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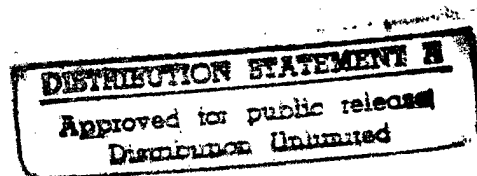
JPRS 82787

2 February 1983

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2365



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### CONTENTS

#### INTERNATIONAL AFFAIRS

- CEMA Production Specialization Described  
(NEPSZABADSAG, 13 Jan 83) ..... 1

#### CZECHOSLOVAKIA

- Bribery Flourishes in Our Land  
(Iveta Fryvaldska; PRAVDA, 12 Jan 83) ..... 3

#### HUNGARY

- Enterprise Managers Discuss 1983 Business Outlook  
(Akos Balassa, et al. Interview; FIGYELO, 30 Dec 82) ..... 5
- State Secretary Discusses Trade, Consumer Goods Supply  
(Miklos Andriko Interview; NEPSZABADSAG, 11 Dec 82) ..... 10
- Seasonal Fluctuations in Trade Hindrance  
(Istvan Garamvolgyi; FIGYELO, 2 Dec 82) ..... 17

#### POLAND

- Economic Realities Examined  
(Mats Lundegard; DAGEN NYHETER, 10 Jan 83) ..... 20
- 'Facts' of Polish-USSR Economic Cooperation Outlined  
(Waldemar Sobiecki; RAZEM, 7 Nov 82) ..... 25
- Economic Reform Activities of Domestic Trade Institute Outlined  
(HANDEL WEWNETRZNY, Jan-Apr 82) ..... 30

#### ROMANIA

- Plan Failures, Irregular Financial Practices  
(Radu Ciurileanu; ERA SOCIALISTA, 20 Jul 82) ..... 35

|                                                                                                                  |    |
|------------------------------------------------------------------------------------------------------------------|----|
| Improvements Suggested for Veterinary Medicine, Research<br>(Valentin Popovici; ERA SOCIALISTA, 20 Jul 82) ..... | 40 |
|------------------------------------------------------------------------------------------------------------------|----|

|                                                                           |    |
|---------------------------------------------------------------------------|----|
| Data on Farm Equipment, Fertilizer for 1983<br>(AGERPRES, 6 Jan 83) ..... | 49 |
|---------------------------------------------------------------------------|----|

#### YUGOSLAVIA

|                                                                                                             |    |
|-------------------------------------------------------------------------------------------------------------|----|
| Western, Guest Workers' Views of Yugoslav Economy<br>(Viktor Meier; FRANKFURTER ALLGEMEINE, 3 Jan 83) ..... | 50 |
|-------------------------------------------------------------------------------------------------------------|----|

|                                                                                                              |    |
|--------------------------------------------------------------------------------------------------------------|----|
| Gligorov Reviews Status of Kraigher Commission Measures<br>(Kiro Gligorov Interview; DANAS, 28 Dec 82) ..... | 53 |
|--------------------------------------------------------------------------------------------------------------|----|

CEMA PRODUCTION SPECIALIZATION DESCRIBED

Budapest NEPSZABADSAG in Hungarian 13 Jan 83 p 5

[Text] At present Hungarian enterprises are cooperating with enterprises of the other CEMA countries within the framework of more than 90 multilateral and 150 bilateral contracts for production specialization and cooperation. Products made under cooperation account for nearly 35 to 40 percent of Hungary's export to other CEMA countries. In import the proportion of such products is smaller, but even here it is at least 20 percent. The most cooperation arrangements are in engineering. Specialized engineering products account for 80 percent of Hungary's cooperational export to CEMA countries; their share of cooperational import is also high, reaching 60 percent.

On the basis of bilateral and multilateral agreements, the Hungarian Shipyard and Crane Factory is building floating cranes, river tugboats for push-towing and hawser towing; self-propelled seagoing floating cranes and dock portal cranes for its CEMA partners. During the past five years, 134 such shipbuilding-industry installations, mostly seagoing vessels, were delivered to socialist customers. According to the plans for this year, primarily to supply the Soviet demand, several new types of installations will be launched. The Soviet Union is buying 80 percent of the export output. As a part of the production cooperation, the Soviet partner supplies prime movers, auxiliaries, pumps and radio equipment for the ships and floating cranes being built in Hungary.

A result of the cooperational relations established with the Soviet factory is the three-speed hydromechanical transmission for which 28 different parts --gears and shafts--are built at the Szigethalom and Eger plants of the Csepel Automobile Factory, while the transmission housing, and the hydraulic and control units are built at the L'vov Bus Factory. Within the framework of this cooperation, 2600 transmissions will be built this year; 800 of these will be sent back by the Soviet factory, for installation in the Ikarus buses that are to be shipped to the Soviet Union. Through specialization and division of labor, the Csepel Automobile Factory has been able to significantly modernize its production of transmissions, despite its more modest investment possibilities. Proof of this is the fact that this year more than 20 different versions of the two basic types of transmissions are being offered to customers.

The Interlighter Navigation Enterprise, founded jointly by Bulgaria, Czechoslovakia, Hungary and the Soviet Union in 1978, completed 1982 successfully, having met all requests for service. With its barge transporting system that is unique in Europe, Interlighter accepts cargo from Danubian ports to the west coast of India and to several Southeast Asian countries.

Together with several other Hungarian chemical enterprises, Nitrokemia of Fuzfo is participating in Hungarian-Soviet agrochemical agreement. This year it will ship already 5,000 metric tons of Niticid, a herbicide, to the Soviet Union. Within the framework of cooperation, deliveries increased rapidly in recent years, already reaching 4,500 metric tons last year. Meanwhile the expansion of the production base became necessary, and the capacity of the plant that produces the active ingredient has been doubled. The economic efficiency of production also has been improved continuously, through minor technological modifications. In exchange for the herbicides that incorporate a lot of intellectual effort, Hungary receives energy-intensive chemicals under the Soviet-Hungarian agrochemical agreement. Among other things, nitrogen fertilizers and various synthetic materials are being shipped by the Soviet partners.

The organization of contracting in third markets is still a relatively new field in cooperation between enterprises of different socialist countries. The Emexport General Contracting Enterprise (Emexport Fovallalkozo Vallalat) recently completed the construction of a hotel in Uzhgorod and is now erecting a nine-story large-panel building there. Taking cooperation one step further, it has concluded a general contract with the [Soviet] Tekhnostroyeksport Foreign Trade Association to jointly undertake investment projects in third markets. According to the general contract, the two organizations will cooperate in undertaking industrial and civic construction projects in developing countries.

1014

CSO: 2500/101

BRIBERY FLOURISHES IN OUR LAND

AU131250 Bratislava PRAVDA in Slovak 12 Jan 83 p 4

[Iveta Fryvaldska article: "Tolerance Continues To Prevail"]

[Excerpts] [Passage omitted] According to a survey conducted by a crime research institute, a good fourth of our citizens do not see anything wrong with bribery, more than a half do not think that it should be prosecuted and 80 percent are of the opinion that the punishment for taking bribes is unnecessarily high and propose administrative measures only. Only 30 percent are in favor of sanctions in accordance with our legal norms.

Another finding is confounding, too: more than half the households spend KCS 2-4 billion a year on bribes-gratuities! For television repairs, at the hairdresser's, in restaurants, at the gas station, in spa resorts....  
[passage omitted]

This means that bribery flourishes in our land. [passage omitted]

However, it would be a great simplification to depict it as only the fruit of petty bourgeois thinking. After all, if it did not have fertile soil it would not flourish! It is even regarded to be the norm in human relations although, in essence, it is a certain social defect.

The universal growth of needs contributes to this. Everyone wants to have everything--a car, a wall-unit, a chalet, vacations abroad. Regardless of his position and performance. It is, on the whole, logical that production cannot cope with such a universal growth of needs and as a result there are shortages of goods, goods which, however, can be had for a bribe. And so the merry-go-round goes on! I will give you this and you, for a bribe, will give me something else.... [passage omitted]

The remedy is to constantly improve the wage policy and strengthen the economic function of wages, to distinguish more clearly between good and sloppy work, and to remunerate according to actual performance, so that people will comprehend that the thing that counts is the quantity, quality and social contribution of the work done. And not who has cleverly fiddled, bribed someone or acquired something in an unauthorized way, and how!

Corruption and bribery must be prosecuted. Both, the person who offers a bribe and the person who takes it, are culprits. However, the mechanical application of legislative norms is not enough. Legal prosecution, if it remains an isolated act without the ethical-political back-up, cannot resolve this problem. To express it figuratively: when there are 100 customers for 10 bedroom suites, the solution lies not in education but in ensuring that there are 100 bedroom suites on the market! [passage omitted]

CSO: 2400/120

ENTERPRISE MANAGERS DISCUSS 1983 BUSINESS OUTLOOK

Budapest FIGYELO in Hungarian 30 Dec 82 pp 1, 7

[Group interview with Akos Balassa, main department chief of the National Planning Office, et al., by Ivan Wiesel; date and place of interview not given]

[Text] On the invitation of our editorial office, Akos Balassa, main department chief of the National Planning Office, Denes Kerekas, deputy director general of Mineral-impex, Peter Lorincze, secretary general of the Hungarian Chamber of Commerce, Istvan Martos, director general of Medicor, Lajos Osvath, director of the Economic Research Institute, and Andras Raba, deputy director of the Business Cycle and Market Research Institute, gave a group interview on the economic prospects in 1983. The interview was conducted by Ivan Wiesel of our staff.

I. Wiesel: The various business cycle and market research institutes, international economic organizations, banks, chambers of commerce and government circles are giving the most conflicting forecasts of the capitalist world economy's foreseeable development in 1983. There are those who claim that the capitalist world economy's decline has not yet reached its low point, and its further slide can be expected in 1983. According to other forecasts, however, there will be a modest and slow recovery of the international economy already in 1983. And finally, some experts believe that the recession will continue. Which of these forecasts can we accept for the substantiation of our economic tasks in 1983?

A. Raba: The capitalist world economy has been in a recession for the past three years. The indicators of economic development are very unfavorable; production is stagnating or declining; and consumption and spending likewise are not rising. Especially sharp are the cutbacks in investment and the rise of unemployment. The volume of world trade is not growing. Protectionism, which affects international trade adversely, is spreading. Entrepreneurial interest is low, and the number of business bankruptcies is rising significantly. The price level of raw materials is declining. Petroleum is no exception: the spot market prices are lower than OPEC's official benchmark price. Favorable on the other hand is that in many developed capitalist countries the rise of domestic consumer prices has slowed down, and the rate of inflation has become more moderate.

There is no cause for optimism in the short term. We cannot expect any significant recovery of the capitalist world economy in 1983. I assume that the recession is easing slightly as a result of various government measures and due to

the self-motion of development. For this reason, raw-material prices could begin to rise slowly. The effects of protectionist measures will be felt also in 1983. Exporters will be forced, as before, to operate in an atmosphere of exceptionally sharp competition.

L. Osvath: The business picture includes also the international monetary and money-market problems, which influence significantly the individual countries' economic possibilities and their international economic policies. Consider, for example, how many countries are laboring under the burden of high debt-servicing costs and interest rates. For this reason even countries which, under relatively balanced conditions on the international money markets, would be considered good credit risks are now in a difficult situation. The significant constriction of available credit is forcing the debtor countries to slow down their rates of economic growth, cut import and stimulate the expansion of export. This has led to a considerable strengthening of a buyer's market in the world.

In my opinion, the capitalist world economy will not budge perceptibly from its present standstill even in 1983, and Hungary's export possibilities will not be any better than they were in 1982. Neither am I optimistic about the various governments' pump-priming measures to start a recovery.

P. Lorincze: Perhaps the most probable is that the rate of economic growth will not decline further. This is supported by the fact that the developed capitalist countries, for the first time since 1978, are talking more about reflation, the stimulation of production, and combating unemployment.

The question arises as to what problems would be created in the world economy by a shift from recession to recovery. Many experts believe that such a shift would cause serious stresses. Rapid oscillations in the world economy are just as dangerous as the present persisting slump.

I. Martos: One characteristic of the present recession is that there is a rapid rate of technical development, parallel with the general slump. Spreading new technology also replaces labor, although now this is not the main motive.

D. Kerekes: From the viewpoint of Mineralimpex, the characteristic of 1983 will be twofold: Our export opportunities will become extremely difficult, while in import we will be able to achieve savings. The crisis of the aluminum and construction industries, for example, is influencing our export unfavorably. In the import of refractories, however, we will be able to gain an economic advantage.

At the same time, a significant change in petroleum prices would again cause a shock in the world economy.

In conjunction with the reduction of raw-material inventories, attention should be called to some peculiar phenomena. When inventories ran down in the past, demand immediately picked up and prices rose. Now this effect is delayed: a reduction of inventories is not followed by a rise in prices. This affects unfavorably also our possibilities to export basic materials.

L. Osvath: Because the dollar has been gaining in strength constantly, raw-material prices in national currencies generally are not declining.

A. Balassa: From what has been said we may, I believe, draw the conclusion that in 1983 we again cannot expect an improvement of our terms of trade, and instead even a certain worsening can be expected because farm prices are continuing to slide.

I. Wiesel: Nothing has been said so far about what effects the problems of the world economy are having on the CEMA countries' economic cooperation.

A. Balassa: Not even the CEMA countries are indifferent to the crisis in the capitalist world economy. At the high level of interest rates, our foreign indebtedness to the developed capitalist countries is a considerable burden that increases our demand for convertible currency. The CEMA countries' conditions for exporting to the capitalist world market have worsened in recent years, and probably not even 1983 will bring any significant change in this respect. Also as a result of all this, the possibilities of expanding mutual economic relations will be more limited than in years past.

However, this trend cannot be regarded as permanent because it is in the interest of the CEMA community to rapidly expand economic cooperation and to comprehensively utilize the advantages this offers.

We can expect our terms of trade to worsen also in our trade with socialist countries, which will have to be offset with additional export. The worsening of the terms of our entire trade will absorb 3 to 4 percent of national income in 1983.

L. Osvath: CEMA cooperation should not be evaluated homogeneously because the situation and possibilities of the individual countries vary considerably. I should like to emphasize that in trade between CEMA countries in 1982, discipline in bilateral deliveries improved, and hopefully this will be the trend also in 1983. Economic cooperation with CEMA countries is one of the most important stabilizing factors of our economy.

I. Martos: The medical equipment industry in the CEMA countries, and also other sectors of industry are export oriented. This logically requires that the enterprises concerned must try harder to work jointly on third markets. On the part of the enterprises the willingness to do so is developing, but there are few good examples, due to the rigidity and incomparability of the individual countries' domestic economic regulators. I think that a system of conditions for cooperation on third markets should be developed urgently in the CEMA countries because this is an effective way of expanding export denominated in convertible currency.

