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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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18 April 1985

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INTERNATIONAL AFFAIRS

FORESTRY EXPERTS FROM CEMA STATES MEET IN ROMANIA

Bucharest REVISTA PADURILOR in Romanian Jan 85 p 47

[Article by Dr engineer I. Milescu and Dr engineer A. Iana: "Meeting of CEMA Member Country Chiefs of Silviculture and Forest-Use Organizations."]

[Text] The 13th meeting of CEMA member country silviculture and forest-use organization chiefs was held in Resita 25 to 27 September, 1984. This latest in a series of gatherings begun in 1972 among leaders in forestry and forest-use, is intended to ensure a useful exchange of opinion and experience regarding the development of these important sectors of activity in CEMA member countries.

The heads of forestry and forest-use organizations from Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic, Hungary, Mongolia, Poland, Romania, the Soviet Union and Vietnam held regular meetings on a rotational basis between 1972 and 1984. These fora have given annual direction to cooperative activities in these domains between interested countries. Usually preceeding the working sessions of the CEMA section for silvicultural cooperation, the meetings of the forestry and forest-use organization chiefs from the respective countries hear detailed reports on the principal problems facing silviculture in the CEMA member countries and, by common agreement, establish ways to address these that take into account the interests of all participants.

Among the problems addressed at the recent meeting of the CEMA member country chiefs of silviculture and forest-use organizations were the major development guidelines in member countries' forestry and forest-use programs; the practical experience gained in establishing the causes for the blight that has appeared in stands of oak trees and measures to prevent and combat this phenomenon. The exchange of information carried out at the meeting demonstrated the major activities of central forestry administrations in the member states for the 5-year plan period 1986-1990. These intensification of forest management. Of note is the particular attention being accorded to establishing a balanced logging schedule based on the general principle of continuously raising forest productivity and ensuring a healthy forest as an essential condition for maintaining and consolidating the complex measures specific to the economic and silvicultural conditions in each country.

The information provided by our delegation was based on party and state documents including, "The National Program for Conserving and Developing Forests 1976-2010." It stressed the activities being carried out in Romanian silviculture areas of primary interest--meeting the need for improved seeds and plants through modern methods of genetics and forest selection, replanting run-down and lower value wood stands, introducing new plant species, caring for wood stands, making full use of forest products, the role of these activities in protecting the environment, wide-scale mechanization of silviculture work, data processing and the use of modern computer systems in forest management.

It is known that over the last three decades, oak forests in a number of countries have suffered blight for reasons that are not fully understood. REVISTA PADURILOR has long allotted considerable space to the discussion of this phenomenon and has always presented significant information about the causes of oak blight. Now the problem under discussion has spread and the Soviet, Bulgarian, Hungarian and Czech delegates noted particular aspects of the appearance and forms of blight encountered in oak forests. The reports presented by CEMA member states with quercine forests were very substantial in the data that they contained and constitute a valuable documentation which can supplement the measures established by the Ministry of Silviculture order No 20/1984 to prevent and combat the withering of oak forests.

Along with the discussions of problems mentioned above, the Resita meeting of the chiefs of silviculture and forest-use organizations emphasized activities of common interest which can be completed through bilateral or multilateral cooperation under economically and technically advantageous conditions for all participants. Certain themes of common interest demanded attention: the collection, processing and storage of the seeds of forest species which have special hereditary characteristics and modern methods of vegetative reproduction of forest species in nurseries, young plant beds and arboretums.

Lastly, the meeting examined the principles which emerged from the session held by the section for cooperation in silviculture, the working body of the permanent CEMA commission for cooperation in agriculture. The CEMA section for cooperation in silviculture at its 22nd session, discussed a series of combined studies prepared by the CEMA secretariat based on data from the member states. Essentially, these included a study on ways to intensify forestry production, a compilation of methods used in the member states to replant run-down forest lands including those in industrial areas, a report on the influence of industrial poisons on the health of trees and the experience gained in combatting these. Also discussed were the formulation of basic terminology used in forestry and forest-use, herbicide and arboricide requirements for CEMA member states for 1986-1990, the optimization of annual logging quotas etc.

The sessions of the CEMA section for forestry cooperation are headed by the chairman, the Romanian representative, engineer Alexandru Balsoiu--deputy state chief inspector in the Ministry of Agriculture. Engineer Ion Cioara, our

country's minister of silviculture, presided over the 13th meeting of the CEMA member countries' chiefs of silviculture and forest-use organizations.

The delegations of specialists who participated in this meeting carried on discussions concerning the continued development of cooperation in the forestry-related scientific research of their countries and they held a wide-ranging exchange of views regarding the forestry projects executed with such devotion and professional competence by our colleagues who work in the Caras-Severin county forestry inspectorate. These meetings have demonstrated the high technical level of Romanian silviculture and constitute an impressive success in making known the ongoing concern of our country for conserving and developing our forest resources.

12280

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GERMAN DEMOCRATIC REPUBLIC

FOREIGN TRADE PROSPECTS EXAMINED

Helsinki FORUM in Swedish No 2, 6 Feb 85 pp 20-21

[Article by Tauno Tiusanen, editorial staff member for CEMA affairs: "What Is the GDR Doing With Its Currency Reserve?"]

[Text] In contrast to several other CEMA countries, economic developments in the GDR have been favorable. Trade with the West has produced a surplus and the country's currency reserves have been strengthened as the result of advantageous loans. The good currency situation gives the GDR leeway in foreign trade and indirectly gives Finland export opportunities in our own clearing-based trade. A reform has been quietly taking place in foreign trade organization in the GDR.

Last year the German Democratic Republic celebrated its 35th anniversary. The economic results in that anniversary year were described in the country's press as the best in the history of the GDR. Overall growth was as high as 5.5 percent, almost all of it ascribed to improved productivity. In 1984 industrial production increased roughly 4 percent and agriculture had a record harvest. Export efforts have been intensified and according to advance reports there was a surplus of around \$1 billion in trade carried out in convertible currencies, the third surplus in a row at this level. Wages rose by around 4 percent.

When one examines economic developments in the CEMA countries and sees the general problems that existed in the 1980's the GDR results seem quite good. The positive results have caused the GDR's star to rise on the international capital market in recent years. At present the country is regarded as the best loan customer among the socialist countries with the exception of the Soviet Union.

There have been reports in the western press recently that the GDR currency reserve has risen to \$4 billion. The figure, which was confirmed by East Berlin, came as quite a surprise because it was generally believed that the GDR's debt to the West amounted to around \$10 billion. However estimates vary quite a bit.

Active Borrower with Good Terms

In recent years the GDR has been a very active borrower on western markets. The credits guaranteed by the Bonn government which attracted so much attention--1 billion DM in 1983 and 0.95 billion DM in 1984--have not been the GDR's only source of western credit. At the end of last year they managed to get almost \$400 million on the European market from a consortium of 38 banks in which the American banks did not participate at all. Interest on the big 6-year loan is only 1 percent over LIBOR (the interest on interbank loans in London), which must be regarded as advantageous since CEMA loans in general have carried an interest rate of 1.5-2 percentage points above LIBOR.

The GDR's borrowing from the West rose last year to a substantial total of \$3 billion. That also includes a consortium loan of \$100 million which was arranged by the First National Bank of Chicago. The feeble demand on the European market along with the GDR's improved credit rating, due in part to the big credits guaranteed by Bonn, have led to relatively generous lending terms.

The GDR's active acquisition of credit from the West has surprised western observers. The increased liquidity that is seen in the mounting currency reserves has not generally been part of the picture of the foreign economy of CEMA countries. The observers have noted that the new loans have not been used to accelerate repayment of old loans. It has also been noted that a large part of the loans Bonn guaranteed has been deposited in the West, which means that the GDR has had a small interest loss. Plans in the GDR do not reveal any dramatic wave of investments that would explain the expansion of currency reserves.

In recent years the GDR has tried to expand its economic relations with the developing countries and financing undoubtedly plays a decisive role there. Some of the international liquidity the country has acquired was evidently used for this purpose: TASS reported last fall that the GDR had granted Nicaragua a loan of \$140 million which was used to buy East German chemicals. Thus the promotion of trade with developing countries is obviously part of the explanation for the GDR's energetic currency operations.

However the GDR still has several bilateral clearing agreements with developing countries so that extending credit does not necessarily require the use of western currency. All in all it is quite unlikely that the total currency assets are specifically intended for developing economic relations with the Third World.

It is natural to think that the liberal western credits the GDR has acquired might be used to ease the currency situation for other CEMA countries, which has been critical, especially for Poland and Romania. However events do not support this assumption; authorities in the GDR say that trade between CEMA countries is kept in balance within the framework of transfer ruble clearing--in other words without sizable operations involving western currency. Comradely currency assistance to one's neighbors has seldom been involved within the Council for Mutual Economic Assistance (CEMA).

Cooperation between the CEMA countries and the International Monetary Fund (IMF) has been a topic of conversation in international economic circles in recent years. Back in the early 1970's Romania became a member of IMF, which in the traditional communist rhetoric is called the errand boy of imperialism. Hungary became a member in 1982 and even Poland is joining after having requested membership for many years.

The GDR does not seem interested in following the example of the brother lands mentioned above by applying for IMF membership. Authorities in that country insist that a resolution of principle was reached in CEMA that individual countries should determine their attitude toward IMF. But the GDR does not want IMF to interfere in its handling of economic policy under the present circumstances which is why there are no plans to request membership at this time.

Interested in Broader Western Trade

When one evaluates the GDR's economic relations with the West one must always bear in mind the country's traditional clearing trade with the Federal Republic, which at the moment involves an interest-free swing credit of around 0.7 billion DM. Even after the EC agreement was signed trade between the two German states has been free of barriers. Thus EC's external tariffs, which are such a headache for the other CEMA lands, do not affect the GDR's exports to the Federal Republic. For this reason the GDR has also been called a kind of extra member of EC. Of the other CEMA countries only Romania has reached an agreement with Brussels. The country is treated like an underdeveloped country by EC, which does not provide such large advantages as the GDR has in its trade with the Federal Republic.

The GDR is evidently interested in a more well-rounded trade with the West, an area where the Federal Republic has held an unbeatable position so far. In Sweden this year GDR technical days are being organized at which time the country's export industry will be presented on a broad front. During party leader Erich Honecker's visit to Finland last fall some major projects were discussed. Among the plans was a modernization of the woodworking industry with Finnish efforts. The GDR plans to showcase itself in Finland this spring with an export symposium on technology.

One often hears words of praise in East Germany for the production lines of building materials that Finland has sent there. But in recent years no sizable projects have been arranged between the countries and therefore the mutual desire to get trade rolling is understandable.

Trade between Finland and the GDR traditionally occurs on a clearing basis and therefore the GDR's good currency situation does not directly affect trade between our countries. But one must bear in mind that the GDR's good situation provides a comfortable leeway: unlike Poland and Romania the country does not have to dredge up everything to develop western exports as a guarantee of its readiness to meet payments.

The organization of foreign trade in the GDR has undergone interesting changes in the last 10 years that have received less attention in the West than the

economic reforms in Hungary, for example. Ever since the beginning of the 1970's the guiding star for the national economy has been to form industrial associations. These large units work in the area between the Industrial Affairs Ministry and the actual production institutions and to an increasing extent they have acquired their own rights to foreign trade. This reform was an attempt to bridge the decision-making process between production and foreign trade and it has succeeded.

