted for 3 days only. Nights were cool. Daytime temperatures ranged from 18° to 20°C. Such precipitation and temperatures made it possible for the grain to be ideally formed, fine and shiny like the largest rice.

And thus, in spite of a smaller number of grains in a spike, above-average yield, the highest so far, has been obtained.

[Question] Which varieties have given the record yields?

[Answer] Record yield was achieved with the varieties "Novosadska Rana II" "Jugoslavija," "Posavka I," and "Balkan" from Prof Dr Todor Misic's team, "Zitnica" from Prof Dr Slavko Borojevic's team program, and "Zvezda" from Dipl Eng Desimir Mikic's program. In the areas suffering from the drought, the "Novosadska Rana II" withstood the drought and gave higher yield than expected, and in the areas with more precipitation "Jugoslavija" has had record yields. On the so far largest social sector acreage the PIK Tamis, its yield reached 8.900 kg, and in the Elan enterprise in Srbobran its average yield has been 7.100 kg at 12 percent humidity.

The producers therefore should give first priority to cultivating the very early varieties which can withstand the drought and heat shock, then medium and medium late varieties. This way high yield can be obtained each year, because whatever the year, it will be suitable to one of these groups. The enterprises that proceed like this do not have low yields. Instead, some enterprises use only one "fashionable" variety, which is a great risk. The structure of varieties recommended here is the only guarantee of sure and high yields, regardless of weather conditions.

[Question] What are the goals of the Institute's experts for further wheat selection?

[Answer] These data show that the social sector used 60 percent of the seedstock, which proves that the program adopted in March 1984 has been realistic. The most significant aspect of it was that the existing and new varieties can be used at the capacity of 60 percent with usual production conditions but with a strict knowledge and application of product technology, improvement of water and oxygen conditions in the soil and its biosphere and rhizosphere, and increasing the amount of mineral fertilizers. Our breeders

create in fact only varieties whose yield is over 10 tons per hectare. The yield of 9.6 tons has already been achieved in Yugoslavia, but only on smaller lots.

The Institute employs mostly young scientists. Out of the total number of 153 staff members, 46 have been working up to 10 years, 41 from 10 to 20 years, and the smallest number is represented by those who have worked 30 to 40 years--only 22. Their enthusiasm, love, persistence and will are the guarantee for the creation of ever more fertile and qualitative varieties. Thus the creation of new varieties is going on. The commission that approves new varieties is currently examining 32 new lines. This obviously confirms that science practically never reaches its goal, but provokes selectors to new research and further struggle not only for high yield but also for quality grain. In this way quality flour and bread are produced. This year's yield above has proved that their efforts were worthwhile. A harvest like this to which grain breeders have contributed a lot, will convince producers and the community as a whole that, under our ecological conditions, smaller acreage can also provide all the wheat that Yugoslavia needs and that its import should stop. To achieve this, it is necessary to improve the technology of production and increase the labor discipline.

[Question] Would wheat exports this year make sense. That is, what will the situation be if our country appears as a buyer?

[Answer] We should not go to the world market as wheat exporters. However, in some years when the production and procurement of wheat exceed demand, we could sell export if this is necessary to obtain foreign currency and stabilization. Thus we could export wheat this year, but only if we are sure that we will not have to import it.