A. Raba: If we are speaking of the unsolved problems of CEMA cooperation, we cannot disregard the fact that in general the infrastructures are underdeveloped. Consider, for example, the well-known problems of railroad transportation, which at present are jeopardizing even the fulfillment of contractual obligations. A substantial improvement must be achieved in this respect.

I. Wiesel: How is all this reflected in the 1983 national economic plan and system of regulation?

A. Balassa: All that has been said significantly influences the freedom of movement of the Hungarian economy and of Hungarian economic policy. The basic task

is the improvement of external economic equilibrium: in 1983 we will have to earn a larger surplus in convertible currencies than in 1982, and the deficit of the balance of trade denominated in transferable rubles will have to be reduced substantially. Therefore export in 1983 will have to increase by 7 percent, and import will remain essentially at the 1982 level.

I. Martos: In my opinion, the export incentives in many instances fall below the enterprises' "stimulus threshold" because many tasks are to be achieved with little additional resources.

D. Kerekes: Today even the maintenance of the present level of export requires considerable efforts on the part of the enterprises. Therefore the stimulation of export has been extended, very properly, also to the maintenance of the export level.

I. Martos: An export surplus should be achieved, I believe, primarily through economical export, and also stimulation should concentrate on such export. Unfortunately, it now appears that also in 1983 the available resources will be dissipated among incentives for the various objectives.

Concerning the enterprises' freedom of movement, my experience is that the proper intentions of economic policy and the possibilities are not always in harmony. For enterprise independence remains a moot possibility if its financial prerequisites are not available, or not available where they can be used the most effectively. So far as the export difficulties are concerned, the world trends must not be projected mechanically to the Hungarian conditions. The small volume of Hungarian export--less than 1 percent of world trade--and its particular market orientation enable us to find the gaps through which export can be expanded even in a recession. But such gaps can be found and exploited only by enterprises that are in the market and occasionally are willing to assume even the risk of temporary losses in the interest of retaining the market and its future possibilities.

Reverting to the system of regulation, it would be desirable to reinforce the effort to make resources available to efficient enterprises on terms more favorable than in the case of less efficient enterprises. Many resolutions refer to this principle, but actual progress has been little and slow.

P. Lorincze: Besides compulsion, also incentives are needed to promote efficiency because the economy has not only a disequilibrium problem, but also a problem of inadequate performance.

A. Raba: I think we should draw a distinction between the compulsory measures intended to strengthen external and domestic equilibrium, or to prevent its worsening, on the one hand; and the increasingly necessary measures whose purpose is to stimulate efficiency and provide a basis for its unfolding, on the other. I hope that the now vital short-term restrictions will not become permanent and systematic; this would not only be in conflict with the requirements of perfecting our system of economic management, but in the final outcome it would also hamper economic and social development.

A. Balassa: This is an important thought. The possibilities that can be usefully exploited will probably become exhausted in 1983, and it will be necessary to change over gradually to solutions that also in the long term will be in accord with the basic principles of the system of economic management.

I. Martos: The emergency measures are more tolerable for the enterprises if simultaneously the possibilities for a way out also begin to take shape. An action program should be elaborated for every situation, and the prospects must be outlined in it.

I. Weisel: There is much to talk about, but what you have outlined is already sufficient for our readers to draw their conclusions regarding the foreseeable development in 1983. I thank you for the interview.

1014

CSO: 2500/97

STATE SECRETARY DISCUSSES TRADE, CONSUMER GOODS SUPPLY

Budapest NEPSZABADSAG in Hungarian 11 Dec 82 p 5

[Interview with Miklos Andriko, under secretary of domestic commerce, by Csaba Egerszegi of NEPSZABADSAG; date and place not specified]

[Text] Among the questions occupying all of us in this world filled with tensions and crises are: How can our achievements be saved, our standard of living maintained and will we succeed in keeping our stores and shops adequately supplied with consumer goods? In the article about the December 1st session of the Central Committee we read that the continuous assurance of harmony between purchasing power and commodity base, the balanced supply of consumer goods is of prime importance. Maintaining this level are important standard-of-living- and econo-policies of ours.

The practical implementation of these goals befall all of us equally, producers and retailers, but the point of impact is obviously, commerce. Therefore it is essential, how our domestic commerce can fulfill the afore-said task. This is what we asked Miklos Andriko, under secretary of domestic commerce.

[Question] Commerce is being tested during the next few weeks. The shopping peak means a large burden for customers and retailers alike. The most important question is still: Do the stores have sufficient goods? But let us dwell first on the ordinary everyday: How do you judge the consumer goods supply this year?

[Answer] In my opinion, despite the worsening economic conditions, we held the supply standard, basically. The government put the population's consumer goods supply on the agenda this week, and found that it was balanced this year. Foreseeably the quantity of retail trade volume is taking shape as planned, and will increase by nearly 1 percent. I consider it especially important that the supply of food and consumer goods is definitely good, commerce is satisfying the population's needs--despite some periodical shortages, such as beer, confectionery baked goods, and diabetic products--essentially continuously. There is plenty of clothing in the stores, even more than needed to satisfy the slackening popular demand. But we must note for the sake of truth, that in a few product groups--for example, fine, ready-to-wear garments, knitwear, certain sportswear articles--the selection is inadequate, also, the quality of shoes is not improving as it should.

The supply of assorted manufactured articles basically meets the demand. Among the several tens of thousand articles, there is a small shortage of modern, three-star refrigerators, electric water heaters, certain heating equipment.

Of course, in evaluating supplies we must take into consideration the diminished import feasibilities, and that raw material supply problems have appeared at the producer level. This goes with the narrowing selection of certain products which are not serving basic needs. The import of consumer goods this year, quantitywise, is about 10 percent less than in the previous year. It is pleasing, however, that we succeeded in enlarging the volume by selection changes in state and cooperative [stores], as well as in frontier region traffic and in the department store trade. The stores' offering could be enriched with this also.

#### We Can Compare Only With Ourselves

We can say: Relative to our rate and state of economic development, the consumer goods supply is satisfactory. We must refrain from comparing our stores' supply to that of other countries. The correct measure is when we compare to ourselves. Even then, we must say, we can be satisfied. However, I would consider it a big mistake, if we closed the appraisal with this idea, and did not mention how much depends on commerce.

[Question] What are you thinking of?

[Answer] We speak often of commerce's flexibility. In case of the shops, enterprises, flexibility means none other but that the retailer must be in constant touch with industry, foreign trade, and generally with the producers. The shopkeeper should not resign himself if he cannot obtain an article from a producer, but he must search for it. Because, in most cases, it can be found domestically. Or, if he still does not succeed, he still has the possibility of having it made. No doubt, this requires more work, more thinking, but if the retailer does not avail himself of these means, no way can it be said that he acted conscientiously.

#### Active Role of the Retailer

[Question] The question is, what tools does he have for this? For the retailer, the consumer goods supply starts with procurement. Has commerce's position relative to the producers changed? Can it be felt, that with the narrowing of marketing possibilities, industry has come into some sort of a competitive situation?

[Answer] In certain crafts it has changed, in other areas it has not. Commerce's situation, in general, is not bad. There are some areas today, where oversupply has appeared. These kind of articles for example, just to mention a few, are carpeting, cotton yard goods, black and white TV's and traditional washing machines.

[Question] Where---just because of the oversupply---commerce has the upper hand, does it make the best of the opportunities resulting from this? Because, for example, in knitwear, this is not apparent in the shops...

[Answer] Producers in a supply position generally fulfill their obligations and also try to place surplus merchandise in addition to that contracted. However, it has also happened that commerce did not accurately gauge the needs, resulting in an oversupply of certain articles. Then they called off some orders, causing a difficult situation for the affected industrial enterprises. At other times, marketing enterprises, partly because of conservatism, partly for the lack of risk-taking, were overly cautious in placing their orders, especially if they were new producers.

The way I see it, the present form of contractual relations---even if the rules are kept---makes flexible accommodation of the demands difficult, although nowadays this would be very necessary. First of all, I think the time it takes to prepare, sign and fulfill the contracts is relatively long. It often exceeds 90 days, and in the meantime the needs can change. This risk definitely falls on commerce. Therefore we are making an effort that besides delivery contracts, other contract types should also gain in the ties of industry and commerce: for example, the use of consignment contracts, industry's sales activity should be broadened.

[Question] What possibilities does commerce have for eliminating, or preventing the periodically appearing shortages?

[Answer] I would like to approach this question from two sides. The standard of prognostication, forecasting, in industry and commerce, by all means, must be improved. With traffic not increasing quantitatively, we must survey, for what articles increasing demand can be expected and where the slackening must be taken into account. Thus it is avoidable that goods should be missing from the shops for the lack of orders. As for the other side of the question, as I have mentioned already, commerce's import possibilities have been reduced. In practice, we can find difficulties deriving from raw material shortages. There are branches of industry, where the finished product is made basically from imported raw materials, thus their procurement possibilities are more difficult than before. In this, commerce must fill not a passive, but an active role. By learning of the troubles in time, we have the means to take the appropriate steps. In the past few months there were several examples where, due to the initiative of commerce, certain materials were imported on short order. The case of the washing powder served as a lesson, that even with limited opportunities, we must watch the articles serving basic needs. Therefore, in planning our future imports, we must watch this more closely.

It happens also that our position worsens because of possibilities for hard currency export by industry. This is why today there are few refrigerators and cut glassware in the stores, and unfortunately, the way circumstances are nowadays, we must acknowledge this.

## Inexpensive Goods in Shops

[Question] How do the shaping of the living standard and consumption influence the commercial activity? To what extent does commerce consider low income people?

[Answer] The basic tenet of our commerce policy is that every population strata find the necessary products in our shops. Now, when we have to consider a relative decrease in purchasing power, satisfying the needs of low income people or that of large families, is emphasized. To this end, we wish to expand the area of the so-called low priced articles, and we will check to a greater extent the stores' selection in this respect. We want to expand the sale of the so-called generic products. These are excellent quality articles, primarily foodstuffs, where the simple packaging makes the relatively low price possible.

According to observations, nowadays shoppers are more careful of what they spend their money on, and from this respect, the quality of the goods is ever more important. Therefore, in the supply we are taking special care that mass-consumption goods be of adequate quality.

[Question] There are many complaints about the supply of parts.

[Answer] This is true, despite the fact that we passed appropriate laws. Nevertheless, in many areas, especially durable consumer goods, the parts supply keeps stalling. The buyer is rightfully indignant, when a piece of equipment, purchased for several thousand forints, cannot be used for months because the part needed for repair--the price of which in many cases does not even exceed 100 forints--cannot be obtained. This and similar cases ruin the consumers' mood. The settling of this problem is one of the most important tasks facing us. We have to solve this together with the manufacturers and importers, because parts problems appear both in domestic and imported goods.

[Question] While we are at the mood of the consumers: many are rightfully faulting the attitude at the stores, the standard of service.

[Answer] Today, the consumers' mood is an important sociopolitical problem, and therefore it is a very important task of commerce to improve it. We expect a lot in this area from profit sharing types of operations which are to be introduced at the beginning of 1983. According to our plans, 40 per-cent of retail trade volume will be conducted in this form. In these stores, boosting of the volume will financially affect the stores' employees more than before. Therefore, it will be in their interests to keep or gain repeat customers. Indispensable conditions for this are courteous service and adequate selection.

[Question] Unfortunately, it also happens in the shops, that they do not always redress legitimate complaints and observations of the shoppers. Is the protection of consumer interest regulated appropriately?

[Answer] Legally, definitely. In certain respects, there were even excesses in this area. A known example of this are shoes. The customer bought a pair of shoes and the law made it possible for him to exchange this many times. The justified excuses are often derived from the very crowded situation in the stores. We are looking for the solution by developing employee incentives. At the same time, we are improving the standard of regulation. However, the 85 workers of the Commerce Inspectorate cannot check on 55,000 stores on a daily basis. Therefore we must utilize possibilities existing in social control to an even better degree. Union, and social inspectors have a big role in assuring the control. Protecting consumer interests, however, in many ways depends on internal controls of the store or enterprise, and this work must be further improved.

#### Overcrowded Stores in the Capital City

[Question] Staying at shopping conditions: as joyful as it is that shopping has become better in the provincial cities, it is equally as irritating that stores in the capital continue to be overcrowded. This is bad for both the buyer and the seller. How do you consider the development of the last few years' commercial network?

[Answer] The network development of the Fourth and Fifth Five-Year Plan periods was the most active in the provincial cities. As a result, at the end of 1981 there were 447 square meters of store floorspace per thousand inhabitants in the capital, versus 530 square meters in provincial cities. We would like to correct this shift in ratio by helping the agglomerative development in the capital with substantial state support. By 1985 we want to increase the capital's retail network by 120,000 square meters; from this, 32,000 square meters were realized last year, and this year 29,000 square meters of retail floor area are expected to start sales. Under construction at present--but behind schedule--are the Skala Department Store on Marx Square, department stores in Erzsebet and Kispest [suburbs of Budapest], the Aranyok Department Store [Golden Spider] on Vaci Street, the Feszek [Nest] Department Store on Cegledi Road, the Fuszert [large grocery chain] warehouse on Kondorosi Road, and the basic kitchen at this same location. Looking at settlements in the capital area, the department store of Monor and the Feszek Department Store of Erd will be finished next year, while the department store at Szigetszentmiklos will be finished in 1984.

It goes with all of these, that in Budapest--despite the many plans and ideas--there were always just enough means to build grocery stores serving the basic supply needs in the large housing settlements. But for manufactured articles, the people living there have had to travel to the city center, and the downtown is already overburdened. So, if we want to help the shopping conditions, then stores should be built not just and primarily downtown, but rather in the outlying areas. This situation is made more difficult by the fact that many downtown store buildings are used at present as wholesaler warehouses, or offices. In vain are all the appropriate government and council orders to set these free, the execution is very slow. For setting a warehouse free, the operating firms are asking such sums that commerce is not able to pay them.

## Why the Shortage of Salespeople?

[Question] In certain areas of commerce, for example, in the grocery trade, the personnel shortage is serious. How many shops are closed because of this, and what can be done to have enough salespeople behind the counters?

[Answer] Generally, personnel troubles are serious where the working conditions are worse than average. But the number of stores closed because of personnel shortages is not significant. For example, last year in the capital from the 3,107 grocery stores only about a hundred were periodically closed. The root of the problem is that the average wages and average income of employees in domestic retail do not meet expectations. Central wage policy measures would be necessary, but the national economic capacity does not make this possible. Despite this, in the past years we have tried to reduce tensions with various measures. In the capital, we introduced a workplace differential. During the organization of shift differentials, their mandatory use was extended to also include employees in the retail network. Effective 1 December 1982, in the grocery retail trade--and in hotel and catering trades--in the capital mainly for heavy physical laborers (salesperson, cashier, cook), about a 6-7 percent wage increase became possible.