Import Via State Agencies

Finnish businesses are often still unfamiliar with the state agencies in the GDR's foreign trade organization that represent foreign principals in relation to local foreign trade companies. These business intermediaries have their own umbrella organization (Interessen gemeinschaft der Handelvertreten under Handelsmakten der DDR) where it is clearly stated that almost 100 per cent of the finished products that come from the West are bought for the country via agents.

Thus it appears that the economic reform in which making decisions on foreign trade has been decentralized by giving the associations direct foreign trading rights has not significantly weakened the position of the GDR's own intermediary import firms. The associations' foreign trade offices primarily try to increase the efficiency of the export efforts of individual branches which means that the currency that is earned is largely turned over to the state, which in the style of socialist countries has a monopoly on international trade and currency administration. The system of export premiums has been developed in conjunction with the reforms and manufacturers of export products have an incentive to promote trade. The agencies are part of the state's monopoly organization for foreign trade and their activity regulates imports.

According to local experts this overall picture of the organization of foreign trade is not expected to undergo radical changes in the near future. Sales promotion on GDR markets also follows traditional patterns: the importance of the Leipzig trade fairs as contact points is still stressed. Activity in this trading center with its old traditions should increase in the near future since the GDR's currency purse is now quite full.

6578

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18 April 1985

GERMAN DEMOCRATIC REPUBLIC

ELBE RIVER CLEAN-UP EFFORTS TO PROVIDE MORE DRINKING WATER

Dresden SAECHSISCHE ZEITUNG in German 28 Jan 85 p 3

[Interview with Guenter Dietz, director of the Upper Elbe-Neisse Water Directorate, by Armin Schmidt, date and place not given]

[Text] Will the water we need be always available to us? Is it possible to obtain drinking water from the Elbe? Guenter Dietz, director of the Upper Elbe-Neisse Water Management Directorate at Dresden, answers these and other questions.

SAECHSISCHE ZEITUNG: The most conservative handling of raw materials possible is a command of economic good sense, and nobody doubts it any longer. Does the same apply to water?

Dietz: Water also is a raw material used in industry and agriculture as well as a necessity of life for the public. It is therefore not just a natural substance. It needs human labor to make it usable and turn it into a function value. Consequently we cannot possibly omit it from our total raw materials conception.

Moreover, water is not multipliable. On the other hand it is recoverable, in contrast to raw materials such as ore or coal it may be regenerated and, in theory, recycled forever if properly cleansed. We depend on the natural water budget, the rains falling in a specific region.

SAECHSISCHE ZEITUNG: What is the situation in our district?

Dietz: The median volume of water at our disposal over a lengthy period of time amounts to 850 million cubic meters per annum, but only 587 million cubic meters are in fact economically usable. At low water, this actually shrinks to 35 million cubic meters per month. The annual demand amounts to 729 million cubic meters.

SAECHSISCHE ZEITUNG: Does this mean that not enough water is available to consumers in industry and agriculture or the public in years of drought?

Dietz: Certainly not. Though in dry months, water consumption--that is the volume absolutely required for production--was greater than the availability in the

district as long ago as the early 1970's, consumers manage with the volume available. This is made possible by the circulation and multiple use of water.

SAECHSISCHE ZEITUNG: We thus need not fear for our daily drinking water nor industry for its water?

Dietz: That is correct. However, the rapid advance of housing construction and industry as well as the enormous increase in farm irrigation result in a strong rise in water needs. Incidentally, there are areas in our district, where supplies are altogether sufficient. I am speaking of the land alongside the Elbe. In other areas, it needs to be brought in, for example the north eastern regions of the district.

SAECHSISCHE ZEITUNG: How did public drinking water consumption develop in the past?

Dietz: There is an intimate link between our housing construction program and the rise in water consumption, due mainly to the good sanitary equipment of apartments, such as baths or showers.

In conjunction with the Water Supply and Sewage Treatment VEB and other water management facilities, our directorate conducts the studies required (some of them very costly) to ensure that the necessary measures are initiated everywhere to guarantee appropriate water availability.

SAECHSISCHE ZEITUNG: What are the projects actually planned?

Dietz: We have two groups. The first includes the measures already in operation or to be immediately initiated. These are, among others, the reconstruction and expansion of the Dresden-Hosterwitz waterworks, the aqueduct from the Freiburger basin to the Klingenberg barrage and the construction of the Radeburg waterworks, which will begin this year and is designed to substantially improve and stabilize supplies in the Radeburg/Coswig area. Modernization of existing facilities will also proceed.

SAECHSISCHE ZEITUNG: What are the projects of the second group?

Dietz: They comprise the ongoing utilization of bank filtrated and infiltrated Elbe water and part of the groundwater to be brought in from the Saxon Chalk (that is the area of the Elbe sandstone mountains) and the Senftenberg region. Earlier studies have shown that it will be necessary to utilize the Elbe far more for our drinking water supply.

SAECHSISCHE ZEITUNG: Is Elbe water suitable for that purpose?

Dietz: Not at present. However, in 1983 the Council of Ministers adopted a resolution on improvements on the upper Elbe. This includes such projects as sewage treatment in the Pirna pulp works, the Dresden pharmaceutical factory and the expansion of the Dresden sewage treatment plant to become a joint treatment plant with industry. Work has already begun, and the prerequisites for the processing of Elbe water into drinking water will be provided thereby.

Additionally, these and other projects will guarantee that nationally valuable raw materials are recovered from sewage.

SAECHSISCHE ZEITUNG: What else is needed for stable and good quality water supplies?

Dietz: Everything must be coupled with measures for the most rational water use possible. This includes multiple use by preceding cleansing and the introduction of water consumption norms in factories so as to use only as much water as absolutely necessary for the production process. We can already claim some progress. Despite increased production and the greater social need in general, the absolute water needs of industry have been kept at the same level. In fact specific water needs amounted to 6,000 cubic meters per 1 industrial goods production in 1980 but to only 5,200 cubic meters in 1983. In 1985 another reduction to 4,500 cubic meters per 1 million marks industrial goods production is to be enforced.

SAECHSISCHE ZEITUNG: What actually is the role of our barrages?

Dietz: The Gottleuba, Lehmuehle and Klingenberg barrages represent the essential basis of water supplies for Dresden, Freital and Pirna. By working out new management plans, we have succeeded in raising the availability of water from these barrages by 20 percent.

SAECHSISCHE ZEITUNG: What has been the progress in drinking water supplies for rural areas?

Dietz: In 1972-1984 some 75,000 residents were connected to the central drinking water network. The connection of 16,000 residents is projected for this year and of 20,000 residents each year for the 1986-1990 Five-Year Plan period.

SAECHSISCHE ZEITUNG: How are the entire water needs in our district divided up?

Dietz: Industry accounts for 43.9 percent of total water needs, farming for 12.3 percent, inland fishing for 22.4 percent and residential use for 21.4 percent.

SAECHSISCHE ZEITUNG: My final question: What does your directorate handle, and how many personnel does it have?

Dietz: We are responsible for the provision, management and maintenance of waters and water management plants as well as barrages and reservoirs. We are also in charge of long-range planning for water availability in the riparian district of the upper Elbe and Neisse, in other words mainly for the Dresden, Karl-Marx-Stadt and Cottbus districts. This assignment includes the supervisory and regulatory functions of the State Waters Inspectorate. All of this is handled by 1,300 employees.

GERMAN DEMOCRATIC REPUBLIC

NEW HOUSING INDUSTRY PROVISIONS AID MORE EFFICIENT WATER USE

East Berlin WASSERWIRTSCHAFT-WASSERTECHNIK in German Vol 35 No 1, Jan 85 p 12

[Text of address by Guenther Engelhardt, first deputy of the general director, Technical Building Equipment Combine VEB, to the Fourth Council of Ministers Seminar on Rational Water Use]

[Text] The housing issue as a social problem is gradually being solved in the GDR through 1990 by the implementation of the housing construction program in its unity of new construction, modernization and reconstruction. To improve living conditions and domestic convenience, it will be necessary to raise the proportion of apartments connected to central water supplies and provide proper sanitary facilities in every modernized and reconstructed housing unit.

This involves a further rise in water consumption and the necessity of scientific-technical measures for the development and use of water conserving systems by the construction industry and building management. I want to report here on the status of the development and introduction of water conserving building and sanitary equipment and fittings in the construction industry:

1. Water conserving measures must be provided for even at the time of the planning of sanitary facilities. That is why basic standard # 10 697 for the design of sanitary facilities "building equipment for water supply" has been revised. This created the legal base and an essential prerequisite for the water conserving design of sanitary facilities. It has been in effect since September 1982.

As the proportion of buildings with central hot water supply is steadily rising, it was also necessary to draft a standard complex for "building equipment for hot water supply," to take effect from 1985 on (TGL [GDR norm] 42182).

If the two standards are consistently used in the production preparatory spheres, it will be possible to conserve both drinking water and materials.

2. In the past residential buildings with central hot water supply recorded substantial losses of water. Due to the lack of regulators, the extended hot water pipelines were subject to insufficient circulation. As a consequence at

least 38 cubic meters/a ran off unused until the achievement of the desired water temperature per rising main in residential buildings.

The TGA [Technical Building Equipment] Combine therefore designed a totally new circulating system for vertical hot water pipes. Before that it had been customary to arrange the vertical circulation pipelines in the installation shaft as separate pipes next to the hot water rising main. The galvanized steel pipe--the only type available until recently--allowed for a minimum nominal diameter of 1/2"--13 mm intermediate space--for the circulation pipeline. The loss of pressure here was too small and resulted in the above mentioned insufficient circulation which caused substantial loss of water.

The new method, introduced in April 1983, provides for a plastic hose with an internal diameter of 10 mm within the hot water rising main. This dimension produces the necessary loss of pressure in the vertical circulation pipelines and therefore guarantees adequate circulation at all points of the hot water networks in the residential buildings.

Once the user turns on the faucet, hot water at the appropriate temperature is available within a few seconds. This solution represents a top international achievement. The TGA Combine developed the necessary special plastic components for the proper assembly and mounting of the internal circulation pipelines within the rising main. The components are actually manufactured by the Stralsund TGA VEB.

In this context I would like to point out another research project of the TGA Combine--the replacement of galvanized steel pipes in hot water installations by the use of radiation chemically latticelike polyethelene, PE inside coated steel pipe, glass pipe and after-chlorinated PVC. On the one hand this raises the standard life of the pipelines from 8 years to 25 years, on the other it eliminates the water loss arising from the disposal of the rusty brown water.

This circulation in the hot water network of residential buildings also offered opportunities for individually ascertaining, charging and paying for the consumption of thermal energy for hot water. Earlier metering showed that the metering and charging of thermal energy consumption for hot water in each apartment results in 20-25 percent water savings. On the other hand, the social cost of such metering and charging is quite considerable. Before a final decision is made and in conformity with a Council of Ministers resolution, more experiments are being prepared and carried out in Rostock and Leipzig. The TGA Combine is actively involved in them.

3. The design of water saving sanitary facilities is not possible without the appropriate fixtures. In accordance with the Council of Ministers resolution, the general directors of the Karl Marx Magdeburg Fixture Works VEB and the TGA Combine VEB agreed in April 1983 on a "comprehensive research and development program." This joint program is designed to develop and produce new water and energy saving fixtures and the respective accessories. Eight of the 20 projects envisioned in the program are already in operation. They include single lever mixer faucets for wash basins, rinsing basins and bath tub/shower operations, phased mixing faucets for wash basins, pedal-operated

mixing faucets for showers, shower heads, aerators, and flow regulators. These new products offer substantial benefits and affect individual water consumption. Phased or pedal-activated flow fixtures and aerators lower water consumption by up to 50 percent.