12455

CSO: 2800/432

## BRIEFS

**ELECTRIC POWER OUTLOOK FOR 1985**--According to the preliminary draft of the electric power budget, prepared on the basis of data from the republics and provinces and adopted by the Yugo-Electro Executive Committee, 1985 electric production and consumption in Yugoslavia should total about 77.3 billion KWH of electrical energy, exceeding this year's estimated total production by 6.4 percent. This level of production will satisfy all needs of consumers from domestic electric power plants, and neither imports nor exports of power are anticipated. A particular curiosity in this budget that should be stressed is the fact that for the first time, the projected consumption is regarded to be realistic. To be specific, in previous projections the republics and provinces have expressed needs for very high electric power needs, so that every year a level of growth was planned that was markedly higher than that realized. The greatest part of the electric energy produced (nearly 40 billion KWH) will be produced at thermal power stations using coal and at hydroelectric power plants (26 billion KWH). Nuclear power plants are scheduled to produce something more than 4 billion, and thermal power plants using fuel oil are to produce some 3 billion KWH. The remaining production will come from gas-operated and industrial thermoelectric power plants. Naturally, this production depends on a number of conditions. Production based on coal will require about 57.7 million tons of coal (5 million tons more than this year). The mines will probably produce that amount, although at the meeting mentioned above, the representative of the Bosnia and Hercegovina electric power industry, said that the "Tuzla" thermal power plant is having trouble getting its coal supplies. The greatest uncertainty, however, lies in obtaining fuel oil, where 1.1 million tons are needed (950,000 tons for thermal power plants that use it exclusively as fuel and 150,000 tons for ignition at coal-burning plants). The shortage of fuel oil will significantly threaten the implementation of the budget, and the situation will be the worst in the Croatian electric power industry. Excess amounts of electrical power energy next year will be produced in Slovenia, Kosovo and Macedonia (totaling about 2.3 billion KWH) while a similar shortfall can be expected in Bosnia and Hercegovina, Montenegro, and to a lesser degree in Serbia proper and Vojvodina. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 2 Jul 84 p 32] 12131

**COAL PRODUCTION**--Last month Yugoslav coal mines produced nearly 5.1 million tons of coal, or fully 25 percent more than in June of last year. This growth was achieved primarily thanks to the growth in lignite production by nearly

35 percent (4.1 million tons of this coal was mined). Production of brown coal and hard coals in June were less than for the same month in 1983. For the first 6 months of the year, something more than 31 million tons of coal were mined, surpassing last year's production for that period by 13.2 percent. Lignite production (25.2 million tons) increased by 16 percent, brown coal production (5.6 million tons) by 2 percent, and hard coal (190,000 tons) fell by 2.5 percent. Although the mines are obviously achieving high rates of production growth, it still appears, when other circumstances related to production are considered, that there will not be enough to fulfill this year's plan of producing 64 million tons. [Text] [Belgrade EKONOMSKA POLITIKA IN Serbo-Croatian 23 Jul 84 p 28] 12131

ELECTRIC POWER IN FIRST HALF OF 1984--In the first half of this year, Yugoslav power plants produced more power than consumers needed: nearly 33.2 billion KWH were produced, while about a billion KWH less were consumed. Exports also exceeded imports, with 1.8 billion KWH going abroad (of which 1.3 billion KWH were actually in repayment of last year's debt, while 500 million KWH were commercial exports), at the same time, 1.3 billion KWH were imported, of which 1.1 billion were purchased and the remaining 200 million KWH borrowed). This favorable electrical energy balance resulted in part from favorable climatic conditions, heavy rains combined with relatively high temperatures, which on the one hand made it possible for hydroelectric power plants to produce more, and on the other hand, reduced consumption. Water flow in the first 6 months enabled production of more than 16 billion KWH, or 15 percent more than planned and 12 percent more than was produced in the same period of 1983. That made it possible for the hydroelectric power plants, with production of 13.7 billion KWH, to exceed the plan by 3 percent and to exceed last year's actual production by 1.4 percent. Thermoelectric power plants using coal produced 15.8 billion KWH (11 percent more than last year), while those using fuel oil produced 1.1 billion KWH (10 percent less than last year), and the "Krsko" nuclear power plant produced 2.5 billion KWH (2.4 percent more than in the first 6 months of last year). The high water flow made it possible, in addition to high production at hydroelectric power plants, to fill reservoirs, so that in mid-July there was water available for production of 3.6 billion KWH, which is 600 million KWH over the plan. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 23 Jul 84 p 28] 12131

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