[Question] It has been nearly a year since new types of business operations were introduced. How have they fulfilled the hopes attached to them?

[Answer] So far, we have turned over 6,000 stores to the new management forms to the entrepreneurs. It can be said unanimously, that these have served to supply the population well. In these stores the selection has been wider, the service faster and more courteous, and their selection of goods has adjusted better to the demand. It has been the general observation that store hours have been extended and adjusted to the needs of the customers more flexibly than before. So, it is not an accident then that volume in the contracted and leased stores is increasing at a significantly faster rate than in traditional units. Nor is it not a minor matter that these stores are transacting the increased volume with less manpower.

Based on these experiences, we consider it an important task of the enterprises and cooperatives to introduce these new types of business operations more widely.

## Prospects for Next Year

[Question] With Silver-, and Gold-Sundays [the two Sundays before Christmas], what sort of consumer goods supply can be expected in the final stretch of the Christmas shopping peak?

[Answer] For the rest of the year, there continues to be a good supply of basic food. Yields of fall vegetables, fruit and potatoes have been excellent, and this gives sufficient assurance of adequate amounts of produce for winter storage. With respect to import possibilities, we sell oranges

from the beginning of December, while bananas only just before the Christmas holidays. There will also be enough clothing articles in December. Commerce has adequately prepared for the holiday traffic with toys, winter sports equipment, glassware and china.

[Question] And what about next year?

[Answer] According to observations made while preparing for the supplying of next year's consumer goods--within the limits of the economic plan--the balance of purchasing power and supply of goods is assured. We will continue to hold the current level of consumer goods supply. Retail procurement on the whole looks sufficient, but in certain products it will deviate from the expectable demand. Improving of foreign trade balance demands that in 1983 and in years to follow, the supply of consumer goods be based more than previously on domestic industry and agriculture. This means, the responsibility of the producers is increasing, and the strengthening of ties between producers and retail organizations is becoming more prevalent. Based on our current knowledge we can therefore say that we will also be able to maintain the present standard of consumer goods supply in 1983.

9918

CSO: 2500/74

SEASONAL FLUCTUATIONS IN TRADE HINDRANCE

Budapest FIGYELO in Hungarian 2 Dec 82 p 8

[Excerpts from article by Istvan Garamvolgyi: "To Improve Evenness in Nonruble Trade"]

[Text] The requirements for the improvement of the economy's external equilibrium situation have changed and grown in magnitude in recent years. First of all, we set as our goal to reduce the 1978 record deficit in commodity trade--including the nonruble foreign trade deficit--as quickly and as energetically as possible. In this respect, the external equilibrium situation between 1979 and 1981 improved substantially; during these 3 years the import surplus was reduced by more than 47 billion forints' worth. In 1981 the nonruble foreign trade balance was in near equilibrium.

The new and greater magnitude of the task this year was expressed in the fact that the protection and consolidation of the balanced state proved to be insufficient in nonruble trade; a balance surplus became an imperative necessity. We cannot omit noting that in the 1979-1981 gradual improvement of the foreign trade balance an active part was played by the increase in nonruble exports; and on the contrary, in the creation of a greater than planned balance surplus this year the main role was played by the moderation and limitation of imports.

In part, this is why we can classify the 1983 task as again being of greater "magnitude": a balance surplus for this year that is greater than expected cannot be achieved through a further reduction in imports, only a considerable increase in exports draws us with the prospect of success. But still another task--in fact requirement, necessity--is linked to the task of creating a greater balance.

We cannot cradle ourselves in the illusion that the quality improvement in nonruble foreign trade--a balance surplus in place of a near balance--was brought about by real processes of the internal economy or by positive changes in competitiveness. It is well known today that the deterioration of foreign economic conditions has also been factored recently into the monetary sphere, credit possibilities have been restricted, and a new center of danger has arisen in our external equilibrium situation. As we approach the year's end, it may be said that even amid the financial problems that are being

experienced throughout the world, we have protected our international ability to pay, and this was contributed by the balance surplus in foreign trade in freely floating currencies.

But we must take on this task again in 1983, all the more because the center of gravity for improving and protecting the external equilibrium situation has been shifted to maintaining international monetary relations and international liquidity. All this does not reduce the importance of the trade balance surplus in the development of an external equilibrium situation. On the contrary, if possible, it even increases it: while earning a balance surplus in nonruble foreign trade, we must during the year continuously synchronize receipts and expenditures in freely floating currencies, exports and imports.

#### The Quarterly Structure of Export

Undoubtedly a constant harmony in the timing of export receipts and import expenditures depends to no small degree on those business and payment conditions which determine the time of foreign exchange inflow or foreign exchange outgo. But it cannot be disputed that receipts-payments related to foreign trade and their point of time are linked to traffic, the time it is conducted, its distribution and evenness. From the viewpoint of the above-mentioned synchrony requirement, there is basic importance to the distribution, the evenness or unevenness of exports in a given year or quarter. It is indisputable that the distribution of every country's trade [of the 10 countries listed] over the four quarters varied more or less from a standard 25 percent, but the unevenness was greatest in the case of Hungary's total exports and nonruble exports.

In a certain sense, the quarterly distribution even covers up the "fever curve," the unevenness of our exports. The difference in export achievements between the minimum month--for us, January--and the maximum month--for us, December--is 350 percent in total exports and more than 300 percent in nonruble exports.

The quarterly distribution of our total exports, including nonruble exports, is approximately the same. In principle, we can assume that the delivery deadlines for nonruble exports--in final analysis the time distribution of exports--is shaped by the demands of the buyers.

#### By Main Commodity Groups

It is scarcely likely that the timetable for our nonruble exports is shaped by adjustment to the buyers' delivery deadline demands. The commodity structure of our exports also fails to give an acceptable explanation. It is well known that one-third of the nonruble exports consists of agrarian products--food industry materials, livestock, and food.

Table. Quarterly Distribution of Nonruble Exports for Certain Main Commodity Groups, 1981, in percent

|      |                                                                     |                                              |
|------|---------------------------------------------------------------------|----------------------------------------------|
| Key: | 1. Quarter                                                          | 4. Industrial consumer items                 |
|      | 2. Materials, semifinished products and spare parts                 | 5. Food industry materials, livestock, foods |
|      | 3. Machinery, delivery means and equipment, and other capital goods | 6. Total                                     |

The "fever curve" for the export of industrial items--materials, semi-finished products, spare parts, machine industrial equipment, and consumer industrial items--came about in the rush of the year-end period, and contrary to expectations industry kept up this hectic pace of production and marketing even after 1968. But there were also some untraditional years when the distribution of industrial exports over time departed from the typical.

In 1975, which was by no means a quiet year for world trade, not only were the wave lines more flattened, but also the year-end export peak did not materialize, and export achievement in the first and second half of the year was about the same. And this was so because exports grew more dynamically in the first half of the year--as compared to the base period--and to a lesser extent in the second half.

#### It Also Depends on the Stock of Orders

Until recently it was the general view that Hungary's share in OECD country imports was so small that an increase in our exports would not encounter any special difficulty. But with the stagnation of world trade it is not the marginal share which has the role but the fact that supply--export necessity--dominates, and in this keener competition the main factor is competitiveness. This competitiveness has numerous criteria, and among these we can include delivery deadline, and the level, performance and dynamics of market work. We can only put the consequences as requirements: amid the continuing stagnation of world trade according to forecasts we will have a chance to increase the volume and value of world trade only if the enterprises, which produce for exports and foreign trade through extremely energetic market and business work and researching new and ever new markets for exportable products, assure in time such a volume for stocks of orders as will make possible the financing of a balance surplus from import-export revenues.

6691

CSO: 2500/81

ECONOMIC REALITIES EXAMINED

PM171111 Stockholm DAGEN NYHETER in Swedish 10 Jan 83 p 6

[Mats Lundegard article: "Poland's Future is Bright, Says the Regime"]

[Text] The decline of the Polish economy has been halted, official Poland is claiming. A year of martial law has made possible legislation work which has reformed the country's whole economy. The future is bright.

But in Warsaw there are high-ranking critics who reject the confident assurances. Positive trends are so small that they could be within the statistical margin of error, they say. The economic reform only exists on paper. In actual fact the country is entering an ever deepening crisis, affecting food supplies in particular.

And it is normally over bread and food prices that the Polish confrontations explode.

Stefan Hatt is the spokesman for Poland's Council of Minister Planning Commission, one of the economic authorities dealing with the country's affairs. He spoke about 1982 in Poland and a little about 1983 and is quite satisfied.

"It is true that our national income continued to fall during 1982," he said, "but the fall is now smaller than last year, perhaps only 8 percent.

He is aware that a fall of "only" 8 percent in GNP is bad. But he is also sure that what would be bad in most other places in the world can be seen as success in Poland.

"We are bold enough to interpret this as proof that the downward trends could be over," he said. "In the plan for 1983 we are expecting an increase in national income of between 2 and 2.5 percent and a total increase in industrial production of between 3.7 and 4 percent.

He quotes with pleasure the official statistics of production increases in Polish industry. After firm downward trends since 1981 the tide is said to have been turned in August 1982. Then, the official figures claim, total industrial production increased first by 1 percent, then by 4, then 5 and in November finally by 8 percent.

"Poland's workers are working and producing again," Stefan Hatt said.

This is probably true, but it is not the whole truth.

"You should measure productivity if you want to know anything about this country's economic health," and economic journalist in Warsaw told me. "A large part of the increase the authorities are making so much of is due to the mining industry. It is expected that this year 190 million tons of coal will be mined compared to 163 million tons in 1981. This is interesting and important. Coal means energy for the domestic market and export income. Coal, as General Jaruzelski himself once said, is "the oxygen in the Polish economy."

"But this oxygen is being produced at a high price in terms of labor resources and money in additional wages. At a stroke the number of man hours rose by between 15 and 20 percent. If you look at production figures against the background they are not so impressive any more."

We met Director Mieczyslaw Tokarz of the Pawlowice Coal Mine in southern Poland and tried to talk about this. He said that the productivity of the Polish coal-mining industry is not measures. He said that his mine has shown an excellent increase in production. However, he was unwilling to go into greater detail, apart from saying that during the 18 months during which the free trade union solidarity was exerting its influence on Polish industrial life production fell by 10-15 percent at his mine.

Now the Pawlowice mine works three shifts round the clock, 6 days a week and with extra maintenance work on Sundays.

"This costs us between 100 and 130 percent in increased wage payments compared with the time before the martial law," Director Tikarz said. "Most of the extra payments cover the Saturday shifts. It is on Saturdays the mineworkers earn money, perhaps one-third of their total monthly wage."

He admitted that his mineworkers are extremely well-paid. They earn up to Z30,00 per month, that is, a little over twice as much as the average wages of Polish industrial workers.

"And where do these coal production costs get us?" asked the analytical journalist. "How will our competetiveness be on a world market where coal prices are continually being squeezed?"

He claimed that the triumphant official figures indicating an upturn for the mining industry and its major significance for the country's export income are exaggerated. He talked of coal stockpiles at ports and power stations throughout Poland and at the mines themselves totaling 20 million tons, that is, one-tenth of total annual production. These stockpiles, he claimed, are as expensive as tied capital, indeed, more so because coal loses its energy value the longer it is left lying.

"In a single winter the calorific value of coal falls by almost 20 percent," he said. "But these are factors which the authorities pretend do not exist."

If you exclude the coal mines from statistics on Polish industry the picture is much gloomier. Even Stefan Hatt admits that.

"One-fifth of our industrial capacity is not being used," he said. "Things are worst in the processing industries. There 30 to 40 percent of factories are standing idle."

He said that this is chiefly due to the economic sanctions which have been applied against the Poles. Were it not for them Poland's balance of trade would have been different and there would have been dollars with which to buy raw material, components and semi-manufactures. When this is impossible industry stagnates, export income falls further and an increasingly vicious circle forms.

"Our income from exports to the West has been the same this year as it was in 1981," he said. "However, compared with 1980 it is down from around \$7 billion to \$5.2 billion this year."

This argument is often used by Polish officials. They blame external circumstances and factors over which they have no influence.

But this is also an argument which is criticized.

"In practice the sanctions are not really that important," the Polish journalist said. "The fact that lot is unable to fly to the United States does not hit export income much, nor the fact that we are unable to fish off Newfoundland."

He said that what is really undermining the Polish economy and threatening its future stability is the mixture of "economic popularism" and hopeless petrification which characterizes the authorities' actions.

"A year ago stiff price rises were introduced to get to grips with a galloping inflation rate. Not so stupid. But immediately afterwards workers in key industries--such as mineworkers--began to be overpaid and the whole of the apparatus of repression had to be wheeled out again. This is how an idea is bungled, this is why there is the very dangerous surplus of money on the Polish market."

The fact that now in 1983 Poland has still not reached any agreements on the loans it should have repaid to a number of Western governments during 1982 could possibly have given the Poles some breathing space.

It is possible that the Poles are behaving very deliberately here. They probably consider that no bank in the West, and certainly no government, would be interested in having Poland declared bankrupt--even if this were possible. For such action would shake the West's banking system and also upset a delicate, perhaps illusory economic stability in eastern Europe. In addition a large number of resources would then be frozen for ever.

This has some amusing consequences for the NATO nations, for example, which for strategic and military reasons have adopted an implacable attitude on trade questions.

"Like someone painting a floor they have painted themselves into a corner," a diplomat in Warsaw said. "They must be regretting it bitterly."

He also pointed out that Sweden also finds itself in this corner. Sweden is unable to act alone in its economic dealings with Poland but is forced to be a Slavish follower of NATO's economic policy.

The Export Credit Board (EKN) had loans of 582 million kronor owed by Poland in 1982. Next year the EKN will have an additional 366 million, all in interest and repayments. The total debt lies between 1.5 and 2 billion kronor, that is, almost one tenth of the EKN's total funds.

What is perhaps more worrying for economic developments in Poland--and for political stability--are a number of prognoses on the country's agricultural economy. In particular the grain shortfall is worrying according to official figures this year's harvest totaled around 21 million tons, a satisfactory if not remarkable figure. The problem is that only some of this total actually reaches the market; Polish farmers simply refuse to sell their grain to state buyers.

"What do they want zlotys for?" the journalist asked. "They still cannot use Polish money to buy what they want--diesel oil, artificial fertilizers, agricultural machinery or spare parts for the equipment they have already."

This is how the black economy develops with exchanges and dollar transactions and extreme inequality. Shortages arise, shortages which can be made worse.

An extension of this is another factor in the Polish vicious circles. This year Polish farmers sowed a much smaller area than last year. According to official figures the decrease is said to be around 12 percent, but Western observers in Warsaw say that in reality it is more like 20 percent or even more.