4. Utilizing international scientific-technical cooperation with our partner institute ZNIIEP Moscow, we discovered that water consumption rises by about 15 percent if operating pressure is 0.2 MPa higher than needed.

Unduly high operating pressures occur in almost all water pipe networks on the lower floors.

The joint research program is therefore also concerned with developing shut-off and pressure reducing devices to stabilize the network pressure in multistorey buildings. Great importance is assigned the development of a volume current limiting device. The volume current limiting device is meant to make it possible for a defined discharge volume to flow from the fixtures, regardless of the operating pressure.

In this spirit we will continue our work on the implementation of the Council of Ministers resolution on the development and introduction of water saving building technical and sanitary equipment and fixtures for reducing water loss in residential buildings and, in preparation of the Eighth Construction Conference, provide our contribution to the accomplishment of water management tasks.

11698
CSO: 2300/319

GERMAN DEMOCRATIC REPUBLIC

LEUNA CHEMICAL COMBINE REDUCES WATER-USE, RECOVERS BYPRODUCTS

East Berlin WASSERWIRTSCHAFT-WASSERTECHNIK in German Vol 35 No 1, Jan 85 p 11

[Text of address by Dr Lothar Eremit, in charge of environmental control at Walter Ulbricht Leuna Works VEB, to the Fourth Council of Ministers Seminar on Rational Water Use]

[Text] The 1975/1976 drought caused our combine to plan, prepare and implement various measures designed to lower water consumption. This first plan of operations was very successful and provided a basis for ongoing work on the enforcement of rational water use. By comparison with 1975, the combine succeeded in 1980 in recording a 25.2 percent reduction in specific water consumption and an absolute saving of 15.4 million cubic meters of fresh water. In recent years the combine was able to steadily lower the sewage load and water consumption, mainly due to the realization of innovative proposals and measures derived from the Science and Technology Plan. This does more than guarantee the observance of the assigned sewage limits. It also makes it possible to recover valuable byproducts and recycle them as secondary raw materials in the production process. The results achieved by the combine with respect to the reduction of the sewage load by the recovery of valuable substances are based up to 90 percent on measures of the Science and Technology Plan.

In recent years, such measures as

-- The treatment of salicylic acid waste water for the recovery of phenol (200 tons/per annum)--providing an annual profit of about M1 million--,

-- The processing of various waste water lines of plasticizer production for the recovery of phenol,

-- Dissolving by heat the oil tar incident on the refinement of paraffin based hydrocarbons and utilization of the SO₂, to yield raw material for a raw product of caprolactam,

-- The recycling of processing water used for the production of formaldehyde, with the effect of achieving the repeated use of waste water and the utilization of recovered formaldehyde,

were treated either as independent or sectional topics within the scope of the Science and Technology Plan and the results, due to their significance in terms of materials management and ecological considerations, resolutely transferred to the factory floor.

Studies on the enforcement of rational water use and environmental control are mandatory alongside the assignments relating to process analyses within the scope of process cultivation or intensification measures. These tasks also are dealt with in the Science and Technology Plan. The following are examples:

- Process cultivation cyclohexanol/phenol with a 23 percent reduction of specific water consumption
- Intensification of E-30 production with the objective of recovering sulfuric acid from the waste water and thus reducing waste water pollution
- Studies on the recovery of phenol from waste water with the aim of utilizing in some other way the gasification residue hitherto used as an absorption medium.

The general result of these activities may be described as follows:

Recovered as secondary raw materials from waste products incident in 1984 were the following: Oil tar, sodium formate, formamide compound, phosphorous acid to 100 percent, phenol to 99.6 percent, sulfite liquor, NH_4Cl , waste acid to 90 percent, NH_4 to 82.5 percent. Compared with 1980 this signifies a 20 percent reduction in waste water pollution related to residential equivalents.

In our combine, the most important measures for the reduction of water consumption and the introduction of water conserving technologies in new plant have been the following:

- The use of air instead of water cooling
- The recycling of water for cooling purposes
- The reduction of water loss by organizational measures
- Affecting the preparation of investments and rationalization projects by the methodical, organizational and substantive handling of energy and water procurement needs.

On the use of air coolers:

Several combine plants reconstructed their cooling system, replacing by air the water formerly used for cooling. Currently 15 plants eliminate waste heat by means of air cooled heat exchangers. Some of them have been in service for more than 10 years. The use of air cooling in the combine replaces a total fresh water volume of some 10,000 cubic meters per hour. Water needs in

methanol processing have been lowered by 900 cubic meters per hour, in crude oil distillation by 1,500 cubic meters per hour.

The feasibility of using air coolers must always be investigated in the course of preparations of new investments. The result of the investigation must be submitted with the application for making cooling water available.

The result of the lowering of water consumption is best exemplified by the following figures: Combine commodity output has risen by 22.3 percent in 1980-1984 while water consumption declined. 1984 water consumption is only 93.4 percent of consumption in 1980. That is equivalent to a 23.7 percent reduction in specific water consumption. The combine management as well as individual workers in the work collectives altogether consider the process of water conservation equally as important as all other tasks. The operation plans on rational water use are discussed and assigned for enforcement by the general director's official meetings. Special attention is devoted to the measures within the scope of the Science and Technology Plan as well as the introduction of water volume metering as a basis for accounting and the drafting and implementation of technically justified water consumption norms.

Internal enterprise rules secure the equality of tasks relating to rational water use in all stages of production preparation and implementation.

This includes the following:

- The instruction for organizing the methodological, organizational and substantive handling of energy procurement requirements (instruction on the use of the type of water or air coolers needed)

- The recooling works order

- The water order

- The instruction for organizing the use of volume metering for the balance appropriate procurement of energy sources.

The measures on rational water use are discussed in the collectives in the course of the plan discussion and subsequently incorporated in the competition programs. The measures are concretely demonstrated in the plan component environmental control and the effects accounted for. Activism shot up consequent on the competition for the title "enterprise of exemplary water management." The programs included concrete and accountable targets for the various basic units. Up to now four enterprise directorates have been distinguished by this title, and two directorates successfully defended it.

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GERMAN DEMOCRATIC REPUBLIC

ANALYSIS OF PUBLIC CONSUMPTION OF DRINKING WATER UNTIL 2010

East Berlin WASSERWIRTSCHAFT-WASSERTECHNIK in German Vol 35 No 1, Jan 85 p 13

[Article by Diploma Engineer Dieter Goldbeck, Diploma Mathematician Bernd Fieguth, Institute for Water Management]

[Text] The forecast of drinking water requirements on the basis of an accurate analysis of the development of the volume of water drawn is extremely important for balancing the water available in riparian or supply regions and for the assessment and utilization of waterworks. The ascertainment, evaluation and prediction of the development of the volume of water drawn is an objective requirement of socialist planning and, therefore, a vital contribution to the guarantee of the unity of economic and social policy as well as the realization of the socialist housing construction program. The development of the volume of water drawn is dependent on time, and the quantitative changes depend on various elements. In addition to the cyclical element which depends on working and living conditions as well as natural circumstances such as temperature and rainfall, among others, the study to hand investigated in particular the trend element which, on the basis of the evaluation of several series of years, states the absolute value of the future median rise or decline in water needs to be expected.

The Ascertainment of Specific Public Water Need Values

In the course of a research and development project, extensive investigations were carried out at the Institute for Water Management to expand from 1990 to 2010 the horizon of forecasts of median specific water need values of TGL [GDR norm] 26565/2 "determination of the drinking water needs of the public and social facilities" and to precisely define the values of the main public consumer group "general public."

The main results of these investigations will be explained and described in greater detail hereafter.

A key point of the studies was the need to check whether it was possible to confirm the widely held belief that the values of the above mentioned standard were too high both absolutely and in the trend through 1990. Our own investigations, carried out earlier, also indicated that such a review would make sense, especially because--as we all know--the forecast values of the

standard had been extrapolated on the basis of metering volumes of water drawn in 1 year and relatively short time series (5-7 years).

The precise definition of the specific water need values proceeded on the basis of the ascertainment and evaluation of annual volumes of water drawn, available in the files of the sales departments of all WAB VEB's. Due to the conjectural nature of water needs, it was necessary to select relatively many samples and evaluate them mathematical-statistically.

For the main public consumer group "general public," we took 3,000 objects (object = water meter) into account. This involved some 39,000 residents. The objects were chosen so that we not only considered regional aspects but also comparable typical residential buildings of entire areas and all categories of residents in accordance with the extent of sanitary fixtures in their homes both equally and in representative numbers. All WAB VEB's were involved in the compilation, and here we must remember that it was necessary to continue through 1982/1983 with some investigations which had begun even before 1970 and to make up other resident categories. This made it possible to reduce the expenditure of labor for the compilation and evaluation of 18-year time series.

The work involved in the description of the objects, the numbers of residents connected to water meters, residential density of the homes and the amount of sanitary fixtures in the homes turned out to take a lot of time and labor. Some of the data required were obtained by local inspections, others from records of the respective local organs, others yet by using the housing policy regional data bank (TDS). The use of the housing policy TDS was very profitable. This data bank was established on behalf of the Central State Administration for Statistics and gradually introduced in 72 cities, including all district capitals.

In addition to the numbers of residents per home, the housing card indices yield the following detailed data:

- Central hot water supply
- Hot water boilers
- Multipoint gas hot water heater
- Inside water supply
- Outside water supply
- Water supply outside the building
- Inside bath
- Inside shower
- Outside bath/shower
- Inside toilet
- Outside toilet
- Inside chemical toilet
- Outside chemical toilet

This allows for a very satisfactory classification with the sanitary fixture categories of TGL 26565/02. Due to this detailed breakdown of data, the use of the housing policy TDS is preferable with respect to these or similar

compilations to the use of the results of the national, occupational, living space and building census (VBWGZ), because the VBWGZ categories are only conditionally classifiable with those of the standard. In particular, no distinction is made between central hot water supply and local hot water preparation by heaters or boilers.

A program system "water needs" was prepared for the storage and evaluation of all the data obtained. This allowed us to carry out many evaluations from the most varied aspects.

The following are the main variants dealt with:

a) Division by sanitary fixtures in the homes (categories as per TGL 26565/02)

-- Ascertainment of specific water need values and forecast through 2010

b) Regional division by taking into account zip codes per object

-- Compilation of cities, supply regions with varying population figures, districts or riparian regions

c) Division by population figures per object:

-- Taking into account the type of construction in the supply region under consideration, with the premise that the population density is less than or equal to 6 to 8 inhabitants per object, low density housing (single or multiple family houses) is present.

The "water needs" program system has been so organized that, in addition to the evaluation of specific water need values and the forecast of the time series, various models for random supply regions with different infrastructures may be simulated. It is a precondition that the public consumers in each respective model should be included in the data bank. We have therefore begun to compile specific water need values of various social facilities and on the average to store 10-year series.

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GERMAN DEMOCRATIC REPUBLIC

LIGNITE INDUSTRY TO REPLACE GROUND WATER WITH QUARRY WATER

East Berlin WASSERWIRTSCHAFT-WASSESTECHNIK in German Vol 35 No 1, Jan 85 p 6

[Address by Reinhart Hildebrandt, deputy to the minister for Coal and Energy, to the Fourth Council of Ministers Seminar on Rational Water Use]

[Text] The relation between mining and water management processes is gaining steady importance with regard to the utilization of the natural resource brown coal. This intimate connection has reached such a pitch in some areas that the tasks of one partner can no longer be accomplished without cooperation by the other. The enterprises subordinated to the Ministry for Coal and Energy see their responsibilities with regard to water management in the regions affected by mining as primarily involving the maintenance of water supplies and to the fullest extent using the quarry water which is a byproduct of strip mining.