"We cannot afford to eat our 4 kg of meat per person per year," Stefan Hatt said. "It is impossible, we know that, everyone knows that. We must cut back to around 60 kg."

That is easy to say it is probably economically sound and it would not mean poverty for the statistics' average Pole, not even if you took the differences in meat quality in Sweden and Poland into account.

But it is when you start taking their meat from the Poles that they begin to react. This sounds idiotically cut and dried, but it is quite true.

Of course it is not true that a Pole is more tied to a meat diet than a Swede or a German. It is a thing--like so much else in Poland--of symbolic value.

It is when meat is rationed, with coupons or with stiff price rises, that political unrest in the country begins to stir. It has been the same story time and time again since the war.

It is as if every time intervention lights a candle and kindles an insight into political abuse and the system's endless abuse of power.

CSO: 3650/104

## 'FACTS' OF POLISH-USSR ECONOMIC COOPERATION OUTLINED

Warsaw RAZEM in Polish No 29, 7 Nov 82 pp 4,5

[Article by Waldemar Sobiecki: "Facts above All"]

[Text] The need for a genuine examination of all the declining phenomena in our economy is indisputable at present. For because of illusions--and we have had proof of this in the recent past--we most often must pay an exorbitant price. We must, therefore be cognizant of the following fact: as a country, we find ourselves in a state of economic siege by those who, right up until recently, advertised themselves loudly as Poland's friends. The goal of the restrictions is clear: to shatter the economy and thereby undermine the state organism at its very foundations. This is, more or less, the way President Reagan has formulated it. However, despite enormous difficulties and, to put it bluntly, the catastrophic state of finances with respect to currencies commonly defined as hard, the Polish economy is not only managing to shift for itself, to a certain extent, but is also making efforts to extract itself from the proverbial hole. Here we could point to many factors influencing such a state of affairs; one factor, to be sure, is playing a role of the utmost importance: aid from the Soviet Union. [in italics]

I have used this word consciously here. "Aid" has been received quite willingly in recent years, using this definition for normal cooperation and commercial trade, which is, after all, nothing especially unusual in relations between two countries. As a result, today, when it is regaining its genuine contents, some people feel a certain resistance to its application. There is nothing surprising in this: There are still constantly-circulating myths and diverse, often tendentiously prepared on the topic of Polish-Soviet economic relations, presenting, as if in a curved, funhouse-type mirror, the question of profits or losses attained by one side or the other. Meanwhile, we must apprise ourselves of the fact that we have been living through times in which our weakened economy has ceased to be an equal partner in international exchange, and only the exceptionally patient and liberal treatment by the Soviet signatories of our overdue obligations, while, at the same time, solidly meeting the terms of their own obligations on schedule--only this has enabled it [i.e., the Polish economy] to function at all. This may be annoying, it may even be shamefully embarrassing--but it is true.

In the recent period of "dynamic development," which has proved to be a period of "dynamic encumbering with debts," Polish-Soviet economic cooperation negotiated terms in accordance with the principles universally adopted throughout the world, which require an equal balance in trade turnovers between the individual countries concerned. In exchange for crude oil, gas, iron ore, wood pulp, cotton--hence, for most of the raw materials absolutely necessary to keep our entire industry in operation, we paid by way of delivering our own goods, which, in a couple of instances, have gained virtually a monopolistic position within the Soviet market. At the same time there was an expansion of cooperative ties, profitable for both sides and providing us with a change of an equal balance in supplying long-term series of bondings from Ostrzeszow or hydraulic systems for "Kamaz," [Soviet Union] produced in plants located in Praga [Poland].

The first symptoms of difficulty began to appear in 1980, but it was only in the following year of 1981 that there ensued a genuinely great devastation, causing a crisis in Polish foreign trade. The fact that we were not even able to export the agreed-upon deliveries of coal to the West is well known. Less well-known, however--because the atmosphere was not propitious for writing about this topic--was the fact that we noted for the first time such an enormously unfavorable balance in the exchange with the Soviet Union. Our exports to that country amounted to a value of 3.2 billion rubles, or 12 percent lower than in the previous year, while imports from the USSR reached a value of 4.8 billion rubles and were 11 percent higher than in the previous year. Hence, we were 1.6 billion under the line. But that is still not all. During the same period the Soviet Union allocated credits to Poland amounting to 700 billion rubles and postponed the collection of payments on earlier credits in a total sum of 430 million rubles. And even this is not the end of it. There was still credit in exchange currency value of 1 billion dollars as well as one-way aid to the extent of 465 million dollars.

Had enough of figures? Unfortunately, in matters so carefully calculated and broken down into various methods, there is no way to manage without them. For trade remains trade, and there is no place for philanthropy here. Leaving aside the one-way [nonreturnable] loan, which at a certain moment turned out to be the proverbial rescue plank, the entire remainder must be paid back some day, and this "some day" has been precisely defined as some time by the end of 1986. In recognizing the extraordinary nature of our situation, the Soviet signatories have agreed to apply extra-trade, preferential treatment with regard to Poland, departing from the rules of bilateral profits. And so the entire unfavorable balance in commodity turnovers has been temporarily recognized as a credit quota, while the liquidation of its payments has been shifted forward to the period running through 1986. In the world such situations are, in general, handled without any sentiments: new contracts are not concluded with a nonpaying partner.

Meanwhile Poland and the Soviet Union have signed an annual document concerning trade exchanges for 1982, and this provides from the outset that the exchange will be unbalanced. In this plan under the heading "exports" provision has been made for amounts valued at 3.6 billion rubles, although we are to receive from the Soviet Union deliveries valued at 4.8 billion rubles. The difference, therefore, amounts to 1.2 billion rubles and has been put on credit,

just as it was for the previous year. For paying off these credits we will wait for better times, when Poland returns to its place within the international division of labor and thereby in trade as well. Therefore, the hope of both sides has been expressed that this situation is transitory in its nature.

Up to 75 percent of the shipments from the USSR to Poland have become fuel, raw materials, and materials for production. Crude oil, gas, iron ore, raw material, cotton, wood pulp, lumber, and dozens of other types of raw materials which are absolutely necessary for the economy.

We have already touched upon the obvious fact that in view of our lack of hard currency, it is practically impossible for us to purchase these items in any other market. Let us assume that this would be possible. Hence if all our exports which were directed this year to the USSR were to be sold on other markets at world prices (and, therefore, higher than those mandated in CEMA), and then this money were to be returned in order to purchase only raw materials and fuels, then it would turn out that we would have scarcely a fraction of the pool of these goods presently being received from the USSR. Another example in this same vein: if we had had to purchase in Brazil the entire amount of iron ore delivered from Krivoj Rog [city in Ukrainian SSR, important iron ore source], the transportation costs would have amounted to 320 million dollars and would have exceeded the value of the ore itself. Hence, it is time for a few words about prices.

At one time prices in CEMA used to be set once for a five-year period, but since the time when world trade began having violent jumps, hustle and bustle [sic], and oil-price jumps, it has been recognized in our camp that we have to adopt a flexible price base, to be set up anew every ensuing year. The essence of this system is a closer contact with the world prices, but delaying for a period of time all violent changes. For it takes as its point of departure the average world price during the last five years. In effect, the prices in CEMA (and, hence, in trade with our eastern neighbor) are lower and more stable than the world prices. From the materials of the Ministry of Foreign Trade I have noted down several examples (all pertaining to the year 1981): crude oil--92 rubles per ton, on the international markets--250 dollars, iron ore--12 rubles and 35.6 dollars, respectively, top-quality cotton--1243 rubles and 1926.7 dollars, aluminum--915 rubles and 1339 dollars. During the current year the price of crude oil went up to 115 rubles per ton, while the world price underwent a slight decline. This latter example illustrates the action of the principle of graduating prices.

This system justifies itself in practice, and it has allowed us to plan the purchases of the basic raw materials and other materials in a very calm manner, encompassing a long-range perspective. Furthermore, the effectiveness of our exports is much greater in trade with the Soviet Union than with other countries--it has been calculated that for every 100 zlotys worth of products exported from Poland in 1980 to the East and the West we gained the following amounts respectively: 37 and 12 kg of crude oil, 238 and 75 kg of iron ore, 3.4 and 1.5 kg of aluminum, and in the case of most raw materials there was a similar relationship. In our country's payments situation it would be difficult not to count every zloty spent.

The current year is, from a great many points of view, even more difficult than the previous one: added to the general difficulties have been the economic sanction proclaimed by President Reagan, troubles in obtaining spare parts for equipment which has already been imported and necessary components are bringing about stoppages or work "at half capacity" at many factories. This obviously affects trade exchanges with the Soviet Union. In the case of many contracts we simply cannot ship anything out: "slippages" in exports have already reached a value of half a billion rubles, half of which is accounted for by machinery and equipment. A great deal of trouble has been caused by the weakening in the smoothness of the cooperative deliveries for the automotive industrial plants on the Kama River and in Togliatti. This is a situation about which our trade specialists speak with a certain annoyance, and they should, by no means, be surprised at this. For it is hard to be satisfied with moving from a position as a solidly reliable supplier to a role of "poor relation," counting on special consideration. And this is certainly not helped by the fact that our largest trade partner is treating us with complete understanding, attempting, as much as possible, to help us in putting an end to the difficulties, frequently therein going far beyond the framework of conventional trade relations.

Appearing this year in Polish-Soviet state exchange have been a great many new elements, testifying to the utterly complicated nature of the situation within which we now have to cooperate, reflecting, as in a mirror, the specific phenomena which has acquired the name of the Polish crisis. Let us mention at least the most important of these:

Additional deliveries, in excess of those set by the trade agreement. During the current year they will reach a value of 125 million rubles, and they result primarily from the need to ensure a continuity of production in several basic industries. This is easy to assert, but let us imagine to ourselves how many disturbances such extra contracts are introducing in the planned economic tasks. They also provide for additional deliveries of grain and corn.

Relinquishing by the Polish side of procuring one-third of the planned deliveries of investment implements. Liquidation of a loan previously agreed upon, which has likewise compelled Soviet industry to finish making plan adjustments. In exchange for those machines and equipment we are now receiving market items.

Contracts pertaining to the use of the free production capacities in Polish industry, mainly light industry. This entails the processing of primary raw materials in factories (which are threatened with stoppages because of a lack of things to work on), for which the signatory pays by 15 percent of the items manufactured. Specifically, there remain in our market 1.2 million pairs of shoes, 3 million square meters of fabrics, 263 square meters [sic] of carpets. In exchange for additional deliveries of 6,000 tons of synthetic rubber, our industry is supplying Soviet customers with rubber tires for trucks and rubber footwear.

Buying up through Soviet firms machines and equipment already assigned to Poland from the Soviet Union and other countries but earmarked to be held back

for investment or cancelled. The Polish side here has presented an offer valued at 3 billion zlotys. An agreement has already been signed in the matter of selling back 30,000 tons of equipment for the "Przyjazn II" Cement Plant, technological lines from the "Katowice" Steel Mill, home-building factories, and others.

Participation in finishing up retained investments. A Polish proposal to the CEMA partners encompasses 55 positions. The Soviet Union is providing aid in completing a bearing factory in Poznan, sections in the "Pokoj" and "Jednosc" Steel Mills, textile mills in Bialystok in Wroclaw.

Financing technological imports in the West or actual deliveries for implementing export contracts to the USSR which are of fundamental importance. The fact of the matter is that without various components or elements of equipment we would not be able to fulfill our deliveries of ships, automated central office units, subassemblies for "Kamaz" and the plants in Togliatti, paints and varnishes with special properties, or equipment for nuclear-power engineering--in which Poland has begun to specialize. In this last case it was a question intervention in the delivery of special tubes as well as stainless steel plates necessary for completing shipments in accordance with agreements which had already been concluded.

That is the way the present-day reality of Polish-Soviet economic cooperation looks, presented without many words of embellishment, because, after all, there is nothing to embellish. Facts must be taken into account.

What do they tell us? It seems that the scope of our present economic difficulties, while making a clearly marked impression on all spheres of life without exception, have also sharpened certain norms and concepts functioning in the international lexicon. Such are the terms "aid", "mutual cooperation", "lack of control", and the "spirit of mutual understanding." This spirit really is fond of playing tricks. It rose up over the round tables in the diplomatic salons, but when it came time for it to materialize, it flew off into some unknown place. Or could it have been rather--into some known place? The world turned away from the Polish troubles, but this is not the first time that this has occurred. Without Soviet understanding and friendship we would have been threatened with what the greatest pessimists among the economic specialists of the times had predicted. This could have happened during the difficult year of 1981 and likewise in the even more difficult year of 1982. Up to now, however, we have not been threatened by any great collapse. In the tables, in the categories of "levels of satisfying national needs for consumption," and in the raw materials imported from the socialist countries one sees now most often the round figure of 100 percent.

It can, of course, be asserted that indebtedness always remains indebtedness, regardless of whether it is calculated in hard currency or, for example, in rubles, and this fact ought not to comfort anybody. Nor, certainly, does it provide any comfort. There is a difference, however, and it consists in the fact that it is easier to predict things in the case of friends. The facts which have been cited here should convince everyone of that.

ECONOMIC REFORM ACTIVITIES OF DOMESTIC TRADE INSTITUTE OUTLINED

Warsaw HANDEL WEWNETRZNY in Polish No 1-2 Jan-Apr 82 pp 51-53

[Text] The economic reform currently being prepared and carried out in our country is based upon the premise of substantial utilization of the market mechanisms in the functioning of the entire economy.

This fact is closely tied in with the activities of the Institute of Domestic Trade and Services, which has already for many years been the spokesman for strengthening the market mechanisms and the role of economic vehicles in the management of enterprises.

Much data has been found in the hitherto existing scholarly possessions of the Institute, data which determines the basic diagnostic and programmatic reform of the market, as well as the new operating forms for enterprises producing for market needs.

The market reform program developed by the Fourth Economic Reform Committee uses the conclusions of many studies carried out at the Institute of Domestic Trade and Services and other centers working jointly within the framework of pivotal problem number 13.2 concluded in 1980, and dealing with "The process of Polish socioeconomic development in the consumer goods and services market."

This program came about as a result of serious input by Institute scholars working jointly with the Fourth Economic Reform Committee.

The problems concerning economic reform are also the chief trends of current and planned Institute scientific-research activity for the near future, which are within the framework of the newly initiated 1981 multiyear program of studies number 11.11 entitled "Consumption and the market during the socioeconomic transformation in Poland."

The Institute has already undertaken, since the second half of 1980, the completion of numerous studies which while continuing certain formerly existing directions of research are also formulating domestic market concepts under conditions of economic reform achievement. Two Institute of Domestic Trade and Services seminar cycles determined the plan of exchange of opinions and were entitled "Efficient Market Conditions," and "Selected Elements of Economic Reform."

Many subjects closely tied to the process of economic reform introduction were added to the Institute's research work for the years 1981-1982.

By way of example, to the most significant of them belong such subjects as:

The market and economic reform,

The relationship of commercial enterprises to selected elements of economic reform,

Market processes within the sphere of commerce and production as well as the basis for their integration,

Management centers for commercial enterprises,

Large commercial enterprises as market integrators,

Direction of development of management personnel in commerce,

Directions and methods for improvement of forms and systems of marketability of articles of general and seasonal use for independent enterprises,

Prices, expenses, and profitability of service enterprises in the reformed economic system,

Economic reform and innovative processes in service industries,

Consumer goods and small-scale industry,

Personnel mechanisms involved in the accomplishment of economic reform,

Prices within the system of market management,

Credit as a steering mechanism of commercial enterprise activity,

Optimization of the market process of general consumption goods,

Principles of operation of worker self-government within the commercial enterprises,

Employment policy fundamentals in commerce, regarding the acceptance of workers from other sectors for the national economy,

Economic instruments for commerce management in light of the economic reform,

Principles for property protection in the reformed commercial enterprises,

Rationalization of consumption during the market equilibrium restoration period,

Consumer behavior in times of insufficient supply, inflation, and rationing,

Ratios between prices and the utility value of selected consumer goods,

Basic norms of provision of essential goods and services for the children and youth,

Basic food supply norms for the healthy adult population,

Basic norms for the provision of household appliances to the population.

The subjects associated with the accomplishment and implementation of economic reform comprise over 51 percent of the total tasks included within the 1981-1982 plan, as well as 75 percent of the subjects undertaken in crucial problem number 11.11.

Transforming the Ministry of Domestic Trade and Services into a principal control organ over the market and over consumption constitutes a significant series of problems. Already in 1978, the Institute presented an idea for a reformed organization for market concerns, adapting it to economic reform needs of the second quarter of 1981, and within the limits of cooperation with the Fourth and Tenth Economic Reform Committees. Planned work entitled "The Market and Economic Reform (the concept of the organization and operation of the domestic market under conditions of introduction of reform, and a legal regulation program for the domestic market)" will be completed during the fourth quarter of this year, and besides including the principles governing sales, organization and functioning of the market will also include the ultimate trade and consumption ministry model. In outline, the model concurs with the proposals included in "Directions of Economic Reform Accomplishment," however, it foresees new functions including among others:

The carrying out of so-called market integration,

Short and long-term consumption planning,

Substantial and supervisory influence over regional organs of national administration in the area of consumption policy, organization, and operation of commodity turnover, services and small-scale industry,

Cooperation with the organs of state and social control, as well as with concerned social organizations, so as to prevent and eliminate irregularities in the market operations.

In June 1981, a permanent Social Reform Group was established within the Institute of Domestic Trade and Services under the leadership of Professor T. Sztucki, doctor emeritus, in order to enrich and accelerate the completion of the studies and the application-type projects. This team composed of research personnel undertook to work out those partial issues connected with market reform. Among these issues of a concise expert nature it is necessary to cite the following as examples:

The functions of the chief market control organ,

Prices within the market management system,

The concept of "the road leading to" the destined shaping of the system of market control,

Personnel mechanisms involved in the accomplishment of economic reform,

Commercial enterprise self-government,

Mini-programs concerning the accomplishment of reforms within the commercial and service enterprises.

A broad range of activities connected with the reform, as well as the accepted programmatic premise that the implementation of reform is the joint task of both scholars and those in economic practice, and represents the Institute's basis for undertaking new tasks - setting in motion the Center for Market Reform Propagation to assist as a link in the process of reform introduction.

The Center for Market Reform Propagation will function closely with the concerned economic and schooling establishments. The establishment of an Auxiliary Center of Market Experts is also intended, within the framework of such activity. This center would have at its disposal experts from the Institute of Domestic Trade and Services, other establishments and centers cooperating upon crucial problem 11.11, as well as distinguished representatives from the economic practice sector.

It is foreseeable that the Center for Market Reform Propagation will accomplish its tasks through five types of activity.

The Auxiliary Center of Market Experts will work out, within the research activity framework, expertise connected with the market situation and the direction of change of the organization model and in market operations. This will be done in accordance with the instructions of the establishments concerned. Working groups of specialists cooperating jointly with the concerned establishments will prepare reports, analyses, partial plans, and draft solutions which comply with the immediate direction of reform in the market, in consumption policy, and are based chiefly upon studies carried out at the Institute of Domestic Trade and Services and within the scope of pivotal problem 11.11.

A permanent exchange of opinions and experiences will take place, within the introductory activity framework, among the scholars and the concerned economic units, and will be in the form of a detailed program of seminars and conferences. The Institute also announces its readiness for simultaneous preparation of miniprogram reforms within the economic units.

One foresees on the one hand, within the educational activity framework, a deepening of influence upon the consumers jointly with the Consumers' Federation in a form drawn up by the Institute of Domestic Trade and Services Center for Cooperation with the consumer, and in accordance with the specific market situation. On the other hand, one foresees systematic schooling and professional

improvement on the part of the management personnel in units of the domestic trade and services ministry, and within the scope of a complex reform initiation and reform preparation plan drawn up and accomplished jointly with the Center for Excellence of Trade and Services Personnel.

Alongside the aforementioned complex and systematic activity, the Institute proposes the working out and carrying out of several specific tasks which will permit wide dissemination of the assumptions concerning the market reform, familiarizing the concerned units with them, and preparation for the realization of these assumptions. With this purpose in mind, the following appears essential:

The activation of central (Warsaw) and regional (Poznan, Katowice, Kielce, Szczecin) consultative points having the most current information regarding the market reform at their disposal, and providing regular, nongratuitous, information-advisory services;

The appointment of mixed (research personnel, economic enterprise, and ministry of domestic trade and services representatives) staffs for reform accomplishment and implementation of its assumptions within the group of concerned economic units (market channels);

Preparation of schooling materials and strategic games (decision-making) for the needs of the educated trade and services personnel and the reform implementation staffs. These materials illustrate the complexity of reform assumptions, the conditions for reform implementation, and the socioeconomic consequences involved in the introduction of specific solutions;

Transfer of complex (bloc-type) subscription offers, advice, and sale of acquired study conclusions to the economic units.

12229

CSO: 2600/190

PLAN FAILURES, IRREGULAR FINANCIAL PRACTICES

Bucharest ERA SOCIALISTA in Romanian No 14, 20 Jul 82 pp 10-11

/Article by Dr Radu Ciurileanu, director general in the Ministry of Finance:  
"Order and Discipline in Economic-Financial Activity"

/Text/ Nicolae Ceausescu said, "Let us see to constant observance and implementation of the state laws and party decisions and tolerate no one's violation of them for any reason! That is one of the main demands made today by socialist construction, the party, the state and the Romanian people!"

Securing high efficiency in all activities and the most responsible efforts to carry out the tasks in the plans for Romania's socioeconomic development to the letter are urgent necessities of the national economy. The uniform principles and rules set forth in the party decisions and state laws provide a clear basis for establishing perfect order and exemplary discipline that will make it possible to meet those requirements at all stages and all levels of the Romanian social organism.

Order and discipline in economic and social activity are an essential component of the complex of factors upon which national growth and development, exemplary fulfillment of the tasks of the Uniform National Plan and the state budget, rational and economical management of society's resources, and application of a strict regime of economy depend, and they accordingly contribute to consolidation of workers self-management and economic and financial self-administration and ultimately to greater efficiency and improvement of the people's living standard. Any violation of economic and financial discipline has very harmful consequences both for the unit where it occurs and for society. Therefore those violations are and must be sanctioned according to the laws of the land regardless regardless of persons, their positions in the social hierarchy, or the merits of the person in question.

The first duty of every socialist unit and every worker is to perform their tasks so as to secure exemplary fulfillment of the plan provisions assigned in the Uniform National Plan for Romania's Socioeconomic Development, regularly and in all indicators (production, export, investments, promotion of technical progress, profits and profitability, etc.). Observance of plan discipline is becoming ever more important to the nation's all-around progress and to accomplishment of the tasks we have undertaken.

Moreover the activating power of the plans is based upon the obligatory nature of the assigned tasks. After it is discussed and approved on all levels, the plan becomes law and observance of plan discipline entails definite obligations and responsibilities for all socialist units. The fact that the plan tasks are fulfilled and exceeded in the great majority of cases demonstrates that the workers, in their threefold capacity as owners, producers and beneficiaries of all the material and cultural values in Romanian society, act purposefully in production and make a constant effort to increase the national wealth.

Unfortunately there are also quite a few units that are still not completely meeting the indicators of the economic plan and the financial indicators. To be sure analysis of each particular case often reveals more or less objective reasons for this, but most of the time and in most cases the real reasons are of a subjective nature and reflect such situations as lack of effort and sense of responsibility, laxity or lenience, which are to be found in some managers' attitude and behavior as well as among the operational personnel.

We still meet with superficiality and irresponsibility in the stage of drafting the plans, when for no good reason the production capacities are not properly evaluated and "loaded." It is often necessary for other organs to make time-consuming and expensive analyses to show how negative a position was taken by the collective of the respective unit. Failure to conclude the economic contracts for supply and sales on time is common, resulting in output "uncovered" by sales contracts after 8-10 months of the year have passed. Technical-material supply sometimes encounters many difficulties because the allotments received from the higher organs are relied upon almost entirely, with no efforts to find other sources such as possible exploitation of reusable materials, used parts and subassemblies, and secondary resources.

A recent analysis and control program conducted by the financial-banking organs in 465 enterprises concerning the way the economic and financial indicators are substantiated in the plan for this year revealed situations requiring the most careful consideration. This survey, made jointly with the workers collectives in the respective units, brought out potential reductions in production costs totaling almost 3.2 billion lei, including 2.3 billion lei in material outlays alone, as well as possibilities of lowering indirect costs by about 1.5 billion lei and administrative-managerial ones by 124 million lei.

Misrepresenting the extent of fulfillment of the plan indicators is a particularly serious violation of plan discipline that has its economic and social consequences. Any percentage reported in excess of the actual situation ultimately means a fictitious, unsubstantiated justification of excess material inputs, wasted or even embezzled resources, or payment of undue sums in the form of wages or bonuses. Such a procedure conceals a number of defects in the economic activity, distorts the statistics, causes artificial imbalances in the material reserves, etc. Such violations, if they were committed with guilty intentions, must be examined very carefully and responsibly in order to determine the circumstances under which they took place, the purpose pursued, the means used and the persons responsible who, according to law, must be sanctioned. There can be no excuse or "understanding" whatever for those who, either on their own initiative or at the behest of others, modify the documents reporting the extent of fulfillment of the plan indicators.

Although severe measures have been taken against those found guilty of such violations of plan discipline, there are still cases where the legal standards for reporting implementation of the plan tasks have not been entirely observed. It is a basic duty of the financial-banking organs and the other organs with control functions to detect such instances and sanction them very firmly according to law.

#### Complete Legality in Expenditure of Funds

In the Romanian socialist economy special attention is naturally given to the way the economic, social-cultural or administrative units' funds are expended. We may say that increasing care is being exercised in management of the funds entrusted to the socioeconomic units and that the workers are making a persevering effort on behalf of a strict regime of economy. Improved occupational and political training of the workers in the economy, as well as the legal regulations enacted, have contributed considerably to this climate. Today we have a compact body of rules and standards for financial discipline that enables the enterprise financial-accounting organ to take effective action by stopping the outlays and economic operations that fail to meet the standards of necessity, suitability and economic effectiveness before they are effected.

Despite the measures taken and the results obtained, it cannot be said that we have attained a complete observance of financial discipline and legality in the expenditure of public funds. Quite a few cases are on record where major expenses were carelessly recommended with no provision for their adequate effectiveness. A few examples are illustrative of this. For instance at the Braila Progresul Enterprise preventive financial control cancelled a 440,000 lei order for electric motors of a type that was in the unit's warehouses in sufficient quantities. At the Bucharest Heavy Machinery Enterprise six orders for 693 tons of medium and thick sheet iron, 150 tons of raw chromium ore and other materials amounting to 3.1 million lei were cancelled because it was found that those quantities exceeded the real needs for production and the stockpiles in the warehouse met the requirement for such materials. There is also the phenomenon of hasty procurement! For example, a 40 million lei order for an engine for a ship to be built in 1984 was cancelled upon review at the Galati Industrial Central for Shipbuilding. We could go on with the examples, but we shall stop here.

A number of units make outlays although they are known to be illegal from the start. Those situations are more frequent in units under the people's councils, which habitually begin to procure products or equipment they do not really need recklessly at the end of the year, when they see that the budgetary funds have not been entirely expended. For example, the basic controls effected by the organs of the Ministry of Finance over the execution of the budgets of incomes and outlays in the county and Bucharest municipal people's councils revealed medical equipment and instruments for health units or laboratory equipment for educational units amounting to 56 million lei, some of which items were stored in the warehouses of the respective county organs, undistributed, unused and subject to physical deterioration and obsolescence. Those who instigated and approved payment for those items showed their lack of good-manager spirit and carelessness in handling public funds, being guided by the antieconomic motto "better to exceed than go without."

In other cases illegalities are committed in order to "rescue" funds unspent toward the end of the year, in the form of contracts to purchase products or to perform operations paid for in advance and with fictitious documents for delivery or performance. The units in question reach a point where they no longer know how to make suppliers honor their assumed obligations for which they have received the respective sums in advance. Of course the guilty parties have been very severely sanctioned whenever such violations of financial discipline have been detected, but it is still important to learn all the necessary lessons from this.

Enforcement of legality in expenditure of public funds and provision for complete financial discipline are inseparable from consistent application of the basic principles stated in the Law on Finance, which provides that the socialist units' own funds, as well as any other funds, shall be used solely in conformity with the provisions of the Uniform National Plan for Socioeconomic Development and of the budget of incomes and outlays and with the standards and regulations in effect. And the obligation must be strictly observed not to approve or effect any outlay, regardless of the funds supporting it, without the previous approval of the head of the financial-accounting section or other persons exercising preventive financial control in the socialist units, as well as that of other organs with such functions in the economy.

#### Staunch Defense of Public Property

Order and discipline are vital to management of material and financial values if all forms of waste, theft and alienation of said property are to be prevented. Experience has proved that loss of public property is always prevented where the heads of socialist units and workers collectives consistently carry out the measures provided by law, such as those concerning inspections and inventories, correct and punctual maintenance of accounts and technical-operational records, control of accounts and measures to conserve property, and hiring competent managers who are correct and honest in their care of the property entrusted them. It also helps to arrange an efficient supervisory control exercised daily and on the spot by the section heads in enterprises with warehouses in their charge, in short a control over the managements handling the constantly increasing material values.