The lignite production projected for 1986-1990, including the development of new deposits, requires extensive drainage work. Water raising will amount to $1,940 \cdot 10^6$ cubic meters in 1985 and increase to $2,180 \cdot 10^6$ cubic meters in 1990. This is accompanied by a specific water charge on lignite of about 7 cubic meters per ton mined. This demand on the ground water budget has evident effects on water supplies in the regions involved. Typical for this prospective process is the trend to the overlapping of the drainage shafts of various strip mines due to large area ground water sinkage and the gradual transition to mining lower deposits.

Since the Third GDR Council of Ministers Seminar, considerable progress has been made in the field of quarry water use. In 1980 the volume used was $352.5 \cdot 10^6$ cubic meters; by 1983 it had risen to $526.5 \cdot 10^6$ cubic meters. This corresponds to an increase in the extent of utilization from 22.7 percent to 29.8 percent. The water incident on the mining operations is considered an important resource of national dimensions, especially for use as raw water to be processed into drinking water and as irrigation water for farming. In 1984, 20.7 million cubic meters water were made available for irrigation. Quarry water was also used to stabilize water supplies in some areas.

The first conclusions arising from the preparations for the 1986-1990 plan period reveal the necessity and possibility for increasingly using quarry water and planning more protective measures with regard to unwarranted water use. The volume of ground water used is to rise from $657 \cdot 10^6$ cubic meters

in 1986 to $820 \cdot 10^6$ cubic meters in 1990. This will mean an almost 38 percent utilization at the end of the next plan quinquennial.

Industry, farming and fishing as well as drinking water preparation are the main fields of use for quarry water, in particular in Halle, Leipzig, Cottbus and Dresden districts. Examples for the utilization of the increased water availability are:

- Satisfying the demand for water and the additional availability of cooling water for the final stage of the Jaenschwalde power plant

- The full satisfaction of the water needs of the Black Pump Gas Combine coupled with the simultaneous supply of drinking water for the region

- Making available water from the Goitsche strip mine to supply the public and industry in the Bitterfeld region

- The further development of water supplies in the Borna-Altenburg region.

The basis for the approach to the various groups of measures in the total process of quarry water utilization is represented by the ministerial agreement of 19 July 1983 and the Council of Ministers decision of 12 July 1984 on the directive for rational water use. Arising from these are the tasks of the Ministry for Coal and Energy with regard to the preparation and realization of water deliveries.

The organization of the utilization process, the coordination of replacement measures and other subsequent water management measures are to be handled by the central and district study groups "coal - water," responsible to the mining operators, in order to as quickly as possible implement efficient solutions in cooperation with the decisionmaking representatives of all state organs, facilities and enterprises involved.

In addition to the crucial outline agreements regulating the basic relations between the lignite combines and the competent WWD's [directorates of water management], object related agreements must be concluded for all strip mine developments. It is their objective by a coordinated series of dates to allow important measures to become effective at the appropriate time.

Since 1984, the enterprises have operated as per the new lignite exploration methodology. This provides the prerequisites for guaranteeing the hydrological and therefore water management relevant advance work in conformity with the requirements of investment preparation so as to gradually abolish the hitherto typical stage of risk decisions. Vitally important is the obligation to incorporate ground water deposit exploration at all stages of lignite deposit exploration. This will guarantee the following:

- The necessary long-range view for the preparation of subsequent water managerial measures, beginning with the evaluation of the initial data at the search stage and

- The proof of ground water deposits--ready for confirmation--at the proper time of investment preparation.

In our opinion, the supplementary regulations of the State Stockpiling Commission on the "...Investigation and Calculation of Ground Water Deposits in the Radius of Operation of Lignite Strip Mines" and the fixed assignments of water management in this connection--including the revision of the condition directive--furnish the decisive steps for overcoming methodological and capacity obstacles in the use of resources best conforming to social interests.

The progress in modeling geohydrological processes helps the early perception and rationalization of operations. With the help of models and EDP, used nowadays in all lignite enterprises for planning drainage, it is possible to obtain long-range and relatively accurate statements regarding changing ground water levels and the volume of the water to be extracted. We may, for example, expect volume forecasts for a period of 25 years with respect to the development of the SAM East and West Lausitz.

Unfortunately the matter of quality is causing great concern. Due to the drainage equipment, it will be difficult in future also to control the quality of quarry water, though measures for the selective withdrawal of contaminated and mineralized waters as well as the construction of well galleries for high-quality water are already being enforced even before required by mining operations. In about 5 years it will be possible to have represented in model form the effects on the Fe, SO_4 and pH behavior of the ground water--with the proviso that primary data are compiled at the time of exploration. Greater cooperation between the Institute for Water Management, Dresden Technical University, the Freiberg Mining Academy and the lignite combines is imperative to clear up the effect of other contaminating substances such as chlorides, for example.

To protect our water resources also means minimizing outfall pollution by conducted quarry water. Here the emphasis is on the Lausitz deposits, because the waters there contain a great deal of iron. In the next five-year plan period new quarry water treatment plants will be taken into service, and all waters to be drained off will then be treated in conformity with threshold value conditions.

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HUNGARY

NATIONAL BUDGET, FISCAL POLICY DISCUSSED

Budapest FIGYELO in Hungarian No 10, 7 Mar 85 p 3

[Article by Antal Pongracz: "The State Budget and Tax Policy"]

[Text] The past ten years have produced a turnaround in the state budget's economic role and balancing: the efforts made to improve fiscal equilibrium have been successful, and the balancing of the state budget has been improving since 1982. At the same time, there is much criticism directed against the state budget for having assumed excessive tasks in the past and at present. The facts indicate that too much emphasis is being placed on budgetary regulation, instead of monetary methods, in influencing the economic processes.

Changes in Cutting the Pie

Because of the national economy's external equilibrium, to meet the requirements of domestic equilibrium the state budget must assume also functions that necessitate excessive interference in the economic processes. This is evident from the fact that the net income centralized by the state budget (the net balance of budgetary revenues and subsidies) is nearly 36 percent of GDP or about 347 billion forints. This has harmful consequences such as the excessive centralization of income that weakens the enterprise sphere's interest relations, or the delayed development of market forces. Improvement of the quality of social care and, in some areas, even the maintenance of the real value of the services are tasks requiring more resources.

The budgetary policy that we are able to pursue in the second half of the 1980's is based on the experience of the past 10 years, in addition to the objectives of economic policy.

Under the influence of the external economic conditions' profound transformation, we have had to rearrange the priorities of our economic policy. A trade surplus and subsequently its increase--the maintenance of our country's solvency--became our first priority in 1982. To this end we have had, and still have, to spend abroad a proportion of the income that the national economy generates (to service our foreign debt), which leaves us less to spend at home.

Given these conditions, in the interest of maintaining the balance of supply and demand it is the fiscal system's task to adjust the purchasing power of the enterprises, population and public agencies to the available allocations

for the domestic market, in order to avoid or at least slow down the rates of inflation and forced savings. The task of absorbing and skimming surplus purchasing power has fallen entirely on the state budget in recent years.

Thus the necessary income ratios have been ensured through the instruments of budgetary redistribution: on the one hand, the budget has increased its share of the generated income (through the additional centralization of enterprise and personal incomes); and on the other hand, it has slowed down the growth rate of its expenditures in real terms. The state budget has had to withdraw income also to bear the accumulated costs of servicing the state's domestic debt.

Centralization of Income in the State Budget, and Financing From It
(At current prices, in percent)

	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Net income centralized by budget, in percent of GDR	27.5	31.4	31.3	32.4	33.3	35.8
Proportion of budgetary financing						
Of accumulation	35.6	32.4	26.6	22.0	23.5	23.5
Of total consumption	36.6	43.1	43.2	43.7	43.6	44.1

Predominantly the change in the external economic conditions has made necessary the higher proportions of centralized net income. The need to centralize income has been the greater also because the budget, for example, has had to assume the increasing subsidies for developing an economical production and distribution structure (and also for temporarily maintaining certain uneconomical activities).

Often centralization could be solved only by adopting during the year measures that had not been planned in advance. This led to numerous contradictions and made unfavorable the structure of revenues. This was the effect, for example, of having to withdraw income also from efficient enterprises capable of further growth, and to levy taxes that blunted the enterprises' profit incentive and their differentiation according to profitability.

Rearrangement of Internal Structure of Expenditures

As a result of the efforts in the preceding years, by 1983 the state budget found itself in a more favorable situation. By then the effects could be felt of the sharp curtailment of accumulation expenditures, at a rate greater than that of the curtailment of national economic investment, and also of the cut-backs in social expenditures: budgetary revenue (without borrowing) exceeded budgetary expenditure, resulting in a budget surplus. Under the existing conditions of equilibrium, this budget surplus must be treated as nonexpendable income, rather than disposable surplus resources. In 1983, the budget set up its credit security fund for this purpose. As a budgetary deposit that increases the sources of credit, this fund actually serves only as security for the disbursed credits (state loans, respectively credits to refinance development fund grants) linked to state investments.

It remains an important task of the state budget to finance, on the basis of central decisions, the development of production's infrastructure (the energy sector, for example) and the development projects of strategic importance.

If we analyze the financial conditions of the centrally decided investment projects in recent years, it seems unwarranted to replace state loans in these sectors with development fund grants from the state. Due to the paucity of budgetary resources, the mechanism-like functioning of development fund grants from the state will be feasible only on a limited scale in 1985. Therefore such grants will concentrate on those enterprises where the obligations (debt servicing costs) would exceed the enterprises' financial ability.

Although the proportion of net income centralized in the state budget will not decline in 1985, in the enterprise sphere the withdrawals of income commensurately with profit and the growth of resources will decline, parallel with the appearance of resource-commensurate taxes. Differentiation based on generated income, and the enterprises' freedom of movement will thereby increase, but at the same time the enterprises will have to work hard to meet the new requirements.

Rearrangement of the internal structure of budgetary expenditures will continue. The proportion of production and marketing subsidies will decline. The councils' greater independence, parallel with the decentralization of a proportion of central resources, likewise serves long-term objectives. According to the estimates of the budget for 1985, the wage tax paid by the enterprises will become a source of revenue for the megye councils.

The decentralized state funds linked to market conditions and formed from central resources as well as ad hoc payments (for example, the market intervention fund, and the fund for the development of the market's organization), and also the establishment of the market conditions of economic activity will make the central methods of influencing the business cycle more flexible, and will help to dismantle certain subsidies, which will reduce the need for income redistribution.

Role of Credit Sphere, Budget

Comprehensive development of the system of economic management raises the question of how should the state's role, and within the role of the state budget, change in realizing under the new conditions the objectives of economic policy and of the policy on the standard of living. The role that the budget plays in asserting socioeconomic priorities will basically change in the coming years. All this does not exclude--nay, it even presupposes--initiatives that will give a better overview of the extent of the state-assumed tasks and state interventions, and will better meet the requirements of social equity.

In agreement with these objectives, under the 7th Five-Year Plan it will be necessary to modernize the division of tasks between fiscal policy and credit policy. A central issue in this modernization is what role the credit sphere may assume in the domestic savings of income determined by the requirements of external equilibrium.

A growing proportion of the savings in the credit sphere could relieve the state budget of tasks that are "foreign" to it, and of the need for excessive centralization of income. Presumably the budget will have to withdraw also in

the future a proportion of the generated incomes, but the need to centralize income could gradually be relaxed, parallel with an increase in enterprise and personal savings that are channeled to the credit sphere.

This presupposes the application of different fiscal and credit policies and methods than in the past. The feasibility of their application depends mostly on the extent to which the national economic plan determines the tasks of financing, and on what reserves it expects to distribute. Reinforcement of the banks' commercial nature, and the newly introduced methods of control by the central bank can partially replace the up to now mostly fiscal instruments for controlling the money supply.

Not a One-Shot Task

So far as social expenditures are concerned, there are several items (for example, certain commercial services that the state now provides, or services that essentially are not municipal services) that must be removed from state financing not simply because they are limiting the use of available resources in accordance with our objectives, but because our main goal is to ensure that the state will be able to meet its fundamental social commitments (care of the elderly, the raising of children, and delivery of educational services and health care, for example) even from its more limited financial resources.

As the second direction in the rearrangement of state tasks, only the tasks that are entirely state tasks, or are able to alleviate through redistribution the disproportions in the distribution of incomes, should remain or again become tasks financed from the state budget. In the case of certain nonessential services this also means that instead of the principle "the entire population pays for the services to individuals" applied up to now, the users of the services will have to assume a greater burden.

To promote the more efficient and more responsible use of local resources, and to aid the development of social democracy, it will be warranted to develop a new division of labor between the central budgetary agencies and the councils' budgetary agencies. Social security, the development and maintenance of the infrastructure that cannot be subdivided territorially (universities, clinics, and the national highway network, for example), and support for the development of the policy on settlements and of self-government will remain central state tasks as before.

Local self-governments will be able to supply the demand for essential health-care, educational, municipal, etc. services under increasing independence in managing their operations. In a more favorable economic situation, predominantly by using the system of subsidies and through increased participation in financing the modernization projects, the state will help these areas to gradually catch up with the other areas of the national economy in terms of personnel and the availability of capital.

It is extremely important for the state budget to obtain the resources necessary for its tasks not only through a series of changes in the channels through which income is withdrawn from the enterprises, and by increasing the rates at which income is withdrawn. Without modifications, the present tax structure

is not yet able to automatically influence enterprise incomes. In harmony with the changing external and domestic economic conditions, taxes had to be raised practically every year, or new channels for the withdrawal of income had to be established, in the interest of achieving the planned income distribution ratios.

The principal direction of perfecting the tax system will probably be to shift to the sphere of consumption a proportion of the taxes that now are concentrated in the economic sphere; in other words, the shifted taxes would become a part of the turnover taxes and other taxes burdening personal incomes. From the viewpoint of tax policy this means that the mentioned taxes would be borne by a wide circle within society. The heavier tax burden would have to be offset by proportionately raising wages and cash social benefits. Therefore the enterprises' wage costs would increase, because gross wages would have to be higher to cover the heavier tax burden. As a result of all this, it would be possible to significantly reduce the taxes levied on profit, which have an equalizing effect.

Tax Structure's Modernization

Unification of the turnover tax system and an increase in the turnover taxes' relative weight could be a significant step in a rearrangement of this kind. It would create a closer and clearer link between consumer and producer prices than at present.

An essential new question in conjunction with the tax system is how to treat supplementary and private economic activity. When it comes to taxing the various small businesses (for example, the work associations), we must decide whether to link these entrepreneurial activities to the taxation of the enterprises or of the population. After the reduction of the enterprises' tax burden, I believe, it would be possible to tax at reduced rates that part of the population's income from entrepreneurial activity which is reinvested in the business, and to tax progressively that part of such income which is used for personal needs. With this solution it would be possible to better ensure than at present an equal tax burden on the individual productive sectors, and the neutrality of competition.

By using more modern and more effective forms of subsidization, price subsidies for the enterprises must be narrowed gradually. The subsidization of inefficient economic activity and the passing on of unwarrantedly high costs must cease. When reducing consumer price subsidies, we must see to it that the consumer prices of goods and services contain state subsidies only when this is justifiable from the viewpoint of social policy. It will be expedient to offset the dismantling of price subsidies through other instruments of the policy on the standard of living (wages and social benefits), taking care that also the price level remains tolerable.

On the other hand, it will be warranted to broaden the special financial instruments for state intervention. The application of these instruments would depend on economic policy and on the discretion of the economy's management. These instruments would permit state intervention to control the business cycle, without easing the economic conditions that serve as a general

yardstick. For example, such instruments are interventions in the market, subsidies to relieve the short-term and cyclic stresses in production and marketing, and development subsidies to relieve structural stresses.

Equilibrium Based on Expanding Incomes

We must examine further the applicability of preferences, especially of the tax preferences often employed in international practice as well. But preferences require a significant rearrangement of the price and tax systems, over and above the rearrangements already mentioned, and therefore they involve lengthy preparations and extensive price movements. Long-term and careful deliberations and preparations are necessary to compare the foreseeable advantages and drawbacks.

The outlines of fiscal policy for the 7th Five-Year Plan are now becoming evident. The proposed changes must be in harmony with the possibilities of economic growth, and with the foreseeable development of the external economic conditions and of our ability to generate income, and they must aid the most efficient allocation and use of available resources.

Fiscal policy is relatively independent in specifying the place and methods of the necessary interventions in the economy. In the course of exercising this independence in the future, we must strive for a balance of the amounts of total revenue and total expenditure necessary for the performance of the state's tasks. In view of the justifiable social demand, the real value of the traditional budgetary expenditures--social benefits in cash and in kind, or expenditures for the development of the infrastructure, for example--can hardly be reduced any further. Therefore, an improvement of the national economy's ability to generate income is an essential condition for maintaining the budget in balance and for its long-term stability.

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HUNGARY

ENTERPRISES HESITANT ABOUT NEW MANAGEMENT FORMS

Budapest NEPSZABADSAG in Hungarian 22 Mar 85 p 3

/Interview with Janos Deak, chief of the organizational development department of the Ministry of Industry, by Judit Kozma: "Enterprise Guidance, Bringing in the Workers"/

/Text/ The preliminary position of the minister of industry concerning the enterprise guidance form in which industrial enterprises would operate in the future was made public recently and thus preparations for conversion to the new forms could begin officially. Some of the enterprises had pressed forward and awaited the recommendation of the ministry "ready to jump"; elsewhere they are just now beginning to think about what should be done. We asked Janos Deak, deputy chief of a main department and chief of the organizational development department of the Ministry of Industry, about aspects of the new listing and the schedule for the conversion.

In Which Form?

/Question/ How many industrial enterprises will be affected by the conversion to the new enterprise guidance forms?

/Answer/ We made recommendations regarding the form of guidance for a total of 306 enterprises. Of these the three trusts--the National Petroleum and Gas Industry Trust, the Hungarian Electric Works and the Hungarian Aluminum Industry Trust--and 37 enterprises will remain under state administrative supervision according to the proposal. This is 13 percent of the enterprises. They employ 30 percent of the industrial personnel. In connection with this I would like to note that I have frequently heard misgivings that the economy will split in two according to the traditional and the new enterprise guidance forms. Direct guidance--"manual control"--will be realized at enterprises under state administrative supervision while the market will control the functioning of the enterprises with the new forms. This is a misunderstanding. Although the state will retain the right to supervise directly certain activities of strategic significance--for example, coal production or research which is especially important from the viewpoint of the national economy--what is needed for the

guidance of these is basically economic tools, solutions which fit into our economic mechanism, because the general rules of economic guidance pertain to them also.

The ministry is recommending new guidance forms for the majority of the enterprises. According to the proposal 197 enterprises will work under the guidance of an enterprise council and 51 will work under the guidance of a general meeting or delegates' meeting. It is still a question for nine enterprises whether state administrative guidance or enterprise council guidance would be best and finally it must be decided for nine large enterprises whether to convert to a trust or operate with the enterprise council form. These, naturally, are only preliminary data which may change depending on whether the enterprises finally agree with the guidance form recommended or not.

As for the time of the conversion, about half of the enterprises will change their internal guidance this year and the other half will do so in 1986.

/Question/ According to what viewpoints did you take a stand for this year or next year?

/Answer/ About half of the enterprises are in a completely unambiguous situation. They have no serious management problems, there is no need for basic, substantial changes in the internal organization of the enterprise, so there are no obstacles to conversion as soon as possible. But the transformation of enterprise guidance is only one of the necessary changes, although doubtless one of the most important elements. It would be desirable if the internal organization of the enterprises were modernized at the same time. For example, the factory units should become more independent, subsidiary enterprises should be formed, etc. This does not mean that the enterprises necessarily must be broken up, but there is a need for the reform to reach inside the enterprises so that the traditional mechanism, which is essentially a plan directive mechanism and which still reigns inside the enterprises in many places, should be replaced by a more modern internal interest system based on a harmonization of interests and on contractual relationships. The first steps in this direction should be taken now, if possible even before formation of the enterprise councils, for the composition of these will depend on relationships within the enterprise.

/Question/ Is there a willingness to do this at the enterprises?

/Answer/ In general the necessary organizational modernization is going slowly. Many enterprise leaders are putting off increasing the independence of factory units and sites because they are afraid that by doing so they will not be able to retain activities or profiles which are uneconomical for the plant but which are important for the enterprise as a whole. We frequently meet with the argument that with more independent factory units it would be impossible to carry out some large task, for example a fast export order. There is truth in these arguments, but in the longer run, in my opinion, these problems could be solved with the development of suitable interest. And there is great need for a change because the present organizational frameworks do not favor a structural transformation. This is why we recommended that some of the enterprises convert to

the new enterprise guidance form in 1986; this will give them time to think about the organizational changes. The organizational development program aimed at improving the competitive situation now extends to 50 enterprises. There is no obligatory, prescribed program for another 30 enterprises but in our judgment there would be a need for a modernization of the internal organization--so it would be appropriate for them to convert next year also.

In the case of those large enterprises where they must decide whether they can work more efficiently with the trust form or with the enterprise council form it would also be good to think anew in which areas and to what extent there should be an integration of factory units and sites, and what might be entrusted to units operating more independently. Finally, those enterprises which became independent on 1 January 1985 will switch to the new form only in 1986. These include the Agricultural Machine enterprises, the enterprises of the Foundry Enterprise which became independent and the plants of Fekon, where the goal is to have time for stabilization. Similarly, time will be needed by those plants which have serious management problems. For example, overcoming the metallurgical crisis will require government measures. The goal is to create a normal situation and realistic operational conditions before the enterprise councils come into being.

A New Attitude

/Question/ So the enterprises have received the recommendation of the ministry concerning the form of enterprise guidance pertaining to them and concerning the time of the conversion. What are the most immediate tasks?

/Answer/ Preparatory committees to carry out the conversion must be formed at the enterprises and their first task is to inform the workers give sufficient time for consideration, and ask for opinions about the form of enterprise guidance, the time of conversion and the necessary organizational changes. Of course, it would be an illusion to think that ownership behavior could develop in the collective with a few such conversations, but it can strengthen gradually only if from the beginning it is explained to everyone in detail what is involved. For the time being the enterprise collectives sense only that they will be electing the director. This is certainly a very important and very striking element of the operation of the enterprise councils, but it is far from being the only element. Enterprise behavior and thinking must change in many things with the modernization of the economic guidance system, and the collectives must be a medium for this.

Initiating the Collectives

/Question/ The leaders of the enterprises also are now learning to adjust to the new circumstances. Is there a sufficient number of experts in the enterprises who can formulate for the collectives in a suitable way the essence of the changes?