But there are also enterprises that unfortunately fail to realize that the integrity of public property is primarily the responsibility of the managers and workers collectives, the first to be expected to see that the material and financial values are prudently managed and that any possibilities of their waste or theft are prevented and eliminated. The Ministry of Finance's control organs have recently detected losses to public property favored by causes that could and should have been known and eliminated by the managements of the controlled organs. For example, it was possible to cause a loss of more than 1 million lei in 17 enterprises by faulty drafting of the primary documents and improper organization of the accounts. In the same enterprises, negligence in the places of storage and at the points of entry and departure of the material values, poor professional training of personnel with functions of managing the material and financial values, and unsatisfactory preventive financial control contributed to a loss of more than 3 million lei.

Unit managers' failure to analyze the circumstances under which surpluses have been formed in managing is another frequent cause of losses to socialist property. Experience shows that these surpluses are often wasted or even stolen. The above-mentioned action revealed a loss of about 500,000 lei due to theft of the created surpluses of some property.

If a climate of strict order and discipline is to be established in the activity of all those responsible for preserving and managing the material and financial values, the legal provisions on hiring managers must be very strictly enforced. There are quite a few cases where managers have been hired with no knowledge of their records or without certification from the units they came from. In other cases the losses are not covered by guarantees or the supplementary guarantee is not secured although it is obligatory. Such violations of the legal provisions weaken the sense of responsibility for careful management of the entrusted property and create "openings" for theft of public property.

Certainly the foregoing instances of failure to apply the laws in force and of violation of financial discipline have compelled the control organs to apply about 400 disciplinary and penal sanctions to the persons who failed to perform their functions in regard to protection of the integrity of public property.

The recent Expanded Plenum of the RCP Central Committee pointed out again that exemplary order and discipline must be secured in economic-financial activity and that the party decisions and laws of the land must be well known and applied with revolutionary responsibility and firmness in all fields without exception. Under the circumstances the financial-accounting and financial control organs have a special role and responsibility, being called upon, as the party administration has indicated, to take steps to secure complete financial discipline and to introduce a climate of order and a spirit of economy in the expenditure of society's funds on behalf of the further growth of economic effectiveness.

5186

CSO: 2700/67

# IMPROVEMENTS SUGGESTED FOR VETERINARY MEDICINE, RESEARCH

Bucharest ERA SOCIALISTA in Romanian No 14, 20 Jul 82 pp 15-18

[Article by Dr Valentin Popovici, director of the Pasteur Institute for Veterinary Research and Biological Preparations: "Veterinary Medicine As a Key Field of Zootechnical Development"]

[Text] Nicolae Ceausescu said, "We must realize that the veterinary has a distinctive responsibility and that the standards set by veterinary medicine, the veterinary rules, are binding on all."

Animal diseases are one of the natural disasters with which mankind has always been confronted. Thanks to scientific progress since Pasteur's epochal discoveries, organization of state veterinary services, and most countries' general programs to prevent and control the contagious diseases, some of the latter have disappeared from large areas of the world while others have been checked and are kept at a low incidence.

Yet it has been repeatedly demonstrated in the last few decades that the progress made in this field does not exclude the risk of the spread of serious epizootic diseases over large areas. Moreover some countries' development of zootechnology by intensifying their big concentrations of livestock has favored the spread of other contagious or noncontagious diseases wherein the environmental factors play a decisive part.

The economic consequences of animal diseases are primarily determined by the losses due to mortality, impaired fertility, and lower yields of inferior quality. Besides these direct losses there are also such indirect ones as the costs of measures to protect an area from diseases from without and to prevent, control and treat the existing ones as well as the costs of quarantining and other restrictions on the contaminated or threatened livestock and of specially processing the yields obtained from the stricken animals in some cases.

According to some statistics compiled by international bodies (FAO, OMS and OIE), the losses caused by diseases in percentages of the value of the livestock output average 30-40 percent in the countries with developing economies and 15-20 percent in the advanced countries. The economic consequences of animal diseases are not confined to those losses but also affect international

exchanges. Many countries' veterinary laws, as well as some international agreements, stipulate that in the case of very dangerous epizootics the appearance of a single center of contagion means an immediate embargo on export or shipping of livestock and livestock products. In some cases the restriction on export is maintained up to 12 months after the last epizootic center has been eradicated. Moreover we must also consider the possible social effects of some diseases transmitted to man upon direct or indirect contact with the diseased animals or with unsanitary products of animal origin.

The foregoing leads to the conclusion that so far from being a problem solely of the veterinary network, "protecting the health of livestock and preventing transmission of diseases from animals to man is a state problem and a permanent task all state organs and organizations and other organizations, as well as a duty of all inhabitants of the country" (Article 1 of the Law on Veterinary Sanitation).

The importance of strict observance of the veterinary sanitation laws and the need of further improvement of the activity in that field have been repeatedly pointed out by the party and state administrations as essential to implementation of the provisions of the plan for zootechnical development and an important aim of the current agrarian revolution.

#### Strategic Priorities in General Prophylaxis

The essential aims of Romanian veterinary medicine are dependent upon some current features of Romanian zootechnology, which is primarily characterized by development of big zootechnical complexes with heavy concentrations of livestock in addition to a large number of animals on private farms. This coexistence must be given first consideration in drafting the programs to prevent and control the animal diseases, even though the major, very contagious epizootic diseases have been eradicated in Romania by sustained measures of general prophylaxis and vaccination.

Meanwhile intensive breeding of livestock crowded in big zootechnical complexes confronts veterinary medicine with a number of new problems, some of which are still awaiting satisfactory solution. The new breeding conditions have changed the parameters of the evolution of many of the known diseases so that the ways and means of preventing and controlling them must also be changed. Meanwhile, in comparison with the nutritional diseases and toxicoses with chronic or sub-acute evolution, the importance has increased of the diseases with complex aetiology, wherein the action of some contagious factors is affected by the intervention of the various causes related to nutrition, the microclimate, and the breeding and exploiting conditions.

Nor can some international circumstances be overlooked in defining the aims of veterinary activity in Romania. Due to the intensified international exchanges and the participation in them of the countries with unfavorable veterinary sanitation, a number of serious epizootic diseases that had been eradicated in Europe reappeared on this continent in the last decade. Moreover new diseases regarded as exotic and confined until recently to limited areas in Asia and Africa have also appeared in some European countries. Being a major thoroughfare of international trade because of its geographic position and participating actively itself in the international exchanges, Romania is exposed to the danger of these epizootics.

Consequently, in view of all these circumstances, we must opt for a preventive veterinary medicine focused upon the following strategic objectives: prevention of penetration and diffusion in Romania of diseases not now present in Romania but widespread in other countries with which we maintain trade exchanges; reduction of the incidence and eradication of contagious diseases existing in Romania; radical improvement of the state of the livestock's health by prevention and control of the diseases caused or favored by the conditions of foddering, microclimate, exploitation or technology; and protection of public health by prevention and control of the diseases that can be transmitted from animals to man and by providing for the sanitation and maximum nutritive values of foodstuffs of animal origin.

First of all general measures must be instituted to prevent the contagious diseases, measures (of general prophylaxis) for veterinary surveillance of the livestock, the units for processing products of animal origin, and the circulation of the animals and products, and for observance of the measures for quarantine, hygiene, disinfection, early detection of the diseases etc. Protection from diseases that could be introduced from outside the country by imports of livestock or their products, especially meat, is another essential feature of general prophylaxis. Many countries' experience proves that that is the main way epizootic diseases cross frontiers and that it happens more often than even the specialists expect. As a result the countries with good veterinary sanitation are constantly raising the standards for such imports.

Therefore in judging the economic advantages of imports of livestock or livestock products it is necessary to consider the inherent epizootiological risks, which are much greater if the exporting country has dubious veterinary sanitation. And once the imports are approved, measures should be strictly enforced to provide more "safety nets," such as special laboratory examinations, restricted circulation on Romanian territory, strict quarantining, processing of the products in a limited number of enterprises with close veterinary surveillance of them as well as the imported livestock, and in some cases preventive vaccinations. All the other antiepizootic protective measures (veterinary control of border crossings and small-scale border traffic as well as international ports and airports and rail and highway transshipping) serve the same purpose, namely to prevent the uncontrolled entry of possibly infected livestock products (meat, meat products etc.) into Romania.

Although many vaccines against contagious diseases in animals have been developed in the last few decades, the main way to prevent and control them in all nations with an advanced zootechnology is to strictly enforce the measures for general prophylaxis, which has proved to be the surest and most economically effective alternative.

Nevertheless it should be mentioned that the basic provisions of general prophylaxis, which are included as obligatory standards in Romania's veterinary laws, are still insufficiently known and observed by those whose duty it is to apply them. Consequently it often happens that decision-makers order measures that conflict with the veterinary standards of sanitation. And sometimes the veterinary laws are violated under pressure of immediate economic requirements, while the epizootiological consequences, sometimes extremely serious, that can result are underrated.

Strict observance of the veterinary laws is one of the main factors determining the effectiveness and quality of zootechnical activity. Accordingly we consider it the duty of the veterinaries, who are the first to be expected to apply the veterinary standards of sanitation, to make a much more concerted effort to make the respective legal provisions known and observed by all those directly or indirectly involved in this important production sector.

### Rational Use of Specific Prophylaxis

Rational use of the methods of specific prophylaxis (vaccines, hyperimmune serums etc.) designed to prevent and control the various contagious animal diseases is another course of action to achieve the above-mentioned strategic aims. In recent years the use of these means in Romania has steadily increased in both quantity and variety. For example, consumption of biological products for veterinary use tripled in Romania in the last decade.

To be sure it is a regular task of scientific research to improve this arsenal and further perfect the means of specific prophylaxis, but some excesses are found in Romanian zootechnology's consumption of biological products for veterinary use. A much larger quantity of such biological preparations are used now than in other countries, including countries with conditions comparable to Romania's. This "excess" is true of the veterinary products used to curtail the losses caused by diseases that could have been prevented and controlled far more reliably by general prophylactic measures and close surveillance of the hygienic, microclimatic and foddering conditions.

An underestimate of general prophylactic measures and disregard of the technological standards, including the hygienic ones, are now leading to excessive consumption of specific means of prevention and treatment in some zootechnical units, giving rise to the fundamentally wrong opinion that an intensive zootechnology of the industrial type absolutely requires wide-scale use of biological preparations and pharmaceuticals. Actually, such a zootechnology has the great advantage from the standpoint of animal health protection that it permits strict application of the whole series of general prophylactic measures, those for anti-epizootic protection as well as those for strict control of the foddering and microclimatic conditions and other hygienic factors.

In the light of these findings, we feel it is essential to realize that rational use of specific prophylaxis calls for application of the programs for general or regional vaccination only in case of serious epizootic diseases that are particularly damaging because of the spread of contagion and resulting losses, and especially diseases that are still a threat to Romania (hog plague, false aviary plague [*pseudopesta aviara*] and foot-and-mouth disease). Moreover we must continue the programs for vaccination against enzootic diseases associated with telluric infections or in case of a large number of disease carriers (anthrax, leptospiroses, rujețul [*??*], anaerobioses of ruminants, etc.).

On the other hand we must limit the use of the vaccines against diseases that can be prevented by general prophylactic measures including veterinary supervision and by securing the hygienic, microclimatic and foddering conditions. Note that in general use of the various vaccines without improving the said conditions is usually ineffective, while improvement of those conditions definitely

helps to eliminate or considerably reduce the incidence of a whole group of diseases for which many expensive vaccines are now being used with limited effectiveness.

Accordingly the main effort to prevent and control these diseases must be directed toward the general prophylactic measures, while the immunoprophylactic means are to be used only in exceptional cases due to improper application of the prophylactic measures.

#### Effect of Technological Factors

Under the present conditions of Romanian zootechnology, one of the most effective ways in which it can benefit the animals' health as well as their productivity is to provide for the conditions of foddering, hygiene and shelter and for the technological factors in general.

Deficient and/or unbalanced rations and the poisons that appear in improperly preserved fodders have a generally bad effect upon the animal organism. They are basic to some frequent and very damaging illnesses (deficiency diseases, metabolic disorders and mycotoxicoeses). They also impair the animals' reproductive function, the viability and health of their young, their resistance to infections and parasitic invasions, and their capacity for immunization after the means of specific prophylaxis are applied.

We now have laboratory methods enabling us to determine the animals' metabolic profiles and thereby make an early and discriminating diagnosis of the various deficiencies and metabolic disorders. But elimination of such illnesses entirely depends upon quantitatively and qualitatively adequate foddering and regular collaboration of agricultural expert, zootechnician and veterinary.

Improper hygienic conditions in the shelters cause most of the disorders in the young of the various species of livestock, which disorders also cause the greatest losses in the zootechnical sector. It should be mentioned here that most of the immunoprophylactic and pharmaceutical products intended for cattle and hogs are used to control and treat this type of disease. In the case of both species the same may be said of the volume of work of veterinary personnel. But most of these diseases can be prevented much more effectively by strictly observing the hygienic conditions in maternity and the provisions of the technologies for populating the shelters for the young and by carefully checking the microclimatic conditions, especially the correct operation of the systems for ventilation and clearing the droppings.

By proper surveillance of these technological factors that directly affect the state of the animals' health and by prompt correction of the defects found, the veterinaries jointly with the other specialists in the zootechnical units could intervene much more effectively in this field of animal pathology and to great economic effect.

Accordingly the specialized personnel in the veterinary network must perform with all responsibility and conscientiousness. But it still happens in quite a few cases that the local managements assign the veterinary technicians and physicians tasks that actually belong to other agricultural personnel, such as

purchases of livestock, deliveries for the meat reserve or harvesting and storing the fodders, to mention just a few examples. This diverts veterinary personnel from their mission properly speaking and leads to neglect of prophylactic and therapeutic actions and impairment of their quality. Naturally such situations, resulting from disregard or replacement of the particular tasks of veterinary personnel, cannot help to strengthen the spirit of order and discipline in zootechnology or the sense of personal responsibility of the various agricultural personnel.

### Importance of Preventive Veterinary Control

The importance of a correct diagnosis to the substantiation and implementation of the programs to prevent and control animal diseases is unanimously recognized. An accurate, complete, early and rapid diagnosis permits early discovery of the centers of an epizootic and checking their spread in the case of acute contagious diseases of great diffusion power. Early detection of the infected animals and their elimination in the case of chronic contagious diseases (tuberculosis, bovine leucosis etc.) expedites restoration of the livestock, and a rapid statement of the exact causes of nutritional disorders enables them to be corrected before the onset of disease.