/Answer/ In recent times the enterprise experts could become acquainted with the changes in study courses and from many sorts of written bulletins. Methodological materials have been prepared about what is needed also, so the

preparation has begun. But the proper methods for informing the collectives have not been found everywhere. And this is indispensable, because without adequate information the participation of the delegates of the workers in the enterprise councils could easily become formal. Many are asking: What can the workers do, how can they decide? And this includes the workers in the councils. If they must say yes or no to a single proposal at the meetings of the enterprise councils then the danger of formalism is greater. But if a number of alternatives are put before the council, acquainting them with the consequences of the possibilities, then work while decisions may be made. The democratization of leadership can be successful if the collectives are brought into the preparations now as well.

/Question/ According to the provisions the enterprises must inform the ministry of their position by 30 April. When can the formation of the enterprise councils begin?

/Answer/ The position of the collective must be formulated in such a way as to include differing opinions. If there are no such differing opinions--for example, if they do not want a factory unit to become independent--then the ministry will issue the so-called establishing resolution in a relatively short time. On the basis of this the enterprises can begin to develop the new operational-organizational statutes, then they elect the enterprise council and the new body can carry out its first task, it can elect the director. But where an organizational decision is needed on the basis of enterprise opinions the issuing of the establishing resolution will be preceded by an analysis and agreement at several forums, which will require a relatively longer time. Thus far we have received the opinion of seven enterprises and it is expected that more enterprises will report their intentions in the next few days. In accordance with this I expect that the first enterprise councils in industry may be formed on the 1st of May.

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HUNGARY

TAX HIKES NOT AIMED AT SUPPRESSING SMALL UNDERTAKINGS

Budapest HETI VILAGGAZDASAG in Hungarian 23 Feb 85 pp 34-35

/Interview with Professor Peter Szirmay, philosopher-economist at Technical University of Budapest by Columnist Gyorgyi Kocsis: "Interview on Small Undertakings: Differentiating Tax"/

/Text During the past weeks the atmosphere around small businesses has become charged again. Several newly-published ordinances regulate the conditions of their existence, stirring considerable debates both in the circles of interested parties and outsiders. What future are small undertakings facing? This is what we asked Peter Szirmay, philosopher-economist and assistance professor at Technical University of Budapest who has chosen small businesses for his field of research.

/Question You have been examining the activities of domestic small businesses since their inception. Do you agree with the opinion, becoming more and more common among small business people, that the regulatory adjustments introduced in 1985--a 10-percent added tax, doubled partnership tax, raised social security contributions--are aimed at suppressing small undertakings?

/Answer Unfortunately, I have heard similar opinions not only from small business people, but from leaders as well who work with small undertakings and shape their working conditions. As for me, I am convinced that this is not the case. It is undisputable that since the 1982 ordinance package allowing the formation of small businesses, their profitability and business conditions have deteriorated. Taking as an example a business cooperative composed of members and operating for supplementary income, assuming that no other conditions have been changed, the profit share per member is 15-20 percent less today than it was at its establishment in 1982. This can be illustrated with numbers, as well. The frequent changing of regulations lowers entrepreneurs' security, makes it very difficult for them to plan for more than the given year, and for this reason it does not favor those who wish to be successful in the long run through reasonable management, but is advantageous to those who want quick riches and risks. In spite of all this I feel the regulatory adjustments cannot all be considered the beginning of a row of regulations designed to discourage small undertakings.

One has to recognize that small businesses have grown into an independent economic sector. Like all economic sectors, evidently this one, too, has its own negative developments. It has formed a characteristic inner structure that, in my opinion, makes a more differentiated use for the term "small business" justified. The majority of counterarguments and opinions--reflecting the largest percentage of small businesses--is about the activities of company business cooperatives. I think small businesses could profit from a more differentiated approach, as well. Following from this, in my opinion, the differentiation should be made not between the business cooperatives and company business cooperatives, but between a venture and a nonventure.

/Question/ But what criteria could you use to differentiate between a venture and a nonventure? Wouldn't this kind of differentiation lead to subjectivism or abuse of regulations?

/Answer/ Naturally, there is no system of criteria that could be applied with 100 percent certainty to decide what category a firm belongs to. But we could suggest a few rough hypotheses that would help us screen out with certainty at least the extreme cases, and we could separate the nonventures (that in my estimation have by now reached at least half the number of all registered firms.) One such criterion: does the firm in question participate in the market? Those company business cooperatives that agree to work for their parent company exclusively and do not participate in the market at all, are not ventures in reality. The risk the members of these cooperatives are taking is minimal, as in reality they are merely overtime-brigades. Therefore their existence and work are integrated into the organization of the parent company, and the controversies surrounding them are rooted in this.

The formation of these overtime-brigades should be made easier. In this case a legal registration is totally superfluous, and a council permission is also just a mere formality, since, if the director of the company gave his permission, and the company guaranteed the activity, the council will inevitably give its permission for a company business cooperative. In the case of such "brigades" control should be aimed not at the cooperative, but at the parent company, as pressure to circumvent regulations is more apt to come from the company. At the same time control should be exercised on a more regular basis. Of course, the basis of this could be a social body with an increased personnel, as the existing control apparatus is incapable of frequent checking. Company business cooperatives could decide themselves if they want the easier, or the more complicated business form, and we could influence them in their decision through the tax system.

/Question/ Won't the relaxation of the rigidities of the wage regulations solve the problem by itself? Why would a company employ a company business cooperative if it can pay for the work with wages? It is well known that workers prefer secure wages to uncertain income.

/Answer/ Of course, it would be a mistake to try to predict this, as only the experiences of the coming years can answer this question. But I do have two comments now: in 1983-1983 companies participating in the experimental wage regulations employed not less, but more company business cooperatives than other

places. On the other hand, results of research unequivocally prove that the possibility of income, although a very important one, is not the exclusive incentive to establish a company business cooperatives.

/Question/ Wouldn't the solution you recommend lead to a "competition of forms," that is, the various companies would speculate to increase their profits through the various tax rates.

/Answer/ It could happen, but if the regulations are correct, then such a competition may not be harmful.

/Question/ The recently introduced company added tax has created quite a furor among entrepreneurs. Could this regulation put a stop to company endeavors to employ company business cooperatives in order to save on wages or avoid overtime?

/Answer/ In my opinion, there won't be any real end put to this practice. For example, a company director laughingly told me: "We do not pay one filler more because of the tax. We pass it on to the company business cooperatives. Of course, they'll charge it to us through higher prices." At this point Hungary companies are not yet budget-sensitive enough to a 10-percent tax making a difference in their employing business cooperatives, and--even with the tax--company business cooperatives are usually more competitive than other solutions.

By the way, the Hungarian economy did have a 10-percent added tax in the early 1970's when it was introduced as one method to discourage auxiliary businesses of agricultural cooperatives. One reason for my optimism is that auxiliary businesses of agricultural cooperatives--having created furors in their own time--have become a natural, integrated part of our economy.

/Question/ Won't the increasing tax burden force small businesses to decrease their activities?

/Answer/ Hardly, as most small businesses mean livelihood to the members participating in them. This means they are not able to give up the income. Naturally, the higher tax may result in enterprises trying to shift their activities--if they can--from the legal zone into the illegal one. On the other hand, I think that not all tax hikes are automatically a step against small businesses. These days it's not only the economic environment and financial situation of small businesses that are getting harder, but big companies, too, suffer from the burden of numerous taxes and withholdings. Undoubtedly there's a marked antiventure tendency in the air these days. Its danger--it is worthwhile recalling the experiences of the early seventies--should not be underestimated. If this tendency becomes stronger and breaks the impetus of small undertakings or cuts down on them, it will be primarily large companies and the economy that will suffer.

COMPARATIVE EXAMPLE TO CAULCULATE THE EARNINGS OF A MEMBER OF A SMALL UNDERTAKING IN WHICH HE PARTICIPATES ON A SECOND-JOB BASIS; IN 1982 AND 1985

	1982	1985
Gross license fee (per person)	110,000	110,000
10 percent added tax*	-	11,000
Gross income	110,000	99,000
Sales tax (10 percent)	---	9,900
Taxable business value	110,000	89,000
Business tax	3,300	5,300
Result (Gross income per person)	106,700	83,300
Members' Social Security**	3,000	8,380
Tax-free income (5 percent)	5,335	4,190
Members' taxable income	98,365	71,230
Members' income tax	15,400	5,846
Community Development contribution (10 percent of income tax)	1,540	585
DEDUCTIONS		
Added tax	-	11,000
Sales tax	-	9,900
Business tax	3,300	5,300
Personal income tax	15,400	5,846
Kofa	1,540	585
TB contribution	3,300	8,330
TOTAL:	23,240	41,011
AMOUNT AVAILABLE TO MEMBER:	86,760	68,989

*This 10 percent is paid by the client, but in the example we assumed that the client passes this on to the entrepreneur (as frequently this is the case).

**The amount of business tax was three percent in 1982, and six percent (the base tax) in 1985.

***Nineteen eighty-two members in supplementary businesses paid Ft 250 per month in disability contribution and in 1985 10 percent of their individual income is withheld.

NUMBER OF SMALL UNDERTAKINGS

	31 Dec 82	30 Jun 83	31 Dec 83	30 Jun 84
Business cooperatives	2,341	3,624	4,741	6,438
Company business cooperatives	2,775	6,281	9,192	13,572
Industrial and service cooperative groups	477	934	1,243	1,866
Small cooperatives	145	204	255	316

Small undertakings at the end of 1984 employed a total of 300-350,000 members, but only about one-fourth of them on a fulltime basis; three-fourths of them worked in the businesses for supplementary income.

HUNGARY

ALLOWANCES FOR ESTABLISHING SEPARATE ENTERPRISES SET

Budapest MAGYAR KOZLONY in Hungarian 9 Feb 85 p 109

/Decree No 5/1985 (II 9) PM of the Minister of Financial Affairs Concerning Certain Enterprise Establishment Allowances/

/Text/ On the basis of authorization from the Council of Ministers and in agreement with the chairman of the National Plan Office, the chairman of the State Wage and Labor Affairs Office, the president of the Hungarian National Bank, the National Council of Trade Unions, the national interest representation organs of the cooperatives and the interested branch ministers, I decree as follows:

1. The effect of the decree extends to state enterprises, to trust enterprises--with the exception of trust enterprises operating within the framework of a trust established after 1 January 1985--to other state managing organizations operating according to the rules for enterprise management, to the enterprises of social organizations and associations, to cooperatives and to cooperative enterprises (hereinafter, enterprises).

2. The allowances defined in Secs 3-4 can be made use of or laid claim to in the case of enterprises coming into being by means of a separated organizational unit (factory unit, site, etc.) of an enterprise becoming an independent enterprise or a subsidiary enterprise or by means of division of an enterprise (hereinafter such new enterprises together are referred to as new enterprises).

3. (1) A property tax allowance applies to a new enterprise established in accordance with Sec 2 which has no more than 1 billion forints worth* of property of its own in accordance with the following:

--an independent enterprise is exempt from the property tax in the year that it is established and in the following year, and for 1 additional year it has a 50 percent tax allowance,

--a subsidiary enterprise gets a 50 percent tax allowance in the year that it is established and in the following year.

*Decree No 32/1984 (XI 5) PM contains the method of calculation.

If the subsidiary enterprise should be abolished within 3 years, the establishing organ is obliged to repay to the budget the property tax allowance actually used.

(2) A new enterprise can request suspension for at most 2 years of the repayment of its obligations deriving from the division of property.

(3) With the exception of the case dealt with in para (4) a new enterprise can make use of a fund award from the budget to ensure conditions for its operation.

(4) A new cooperative, cooperative enterprise or cooperative subsidiary enterprise can make use of a fund award from the KTA /Mutual Support Fund/ managed by the national interest representation organ.

(5) The allowances dealt with in paras (2)-(4) can be authorized or extended from the available financial resources by the Ministry of Financial Affairs, the banks or the national interest representation organs of the cooperatives.

(6) In the case of having one's own property in excess of 1 billion forints the new enterprise can request authorization of the property tax allowance dealt with in para (1) from the minister of financial affairs on the basis of an individual judgment.

4. (1) In order to fill jobs requiring a high level of professional preparation and necessary for the creation of efficient management the new enterprise can lay claim to support in accordance with para (2)--in an individual request and for at most five experts.

(2) If the expert needs of the new enterprise cannot be provided on the spot and if those competing for the position want to move to the site of the enterprise, a maximum of 100,000 forints state support can be claimed for the moving expenses and to satisfy housing needs. The state support approved for the purpose of housing purchase (or construction) must be placed in the housing construction fund of the enterprise.

(3) The approved support dealt with in para (2) can be withheld to the burden of the general profit tax.

(4) The support defined in para (2) must be linked to

--the higher education prescribed for filling the position;

--at least 5 years professional practice;

--the defined professional requirements.

(5) In the event that the defined professional requirements or obligations undertaken are not met or in the event that the work relationship ends, the organ providing the support decides on the full or partial withdrawal and repayment of the support.

(6) The minister of financial affairs establishes the support defined in para (2) at the request of the new enterprise--on the recommendation of the branch minister.

5. This decree goes into effect on the day of its promulgation; its provisions can be applied in the case of new enterprises created between 31 December 1984 and 31 December 1986 on the basis of Sec 2.

Signed--Dr Istvan Hetenyi, Minister of Financial Affairs

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HUNGARY

DANUBIAN IRONWORKS EXPERIENCES WITH WORK ASSOCIATION FAVORABLE

Budapest NEPSZABADSAG in Hungarian 6 Oct 84 p 6

[Article by Istvan Foldes: "Methods, Lessons--Enterprise Economic Work Associations at the Danubian Ironworks"]

[Text] The film is rolling. Gabor Csinadi, chief of electrical operations at the Danubian Ironworks, is describing the 25 themes announced for small undertakings. Technical characteristics, time limits and the sums offered per theme by the enterprise are described for the future entrepreneurs. A new scene. Those interested consider and debate the tasks; calculate whether it is worth undertaking to do the work. Again the conference hall. The bidding begins.

"Building up and renovating a repair section for moving cranes. Time limit: 3 months. Price offered: 33,800 forints. Who will do it more cheaply?" The leaders of two VGMK's [enterprise economic work associations] raise their hands. The bidding begins: 33,000, 32,000, ... 24,000, 23,000.... Finally the theme goes for 20,000. Those involved sign the contract there, on the spot. Three work associations are competing for another job. The offer was 80,000; they agreed on 72,000.

VGMK leader Zoltan Elias competed to win three themes. He finally took one offered at 88,000 for 77,000. ("How much lower would you have gone if the bidding had continued?" the reporter asked. "I would have taken it for 70,000.")

No one made a bid on a theme offered for 92,000. Now a representative of the enterprise started the bidding--upward. Finally a GMK [economic work association] took the work for 115,000 forints.

Gabor Csinadi sums up the results of the competition. There was someone willing to take over every theme, and the enterprise saved 29,400 forints compared to the sum calculated.

"What sort of jobs do you put out as undertakings and how do you establish the fee offered?" I asked Dr Sandor Szmicssek, chief engineer for work organization at the Danubian Ironworks.

"We consider those tasks which do not fit into the regular work time, because of the shortage of manpower or because of their special character," the chief engineer answered. "We also advertise those which were done for us earlier by state enterprises or cooperatives, often with long time limits, in inadequate quality and especially at a stiff price. The base for the calculation is the standard time needed. We reduce this by 20-50 percent and thus establish a multiplier of 2.6-3 for the wages to be paid according to the wage table. Other costs which must be accounted for by the entrepreneur are added to this (for example, tool use fees), and the sum thus calculated is the initial offer for the bidding. Of course, there can be competition only for those jobs for which there are several applicants."

The Composition

The Danubian Ironworks is one of those enterprises where the first VGMK's were formed at the beginning of 1982. They now have 220 work associations with 2,400 members, almost every fourth laborer is a member of one of them.

"How does the enterprise, or how do the GMK's, perform their calculations?" I asked the chief engineer.

"The profit is unambiguous for the enterprise. We gain manpower, not only because the work time base has increased by about 5 percent but also as a result of the fact that the extra earnings which can be achieved in this way have a manpower stabilizing effect. And precisely among the best trained workers, where the fluctuation was rather great earlier. The age composition of the VGMK's indicates this also. The dividing line is 37 years. There are few below this; the ratio of those under 25 years is especially low. The majority of the members are between 37 and 50 years of age. The VGMK's are a movement for well-trained workers of middle age, with great professional experience at the peak of their working strength. The ratio of party members in the work associations is over 20 percent, twice the ratio in the total personnel."

"I believe that these statistics will be surprising to public opinion, because the problems of young people, the burdens of starting an independent life, are well known."

"Yes indeed, but the GMK's are voluntary associations with strict selection of members," the chief engineer answered. "The professional knowledge of many young people is deficient and as a result their performance is low and they are less acquainted with the rules connected with an undertaking. In any case, we are working with the KISZ to try to bring in more young people, we even have youth VGMK's as well."

Two VGMK's were formed from among the members of the 38-person socialist brigade of the motor winding plant.

"Six girls and six boys work within the framework of the two VGMK's," said Mrs Laszlo Torma, a VGMK member. "The boys took over the larger capacity motors, we women took over the smaller capacity motors. On an average we earn 4,000 forints during regular working time. In addition we get another 2,000 forints in the GMK for about 30 hours of work each month. Of course this extra income has an attraction only for those who cannot earn as much or perhaps more elsewhere more easily--for example on a household plot. And then, supplying the family causes more problems for the younger people also. And we in the brigade are between 35 and 40, only one of us is older than that. I came to the ironworks when I was 14 years old. I learned my trade here and have worked for the enterprise for 30 years. My husband is a member of the other winding VGMK. We share the housework."

Productivity, Earnings

"This year the ironworks is planning to pay out 80 million forints for undertakings. This is 9-10 percent of the wage base for laborers. What sort of performance stands behind this?" I asked Sandor Szmicssek.

"The productivity of work is certainly greater, in general by 20-50 percent and sometimes even more. The reasons for this are obvious. We do not pay for the time put in but rather for the work done. What is realized is not 'full employment' but rather a rigorous selection; in general the good experts are working in the VGMK's. In regular work time the work is organized from outside; if there is a shortage of material, tools, etc., they talk to the foreman. Here the leader guides, organizes and manages directly and the GMK comes together only if all the conditions for work are guaranteed. And there is no caste system either, everybody does every kind of job."

"And how does the work done in the VGMK affect the regular working time? This is the criticism of the greater productivity attained in this way."

"On the basis of what has been said it would be unrealistic to expect the same performance from everyone in regular working time. But one should expect more than at present. But I must say that although we are making use of a number of ideas about work organization one can hardly feel the positive effect of the GMK's in the efficiency of the regular work time; indeed, in some cases there may be a withholding of performance--with weak supervision. In the case of those in the GMK's and in the case of the others too. The chief reason for this is to be sought in wage regulation. We cannot even approximately reward extra performance from the wage base as we reward the GMK's at the burden of costs. It is true that this is the cheapest for us even among the labor expenditures appearing among costs, because an hour for Polish workers costs 250 of our forints and even if it is not so much still we would have to pay a good bit more than in the case of a VGMK if, for example, we gave the work to a producer cooperative. We expect from the new earnings regulation forms an easing of this absurdity; in the final analysis we expect it to be eliminated. This will make it possible to eliminate the pseudo-GMK's--those which are operated simply because of the absurdities of wage management."

This is the opinion of Mrs Laszlo Torma:

"We do honest work during regular hours too. But I must say frankly that in reality the 8 hours is a good bit less. In the first place a quarter hour is lost getting started, then as much is lost in the ten-o'clock break and maybe even more waiting for work. If we are working in a GMK there are no such losses. It is true that then we net 60 forints per hour instead of 20. Of course we try more, because this is our own free time and the extra earnings which pay for it."

"It is a general practice to prepare for the special work in the main work time, to the detriment of it. How could this be avoided?"

"In the majority of cases it cannot be avoided," the chief engineer answered. "For example, the storeroom is locked at the end of the main work time, one cannot draw supplies. So they draw materials during the main work time--of course, recorded separately--for the special work in the afternoon, evening or weekend. The calculation takes this into consideration with a 20-50 percent reduction of the norm time."

Morale

"Even if there is a larger ratio of people in the VGMK's at the Danubian Ironworks, they make up only a minority of the collective. How do the outsiders feel about them, including those who cannot get extra earnings this way because of the character of the work or for reasons of incompatibility?" I asked Sandor Szmicssek.

"In the beginning the opinion of the outsiders was very negative, and even today we cannot speak of general approval. The majority, I feel, have accepted it as they did earlier the much debated household plot earnings or the small shop operations. It contributed to a change in mood that at the request of the trade union we put the yearly earnings at a maximum of 60,000 forints. This represents the work that can be done in about 60 hours per month. Now, after withdrawing taxes, the average extra earnings per month are 5,000 forints maximum, so we pay out about 1.5 times the base wage, increased by overtime pay. But the strictly supervised extra work stands behind this. And it is good work too; there are fewer reject claims against the work done in the GMK's than otherwise. The collective recognizes all this and understands it better and better.

"Tensions arise primarily in two areas," the chief engineer continued. "First among the hot plant workers, where the main work time is so demanding that it could hardly be extended without harm to health, and the character of the work does not make this possible anyway. If we add to this that the earnings of the hot plant workers, compared to 1980, have increased less than the industry average then the mood opposed to the higher earnings of the GMK's is understandable."

"The other stratum is that of the middle leaders. The opinion of these is divided. The incompatibility rule excludes those from plant leader and department leader up from undertakings within their own organization. Regardless of assignment the prohibition applies also to those who, because of their jobs, participate in evaluating the performance and quality of the undertakings, in ensuring the conditions for work and in paying for the work. At the same time they have many problems with the GMK's, they are harder to supervise and their own responsibility is greater. And at best their extra income from this is very direct. It is no wonder that they are not enthusiastic about it. Those working in the warehouses and in administration, for example, are in a similar situation."

Prospects

Will the VGMK's last or can they be regarded as a temporary phenomenon? They are arguing about this at the Danubian Ironworks also. I quote first the opinion of Mrs Laszlo Torma:

"We would like them to be lasting, indeed, we would be happy to undertake more than the authorized 30 hours per month. We know that even now they are giving to producer cooperatives winding work which we could do."

How does Sandor Szmicssek feel about all this?

"My answer is a double one. I judge differently the future of the so-called jobwork VGMK's, those in which they do actually the same work as they do in the main work time, and the others. The ratio of the latter is increasing for us also, and already exceeds 50 percent. In my opinion the former would be rendered superfluous by sensible wage regulation and an elimination of the difficulties of the manpower situation. In any case, these were formed primarily to get around the wage regulation. Their performance could be approximated in main work time with better organization and appropriate wage payment. We must also take into consideration the fact that the further development of economic guidance will to some extent create new conditions for small undertakings also. We expect that the market will operate more precisely, the excess demand for manpower will decrease, the differences in the regulation of wage and earnings management will be moderated, the sensitivity of the enterprises in every expenditure category will strengthen and become similar.