We do not think veterinary diagnostic work in Romania as yet meets the requirements of preventive medicine or the needs of an intensive zootechnology of the industrial type. Though there have been a number of successes in this field in recent years, scientific research still has many problems to solve in connection with development of new or further perfected diagnostic methods that will be more specific and sensitive, highly effective, and available to the diagnostic laboratories of the veterinary inspectorates, the main units where these operations are performed.

Other defects persist even in the work of the county veterinary laboratories. For example, there are not yet enough control diagnoses (for contagious diseases and nutritional disorders) made in comparison with those of necessity. Some county laboratories have developed certain specialties, but the variety of the operations and the number of examinations are still below the field requirements.

Generally speaking, exact knowledge of the possible causes of a disease throughout the whole territory as well as at the level of each zootechnical unit is essential to improvement of veterinary work. But this aim can be accomplished only by regular promotion of control diagnosis programs for the contagious diseases, nutritional disorders and defensive capacities (immune response) of the organisms. Meanwhile the microclimatic parameters in shelters and the conditions under which they are disinfected must be regularly controlled by strictly scientific methods.

All this work is done primarily by the laboratories of the county veterinary inspectorates which, along with the specialists of the veterinary and epizootiological inspectorates in the zootechnical complexes, are the main forces for introduction of technical progress in veterinary medicine. This fact is also demonstrated by the experience of other countries, with an advanced veterinary medicine, where the regional laboratories for veterinary diagnosis are being intensively developed. Provided with perfected and highly effective equipment and

staffed with specialists in various fields, these units function as effective centers of technical aid to zootechnology in the areas assigned to them and also form a network for epizootiological control of the territory. A group of specialists in various fields of species pathology usually works under a center, who check implementation of the veterinary programs in the field by means of the data obtained in the laboratory or intervene in the special situations that may arise in the zootechnical units.

Unfortunately the work of the county diagnostic laboratories in Romania has lagged behind the needs of practice because their role has been underestimated. The activity of the specialists in these units is wrongly considered "unproductive" compared with that of their colleagues on the zootechnical farms veterinary dispensaries, so that the interdependence of the two activities, which actually serve the same purpose, is overlooked.

Due to this misconception the number of specialists in the county laboratories, which was quite limited anyway, has been reduced even further. Although the supply of many of these laboratories with equipment is precarious enough, the situation has reached the paradoxical point where their staffing with personnel is insufficient to make effective use even of the existing equipment. At present, in order to meet the various demands of the practice, with its highly varied problems, every specialist working in the county laboratories has to "cover" from three to five kinds of activity. This has a bad effect upon the quality of their work as well as its results. These defects in the organization of the laboratories impairs the whole veterinary effort in dispensaries and on farms.

We do not think any major qualitative leap in Romanian veterinary medicine is possible without reconsideration of the part that should be played by the county laboratories as units specializing in diagnostic problems and other highly technical operations. First of all we think they must be staffed with enough specialists. It must be realized that in the course of a day's work every specialist in a county laboratory solves the problems in animal pathology of several zootechnical units.

In the second place, we must have a much higher standard for recruiting, training and certifying the specialists in these laboratories. The opinion is quite widespread that the work in veterinary laboratories is more "convenient" than field work. Unfortunately that opinion is often confirmed by the inadequately trained and incompetent personnel employed in these units. After recruitment by competition alone and after 2-3 years work in the laboratory, each specialist should be certified on the basis of an examination organized on the national scale. Subsequent work in the laboratory should depend entirely upon obtaining the certificate of qualification.

And finally, the material resources of these units must be improved. They still fall far short of the current demands on zootechnology as well as the investments made in the sector.

The big zootechnical units have begun to organize their own laboratories recently in order to partially compensate for the failings of the county laboratories and to provide some services of their own. Since they operate within the production units with autonomous economic administration, these laboratories can

develop their material resources more readily than the laboratories of the county inspectorates organized as budgetary units.

To be sure it is debatable which formula is preferable: dispersion of laboratory work in several units under the county, or concentration of it, including the material resources, in a single unit. We consider the second measure incomparably more efficient. In any case, conversion of the county veterinary laboratories to autonomous economic administration would solve the problem of securing their material resources.

#### Veterinary Medical Research

Accomplishment of veterinary medicine's strategic aims must be based upon the results of a regular and comprehensive scientific research effort. In the context of development of a modern zootechnology with radical changes in the conditions under which the animals are bred and exploited, Romanian scientific research in the field of veterinary medicine has tried to adjust to the constantly new requirements. The research programs, devised in collaboration with the direct beneficiaries, have emphasized objectives involving discovery of new ways and means of diagnosing, preventing and controlling animal diseases under the new technological conditions.

The progress made by veterinary medical research in Romania was one of the main grounds for the preparation and application of the veterinary programs. It brought about the reduced incidence or eradication of some epizootic diseases, introduced manufacture of many means of prevention and control (vaccines, serums and drugs), and resulted in the application of some new diagnostic methods and integrated veterinary technologies.

The strategy of constant development of veterinary activity on a higher level increasingly requires the direct contribution of scientific research. The main objectives demanded by the current and long-range needs of stock raising in Romania primarily involve further improvement of the ways and means of diagnosis through use of the most modern equipment in order to increase accuracy and efficiency. In view of its current importance among the causes of losses in zootechnology, it is becoming absolutely necessary for research work to increasingly emphasize the field of nutritional diseases and toxicology, but short of abandoning the field of contagious, and especially viral, diseases.

Increasing emphasis is to be placed on making new immunoprophylactic products for prevention and control of diseases not now benefiting by such means or in the case of products not now producing entirely satisfactory results. To the same end the technologies for preparing and administering the biological products must be perfected in order to enhance their effectiveness, including their competitive power on the world level, along with development and approval of some new and highly effective therapeutic means.

Another very urgent field for scientific research is the development of comprehensive veterinary methodologies to prevent diseases by the most rational and economic means, using as few therapeutic and immunoprophylactic treatments as possible and correlating the breeding and exploiting technologies as closely as possible with the physiological requirements of the organisms.

Expansion of basic research in order to make some real progress in the "peak" fields or those of great practical importance is a problem on the agenda. Basic problems of the physiopathological mechanisms of nutritional diseases and infertility are noteworthy here, as well as those of diagnosis and prevention of hereditary diseases, transmission of genetic information, application of modern techniques in preparing biological products, obtaining and raising gnotobiotic (free of pathogenic germs) animals, mechanisms of the immune response, and description of the viruses that are pathogenic for animals.

But if some increasingly complex fields of research and development are to be taken up, the staffing of the institutions of higher education and research with specialized personnel must be improved, as well as their technical equipment. First of all more emphasis must be placed on selection of research personnel. For that purpose we consider it necessary to set up a long-range program on the basis of which the best specialists in the whole country can be recruited for research. Meanwhile the technical-material resources of research must be further developed as well as those of all veterinary activity, especially by using the growing potentials of Romanian industry.

Veterinary activity of high efficiency and quality can be achieved only on the basis of comprehensive programs closely correlated with the long-range view of further development of Romanian animal husbandry. Such programs, prepared on the initiative and under the direct supervision of the higher party and state administrations, will be a constant guide for all activity in livestock health protection with all its economic and social effects.

5186

CSO: 2700/67

DATA ON FARM EQUIPMENT, FERTILIZER FOR 1983

AU061510 Bucharest AGERPRES in English 0945 GMT 6 Jan 83

[Text] Bucharest, 6 Jan (AGERPRES)--In order to achieve the farm output stipulated in the 1983 plan the technical-material base of agriculture will develop as it will be endowed with the necessary machines and equipment to expand the mechanization of the farm operations, arrange further areas for irrigation, and supplied with considerable quantities of organic and chemical fertilizers. Land melioration and water management operations will also be performed.

Thus in 1983 agriculture will be supplied 16,800 tractors, 7,550 cereal harvesters, fodder harvesting combines, potato harvesters and other farm machinery and equipment. (We mention that at the end of 1982 agriculture already operated 155,000 tractors and 45,000 self-propelled combines as against 81,000 tractors and 300 combines in 1965.)

In order to fertilize the soil and raise productivity 35 million tons of organic fertilizers, 2.03 million tons of chemical fertilizers and over 45,000 pest killers will be made available. Likewise, the area arranged for irrigation will increase this year by 200,000 hectares standing at 2,765,000 hectares--12 times bigger than 1965.

One hundred ninety thousand hectares will be drained in 1983 while soil erosion control and other melioration operations will be performed on 110,000 hectares. Pastures will be arranged for 770,000 hectares and 5,700 hectares will be made available for pisciculture.

CSO: 2020/13

## YUGOSLAVIA

### WESTERN, GUEST WORKERS' VIEWS OF YUGOSLAV ECONOMY

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Jan 83 p 8

[Article by Viktor Meier: "Yugoslav Contradictions. Belgrade's Economy Cause of General Perplexity"]

[Text] The Central Committee of Yugoslavia's Communist Party at year's end was once again concerned with the country's economic situation, finding it serious and calling once more for new exertions: savings, less consumption and greater exports, especially to hard currency countries. The most important immediate goal for the coming year is the maintenance of the country's foreign liquidity. Like so many times before, the impression is gained from the reports, conclusions and discussions of the Central Committee, of a certain helplessness. Although Karl Marx defined economics as the basis of all human existence, it appears universally difficult for communist regimes to comprehend and to follow its laws.

Yugoslavia's situation this year, with some 5 billion dollars in foreign obligations once again falling due, is certainly not enviable. There are also growing doubts in the international financial community as to whether the country's present leadership and its policies will really be able to turn things around. The very frank statements of the Bank for International Settlements in Basel on this point apparently hit Belgrade officials like a shock wave. Since then they have been talking repeatedly and emotionally of "shoring things up" through their own resources. In doing so, the regime is seeking to justify its emergency restriction measures. Yet as it turns out, these measures, as a whole, are likely to cause more harm than good, partly because of the way in which they are carried out and partly because of the secondary political goals that some sections of the leadership are pursuing with them. It was no accident, well-informed sources in Belgrade say, that the attempt was made, just at the time of the decree concerning the 5,000 dinar currency limit for foreign travel and the new customs regulations, to put a muzzle on the domestic press. It has been observed in recent weeks that at least in Belgrade and Zagreb, newspapers appearing in these cities have been exercising a good deal of caution. Since then, however, the periodicals NIN and DANAS have resumed their open reporting of economic issues.

It was announced in Belgrade that the new import restrictions had brought the country foreign exchange savings on the order of 1 billion dollars. Yet far greater than this amount appear to be the losses caused by reduced remittances from guest workers abroad and withdrawals from foreign currency accounts. Add to this the political pressure, especially from Slovenia, against the travel and customs regulations. Authorities in Belgrade now seem to be retreating

from their original positions. Over the Christmas holidays, until 15 January, guest workers returning home on vacation will be permitted to bring with them foreign purchases of up to 25,000 dinars in value, though subject in part to customs tolls. This gave customs officials at the frontier an opportunity to blink an occasional eye, with the result that there were no major bottlenecks at frontier crossings before Christmas.

Still, far fewer guest workers returned home than were expected. Yugoslav authorities were quick to explain that this resulted from "fear of losing jobs" in West Germany and other host countries. In reality, the jobs of Yugoslavs working in Western Europe, who, including their dependents, now number more than 800,000, are generally secure. Conversations with Yugoslavs resident abroad generate the impression that these people are embittered by the "declaration of war" which has hit them ever since the government's measures of last fall. There is even the suspicion harbored that the Belgrade authorities aimed these measures at the guest workers out of feelings of envy and anti-Western sentiments or even because most such workers hail from Croatia. Emissaries from Yugoslavia who have pleaded for "understanding" and "solidarity" at meetings of Yugoslav club members abroad are often told that Yugoslavs working abroad earn their money under strenuous capitalistic conditions and that their earnings are the result only of labor with their own hands.

If this "declaration of war" by Belgrade upon its best producers of foreign exchange revealed itself as a very doubtful piece of economic policy, then concessions were going to have to be made to other groups. Private taxis and trucks --the latter very important freight distributors in urban areas--will now receive higher allotments of fuel. In addition, as a result of pressure from the constituent republic of Slovenia, restrictions are to be lifted on day-to-day border traffic. Questions are still being raised why, if increasing exports to the West has been proclaimed a primary economic goal, that the clearing-dollar used to denominate trade with the Soviet and other Eastern bloc states, is fixed at a higher parity than the actual dollar and why Western capital imports for financing joint enterprises are still, in practical terms, made nearly impossible. The inconsistencies in Yugoslav economic policy appear even to trouble the International Monetary Fund, since this agency, until recently, had uncritically accepted all of Belgrade's measures and even the statistical data supplied to it by Belgrade. Official Yugoslave statements that the country's banks were "basically" not state institutions and that the state "in principle" did not have to guarantee the banks' obligations (some two-thirds of Yugoslavia's total indebtedness) caused some consternation in the West. Elaborate explanations had to be made that such statements were intended only as "a warning for the future" but could not be applied to existing obligations.

How seriously the danger threatening the country's foreign liquidity is perceived by the Belgrade government, was something that the Slovenian deputy, Rozic, formerly mayor of Laibach, had to learn in the Parliament. Rozic, speaking in the name of his constituent republic, asked the government what the scale of the country's foreign debt actually was, since "malicious rumors" were heard that Yugoslavia was burdened not just with an "official" 8.5 billion dollars, but that the debt burden was far higher, between 25 and 30 billion dollars. The deputy listened in amazement when told that this question could only be answered in secret. He lodged a complaint on this issue in an interview with the periodical NIN. Actually Yugoslavia is sitting on dynamite with this issue. Many people know that Yugoslavia, in addition to "unofficially" indicated foreign

debts, also is burdened with short-term financial obligations and credits extended by suppliers. The country has frequently been late in meeting payments on the latter. What appears even more serious in the meantime is the question of foreign exchange deposits which no longer seem to be backed to the degree demanded by normal banking practices. If all Yugoslavs were one day to decide to withdraw their hard currency deposits, a serious problem would result.

Despite these conditions, there seems to be a firm notion among certain Western circles that Yugoslavia must be helped financially, regardless of the circumstances. Such voices are heard in the U.S. State Department and even in France. The issue seems to turn less around assistance than a concept for rescheduling the country's debts. Yugoslavia could always manage a relatively favorable rescheduling of certain of its debts, especially those falling due in the coming year, since the country, in contrast to Romania, has never fallen behind before and, in particular, has always been prompt with its interest payments. Yet it wants to avoid this step since--according to Belgrade--it would thereby lose prestige among the non-aligned countries. Yugoslavia's strongest antagonist within the non-aligned bloc, Cuba, is facing rescheduling. Since Yugoslavia's prestige among the non-aligned nations is still useful to the West, the idea of a "cold" rescheduling appears to have germinated in Washington and, to a degree, in Paris, meaning repayment of old debts by incurring new obligations. The only question is whether private banks will go along with the idea, since prolongation of existing credits is seen by them in different legal and commercial terms than is the granting of new loans. Since for Yugoslavia the question is a delicate one for the same reasons and may also be linked to its international prestige, authorities in Belgrade are, for the moment, pleading ignorance. According to one spokesman for the Yugoslav Foreign Ministry, all that is known of these plans is what appears in the newspapers.

9878

CSO: 2300/111

GLIGOROV REVIEWS STATUS OF KRAIGHER COMMISSION MEASURES

Zagreb DANAS in Serbo-Croatian 28 Dec 82 pp 9-11

[Interview with Kiro Gligorov, head of the working group for drafting the Long-Range Economic Stabilization Program, with Ivo Jakovljevic and Djuro Zagorac: "Three Indispensable Reforms: Kiro Gligorov on the Ideas of the Kraigher Commission, Foreign Exchange System, Ration Coupons and Hopes"; date and place not specified]

[Text] Kiro Gligorov was a guest of our editorial staff for the first time half a year ago, when we talked in connection with publication of the "Basic Premises of the Long-Range Economic Stabilization Program" about the most urgent issues at that time in Yugoslavia's economic policy. At that time, that is, the "Basic Premises ..." had just offered a general scenario of economic changes in our country, and the drafting of those premises had furnished an answer so long sought to the question: What is the possible way out of the profound crisis we found ourselves in? In the meantime, over the last 6 months, the popular Kraigher Commission has launched scientific studies one after the other, which have been offered to the makers of economic policy and the creators of the economic system for what is referred to as final editing. On the threshold of the new year, 1983, and on the eve of the end of the mandate of the Commission of the Federal Councils for Stabilization, of which Kiro Gligorov is a member as the director of the working group for drafting the Long-Range Economic Stabilization Program, we began this second conversation with the following question:

[Question] The popular Kraigher Commission has been at work for 14 months now. The announcement has been made that the Long-Range Economic Stabilization Program will be completed in the very near future and that a proposal embodying changes in Yugoslavia's economic system has been derived from it. What is the status of that job at the moment?

[Answer] The commission's work is indeed coming to an end. Of the 15 separate documents envisaged for elaborating the Long-Range Program the following will be published in coming days: the concept of our technological and energy strategy, long-range policy in transportation, and then social welfare policy and development of the social services. A draft proposal concerning changes in Yugoslavia's economic system will be prepared for the final debate in the commission during January, and a document will also be completed on the

country's development policy up to the year 2000. With the adoption of those documents, then, the entire job would be finished as conceived in the "Basic Premises ..." themselves.

[Question] Many of the solutions for our economic difficulties which have been proposed by the Kraigher Commission should already have been part of the text of the Resolution on Economic Policy for 1983 and then also in the changes of a number of laws embodying the system.

[Answer] In my judgment everything we have proposed can already be used in the formulation of economic policy and legislative changes in the new year. The entire package of solutions which have come from the Kraigher Commission also has its time dimension; every part of it or extension has its own time sequence, and I feel that a beginning can be made on all the changes in economic policy and the economic system even during 1983, but that it obviously will not be possible to carry out the entire program for economic stabilization and changes of the economic system in 1 year. Not even the most advanced economies in the world could stand so many changes at once! Another reason why it would be simply unfeasible for us to do this is that disturbances in the conduct of business, the irregularity in the conduct of economic activity and administrative interventionism have already reached their extreme limits. That is why we estimate that it will take another 3 or 4 years of a so-called transitional period for the Yugoslav economy to reach stable waters in the conduct of economic activity, assuming all the changes which have been conceived.

[Question] The most fervent debate in recent days in the SFRY Assembly has been about changes in the foreign exchange system. These are also changes, as emphasized by representatives of the federal government, drawn up on the basis of proposals of the Kraigher Commission, and as such they are regarded as the alpha and omega of the very Resolution on Economic Policy in 1983. What are actually these differences in the approach to changes of our foreign exchange system?

[Answer] To be precise, the changes in the Foreign Exchange Law and more broadly, in the foreign exchange system, are among the principal economic changes through which we are endeavoring to base all future economic measures and activities on dinar income and dinar value. The dinar must be the sovereign means of payment and measure of value without any sort of competition. The parallel existence of foreign currencies on our domestic market has for all practical purposes frustrated any sort of stabilization measures. And this must be the beginning and end of all our overheated ideological debates. After all, to draw foreign means of payment into transactions on the domestic market actually calls into question the very conduct of our independent economic policy!

[Question] Yet not even the federal government has copied those rights and final solutions for the foreign exchange system altogether verbatim from the so-called Kraigher Package?

[Answer] No, in its proposed version of the changes in the foreign exchange law SIV [Federal Executive Council] took our transitional solutions as its point of departure; they would first of all prevent the buying and selling of foreign exchange on the domestic market. There is no point in our conducting large-scale ideological discussions about that proposed transitional regime if we are agreed that only the convertible dinar eliminates all the dilemmas of the foreign exchange market and foreign exchange transactions. In addition, SIV is now advocating the policy of a real rate of exchange of the dinar, which is alright if it is consistent and persistent both in that and in practice. Constant and realistic adaptation of the rate of exchange of the dinar to relations between our own and external prices and the movement of foreign currencies is a much more inexpensive and economical solution than single-stroke devaluations by high percentages, whose effects are exhausted in just 3 or 4 months, again because of the slow sliding of prices.

[Question] The opinion has been publicly expressed that the proposed changes in the foreign exchange law for practical purposes abolish the exporter's previous right to freely dispose of a portion of the foreign exchange he has earned.

[Answer] In formulating the proposed version of the changes of the foreign exchange law SIV has once again proceeded from an idea contained in our transitional solutions to cover the period of the next 3 or 4 years. This transitional regime does in fact presuppose that the exporter will be able to freely dispose of a portion of the foreign exchange he has earned for his own basic import needs. Here again at this moment, when it comes to the exporter's right to import production materials, there must not be a compromise. But the remainder of the foreign exchange revenues which exporters do not use for their own purpose must be directed into the normal channels of the foreign exchange market, and that foreign exchange would actually be in the hands of the commercial banks. The foreign exchange market which would be gradually developed on that basis certainly will not be ideal, but in the transitional period it will afford both exporters and importers more stable conditions for conduct of their business, and they will be separated more and more from that feverish administrative distribution of foreign exchange.

[Question] Aside from the Foreign Exchange Law, as far as we have been able to learn, other laws embodying the system will also be amended. Does this mean that the Law on Associated Labor itself will also come up for amendment soon?

[Answer] Up to now we in the commission have not found any very serious grounds for changing anything of any significance in the Law on Associated Labor [ZUR]. The ZUR is not an obstacle standing in the way of our beginning to fully honor economic laws in practice, nor in the way of organizations of associated labor turning toward the market, nor in the way of setting up a clear boundary of economic responsibility. But certain changes are needed in certain of the other laws embodying the system. For a beginning we are proposing certain amendments, but we will need a great deal more time for a broader re-assessment of the concept. I want to say that one should not confuse the constitution with legislation. The constitution regulates basic social relations,

while laws are mechanisms for attainment of those relations, and as such they are constantly subject to the ordeals of practice and must be reassessed. But in these economic difficulties of ours which have piled up it would be almost impossible to change practice itself, the behavior of organizations of associated labor and employed people without changing a number of legal provisions in the economic system. We will thus soon have to make amendments in the Law on Prices, since it contains contradictory criteria for the setting of prices. In addition we will have to get away from the situation of frozen prices, and supply and demand, wherever possible and desirable, will be sovereign in regulating prices without a long chain of intermediaries. Certainly the market cannot be the sole regulator in all things, and thus, for example, prices in the infrastructure or in the social services will have to be set through accords and agreements, but once again not too far from economic laws. Those changes are also needed in the Law on Credit Relations and Banking Transactions. As well as in the system of taxes and contributions and social planning.

[Question] How do you evaluate the polemics which have gradually been developing in the public over the so-called Kraigher Package? There has been in that polemics a confusion of terms, to some extent even ignorance, but it is obvious that there are objectively what we might call two currents in the public: one favors a market economy of associated labor oriented on a self-management basis, and the other would proceed from the same phraseology to substitute universal conclusion of agreements and the force of the political factor for economic laws, more accurately, the law of value itself. Will the makers of economic policy also have to give way before the differences between these currents and return to compromises?

[Answer] Both at the 12th LCY Congress and also in the documents of the commission and on two occasions in meetings of the Central Committee in recent years we have clearly committed ourselves to reaffirmation of economic laws in economic policy and in the country's economic system. Here again there must no longer be any dilemmas. It is precisely the neglect of economic laws that has brought us into this difficult economic situation, since those laws are manifested regardless of our political determination, but in the form of instability, disturbances, shortages of goods and in general a lack of motivation to do better work and to increase output. Certainly there has been a lack of understanding in the entire polemics concerning the solutions of the Kraigher Commission. But let us make things clear: When in the "Basic Premises ..." we mention the market, we are not referring to the so-called free market, nor to a market on which economic laws would be neglected through the force of the political factor. We are not referring then, to a market outside the system of social ownership and self-management. Our commission therefore advocates a market in the context of social ownership and self-management on which OOUR's [basic organization of associated labor] would be economically independent, would be free in making decisions on essential matters, and operating success and failure would be measured economically. If we are not willing to do that, our alternative lies solely in government regulation across the board, which ultimately threatens our basic production relation as well--self-management. Were the government to have a role of that kind, the very character of social ownership would gradually change to become state ownership.

And we know what that is. In a serious scientific discussion, then, we nevertheless should not go to extremes, but should examine the dimensions of the possible solutions realistically.

[Question] What at the moment are the dimensions of the self-management method of decisionmaking in associated labor at a time when the government, laws and numerous regulations regulate in advance how the major part of income is to be used and when workers' councils, for example, for all practical purposes have their hands almost tied (since by and large they cannot choose on essential matters even between just two possible solutions)?

[Answer] There is very little room at the moment for self-management regulation of relations in associated labor and for self-management decisionmaking on essential questions. The working class therefore does not have that objective force at the moment to which it is entitled in the spirit of our constitutional principles. If an entity is not making decisions on prices, on accumulation, or on the entirety of income, then that entity is not an independent economic entity, nor can we expect it to bear economic responsibility! That is indeed why the commission is for the government's gradually returning to its constitutional function, while at the same time, as respect is paid to economic laws in economic policy and the economic system, associated labor would "take over" both freedom of decisionmaking and the risk for possible failures.

[Question] The regionalization of income on the proclaimed unified Yugoslav market is one of our largest economic and political problems. Is one of the favoring circumstances for this the present organization of the banks, especially the associated banks? Isn't the regionalization of income one of the objective reasons for the emergence of six or eight so-called national economies within our country?

[Answer] Any regionalization of income and accumulation and their confinement to the banks of sociopolitical communities must have such consequences. But this does not depend solely on the organization of the banks, but above all on the economic coercion which has been mentioned so much, on economic laws, and so on. If economic coercion forces the OOUR's to enter into association over the breadth of the Yugoslav market and to do business not only in its limits, but in large part also on the world market, the very concept of regionalization of income, which is so evident in our country today, will gradually disappear. In that sense economic coercion is a far more effective weapon for implementing the idea of pooling than any political action, however well conceived it might be.

[Question] One of the things we will remember this past year for is a gloomy phenomenon: the introduction of rationing coupons on our market. Do you feel that possible shortages in 1983 should be solved with coupons, in a uniform way throughout the country, or after all--through (higher) prices?

[Answer] I think, first of all, that we should not have introduced rationing coupons wherever they were introduced. Rationing coupons are bad news, and we must rid ourselves of them as soon as possible. Incidentally, rationing

coupons make their appearance when the purchasing power of the population is not being controlled by economic means, when the vital functions are being taken away from money, when these coupons, as paper, begin to act like substitute money, when we know that no substitute can properly perform the function of the original mechanism. To be sure, if there are shortages, especially if they are frequent and numerous, when people are putting up with a lot and losing time, and when all sorts of speculations begin to take place with scarce goods, many people are inclined to introduce order, no matter how, including the use of these coupons. But where can such a practice take us? In the case of disturbed commodity-money relations, then, any solution would be better, either interventions from commodity reserves or the use of a tax mechanism or simply higher prices. I therefore feel that even a shortage of gasoline ought to be solved by raising its price! That kind of price rise would result in conservation of gasoline, it would put an end to the abuses with rationing coupons and shortages, and it would also stop various speculations and would absorb the surplus purchasing power, precisely that held by a portion of the population which in this case ought not to be protected by rationing coupons and lower prices!

[Question] Let us return to the science of economics, which also made a significant contribution to the work of the Kraigher Commission. Now, were there major differences in the views and solutions of our economic difficulties between the politicians and the scientists who were brought together in working on the commission? Finally, has our economic science been experiencing a kind of renaissance?

[Answer] There was a fortunate merger of people from politics and science on the commission. It seems that the politicians are more and more thinking in economic terms, and the economists seem to have more and more of what is called a political sense. And that formula contains the great value of the proposals and ideas which emerged during the work of this commission. Thus our economic science has proven that it is not some kind of cold academic profession, nor that it is a medium, as some people try to say, for transmitting bourgeois or someone else's alien theoretical and practical conceptions to this economic turf of ours. Indeed, today our economic science is growing and developing in a search for Marxist and self-management solutions for the economic and social development of our country which are specifically ours, and that represents its great opportunity.

[Question] But there have been charges of Reaganism, Thatcherism, Keynesianism and who knows what.

[Answer] Such reproaches are only a reflection of confusion in certain heads. Incidentally, if certain solutions in economic mechanisms do in fact recall the same or similar ones in other countries and systems, this still does not mean anything. Every one of our solutions has to be placed in the context of our production relation, self-management, and only then do we reflect on whether it does good or harm and how much. That is why only the totality of the commission's views on the questions of our long-range stabilization can be the foundation for assessing their ideological character.

[Question] And what, finally, awaits us during this year, 1983? Will it be still more difficult, and for whom will it be more difficult?

[Answer] Even the most famous institutions in the world have up to now been burned many times predicting the economic future, even that most immediate future, so that today, especially in this situation of world crisis, hardly anyone with any sense does that anymore. But just as it is obvious that the world economic situation will not undergo essential change in a month or two, nor even in 12 months, so there probably will not be essential change in the economic situation in Yugoslavia in upcoming 1983 either. We will not swim quickly and easily out of these difficulties which have accumulated over long years, and that at least is clear. Yet Yugoslavia does objectively have a large potential for achieving more stable conditions for the conduct of economic activity and a new and higher limit for the standard of living if the proposed changes are made in economic policy and the economic system in coming years. But something like that will require a profound economic reform, which indeed we are advocating, and that will objectively necessitate corresponding changes in the political system and indeed in the general social consciousness.

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