"So one must judge the use of the VGMK's taking into consideration the realities of today and tomorrow. In order to reduce the present absurdities we must resolve the contradictions in the material interest of economic leaders. For example, regulations within the enterprise should make it possible for a part of their incentive to depend on the utilization of the entire work time base and the costs thereof. We should expand the commodity producing and service activities of the VGMK's done for outside customers. I consider it necessary also that we try out undertakings in the main work time as well.

"On the basis of all this I do not expect the elimination of the VGMK's, but I do expect their transformation. What will remain, and even become stronger, are undertakings working with their own or with enterprise assets, organized primarily to satisfy outside needs and those doing work of the work-at-home type outside the enterprise site. And internal undertakings, working in the main work time, self-accounting and segregated within the enterprise will appear also."

Finally, Dr Sandor Szmicssek considered it necessary to add an observation: "Many have debated a lot already about our small undertakings. But we should not forget that the Danubian Ironworks is not a conglomeration of small undertakings, rather, it is a real large socialist plant, an enterprise where 95 percent of what is produced is the product of the main work time, a metallurgical plant which is expected to close the year with a profit of 100-200 million this year.

"The results of the activity of those working in the GMK's is included in this profit, if to a modest degree, but primarily it is the profit of the enterprising spirit, not fearing the new, which characterizes the large enterprise."

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HUNGARY

TERMS FOR BREAK FROM PARENT ENTERPRISES DEFINED, WEIGHED

Budapest FIGYELO in Hungarian 14 Feb 85 p 7

/Article by Gyorgy Matolcsy: "Conditions For Becoming Independent"/

/Text/ In the second stage of the conversion to the new enterprise leadership forms, between 1 January and 30 April 1985, any internal unit of any state enterprise, that is any factory, factory unit, plant, main site leadership, main department, shop, etc., can initiate the process of becoming independent. In this way it can become a new state enterprises. The present time limit is not the final one, the "divorce" of internal units will be possible from May on also. But then they will not initiate this with the founder; in the new enterprise guidance system in the future only the Council of Ministers can make a decision concerning such a separation. Guiding principles 7001, 1985, of the minister of financial affairs define the legal, economic and financial conditions with which the leadership and collective of the separating unit must reckon in the event of a decision pertaining to independence.

Thus, in the first 4 months of the year the collectives of the internal enterprise units will be debating the new enterprise leadership forms. Within the framework of this the workers of the unit can decide by open, majority vote whether to initiate the independence of their unit. In the event of such an initiative the collective works out or has worked out a program for the creation of the conditions for independent enterprise operation. Organizational and leadership consulting institutions and state organs can provide aid in this. The position taken in regard to independence and the program will be forwarded directly by those affected to the founding organ and to an enterprise "preparatory committee" which will organize and coordinate the switch to the new enterprise leadership form.

According to the guiding principles of the Ministry of Financial Affairs the unit which is becoming independent must assume certain obligations in exchange for the separation. The basic principle is that neither the new enterprise become independent nor the managing organization remaining after the separation should get into a serious economic situation. It is also a position that the economic interests of consumers, shippers and customers should not be seriously endangered. The guiding principles state that the agreement of the two parties--the one leaving and the "parent enterprise"--should be the standard in settling disputed matters. If there is no agreement then the position of

the founding state administrative organ will be the determining one--a position based on the guidelines of the Ministry of Financial Affairs in property disputes.

The founding of a new enterprise is not justified if the conditions for independent management are not available when it gets started, because this would endanger both the workers of the enterprise becoming independent and its outside partners. Thus an enterprise becoming independent must be provided with the assets necessary for 1 year's undisturbed operation--similar to the founding of a subsidiary enterprise. But these basic principles, the guiding principles of the Ministry of Financial Affairs, also contain concrete provisions.

Dissolution of Property

The unit becoming independent can take from the parent enterprise that part of the assets used by it in earlier years which are judged necessary for the remaining or newly-imagined production profile of it. The unit becoming independent must pay compensation for the assets taken if they were activated within the past 3 years and if they are not burdened by other financial obligations--credit, fee payment, bonds, etc. The factory unit or section wishing to go its own way is also obliged to pay compensation or countervalue for assets received if the developmental policy in the given enterprise was unilaterally favorable for it in the 5 years preceding the separation. (In other words, if only the unit affected was modernized from a developmental fund generated by the others as well.)

At the same time, compensation need not be paid if in the past 5 years the given internal unit generated more developmental resources than flowed back to it within the framework of enterprise capital allocation for modernization or expansion of the assets used by it. Nor can compensation be tied to those fixed assets which are burdened by debt repayment or other "external" financial obligations, because these obligations must be assumed by the unit becoming independent.

It cannot be ruled out that in the case of other assets also an agreement may be reached in regard to transfer of repayment obligations, items which will remain with the parent enterprises the developmental sources for which were basically external and thus which were burdened with financial obligations. This may happen in cases where the remaining enterprise organization would be incapable of meeting its financial obligations if the obligations were not transferred. This could be especially useful for enterprises where the unit intending to separate will conduct substantially more profitable activity than the parent enterprise, which in turn would get into a position of bankruptcy or insolvency due to the debt repayment burden.

According to the decree which has just appeared the new enterprise which is becoming independent can receive budgetary or bank allowances or aid for the financial obligations transferred on the basis of an agreement between the two partners.

The property compensation and the value of the assets constituting the basis for an assumption of burden must be determined at the net value according to

balance. (At such times a modern appraisal of property is lacking in our domestic economic guidance system; in such cases there cannot be an actual sale or competitive bidding so it is not possible to establish the market value of the fixed assets.) It is possible to deviate from the net value in the downward direction--again on the basis of an agreement of the parties. This can occur in those cases where without such a "price allowance" the unit intending to separate could not take the given machine or equipment, but the "parent enterprise" has no need for it and one would probably get only a price well below the net value in the course of a market sale. Such a "price allowance" might be used in the case of many fixed assets due to fixed assets not being used, unexploited capacity or the poor profitability of many activities.

Market Partners

Payment of the compensation which may be prescribed for fixed assets taken can take place between half a year and 5 years following independence, if partial payment or postponement of repayment is included in the agreement. Payment of interest can be more favorable economically for both parties than simple "compensation"--where the compensation sum is transformed into credit or a contribution to the fee payment fund. A leasing form might be advantageous for a part of the assets taken, and in this way a partner relationship might remain between the economic organizations.

When dividing up the property and establishing compensation the two managing units should start from the idea that in all probability their economic contacts will not end with the organizational change. Cooperation links may remain and may even expand in the event of a mutually advantageous shipment or cooperation contract. (The new enterprise must take over the external cooperation contracts in effect or must fulfill the internal cooperation links to the extent fixed in the plan in the year of becoming independent.)

Naturally the financial conditions for these contacts and the prices used will change also. Now two independent economic partners will be signing contracts with one another, each develops its own calculations and decides its production and delivery policy on the basis of this. In many cases just this may be the purpose of the organizational modification, but in any case it has a positive effect because real market contacts take the place of internal conditions of an accounting character and these provide better orientation for profitable activity and cost and profit sensitivity.

Obviously a separation will be undertaken by the collective of an internal unit where it is probable that efficiency will improve in an independent enterprise framework--with greater freedom of movement than earlier. When judging this one must take into consideration, in addition to the fixed assets, whether the welfare and cultural fund--proportional to the number of personnel and the time--fits the workers of the section or factory unit becoming independent: whether the undistributed interest fund--proportional to assets and personnel--fits the amortization of the assets taken; and whether the circulating fund and the part of the technical development fund equal to that of the year before--perhaps modified according to the plan tasks--are sufficient for operations.

The Price of Convenience

These are the conditions with which the leadership and collective of the affected managing unit must think through the consequences of becoming a new enterprise. In the present large enterprises, organized horizontally and having a number of sites, many may feel that it is more convenient to continue to operate within the framework of the given enterprise. This might be expected even if wage development or investment at the given unit are minimal. The "large hat" of the large enterprise makes it easier to bear the tightening circumstances of the external economic environment and frequently the slogan "It is easier together than alone" is realized.

This attitude has especially strong roots in those units the profitability and productivity of which are smaller than the enterprise or branch average, and so it is probable that in the course of becoming independent the unfavorable efficiency will come to light, with all the negative consequences thereof. In a certain sense becoming independent is a leap into the dark. It is possible that a section which had unfavorable efficiency earlier will "turn out to be a magician." It is also possible--especially seeing this year's changes in the regulator system--that the better performance than earlier of an outstanding unit may be recognized with higher wages--as a result of earnings level regulation. Because of the higher tax level burdening resources there is increasing pressure that the weaker internal units of an enterprise should not put either the "big hat" nor the "little hat" into a disadvantageous situation.

For this reason even the weaker internal units should give serious consideration to initiating a separation, to becoming independent. Sooner or later the ever more severe conditions of the economic environment will lead to a reorganization or elimination of the "weak ones." The positions, earnings and jobs which developed earlier could be endangered by this. Conditions for operation more efficient than before might be created by a new organization to prevent this, perhaps with a new profile and by electing its own leadership.

And there is a unique race being run with time. He who switches sooner to more profitable production or service, to more efficient employment will have stronger market positions sooner too, or the profit in changing will be greater. But those who delay will find their relative position deteriorating. So it is in the interest of both better than average and weaker than average internal units to think through in a basic way whether becoming independent might not create favorable conditions for attain better performance than before. The decree and guiding principles which have now appeared may aid the realization of this line of logic, but they cannot take the place of action.

Petitioning for Separation

The following sequence should be taken into consideration when preparing an initiative or recommendation for separation:

- A brief description of the economic unit affected;
- The proposal being made for organizational modification and the reasons for it; and
- A draft of the measures needed to carry it out.

The description of the economic unit affected should provide information about its regional location, the links in the vertical structure of production, the method and system of guidance thus far, and the reasons why its activity might be separated organizationally.

The proposal should describe the purpose of the organizational modification, possibly several versions for carrying it out and the recommended time of the organizational modification.

The justification should consist of a retrospective part describing the management and of a forecast regarding the future and should extend to the following:

- Production, the composition of production, possible profile changes and the directions of deliveries;
- Material supply and cooperation links;
- Price formation prescriptions and changes in them;
- The profitability and interest relationships of the economic unit;
- The system of wage regulation;
- Developments under way;
- A proposal in principle pertaining to the distribution of property; and
- The financial links with the state.

It would be useful to point out in the justification how the organizational frameworks in effect have hindered the development of interest relationships and innovation and the effective, flexible functioning of the economic unit and how these would change in the event of an organizational modification.

In the last part of the initiative proposal the unit should deal with whether there will be a need in the period after the organizational modification for some sort of nonnormative central intervention, bank measures, etc. (possible of a temporary character).

8984

CSO: 2500/295

HUNGARY

EFFECTS OF SEVERE WINTER ON ENERGY SUPPLIES REVIEWED

Budapest HETI VILAGGAZDASAG in Hungarian No 10, 9 Mar 85 pp 4-7

/Interview with Gyoza Wiegand, director of the State Energetics and Energy Safety Inspectorate, by Endre Babus: "A Long Hot Winter"/

/Text This year's winter has been a great bloodletting for the Hungarian economy. The national energy bill now shows an extra 7-8 billion forints compared to this time last year and the drop in production due to the shortage of natural gas represents a sensitive loss also. How can one real winter cause such a shock to Hungarian industry? We tried to get an answer to this question from Gyoza Wiegand, director of the State Energetics and Energy Safety Inspectorate.

/Question It is now more than 40 days that domestic industrial consumers have been able to use natural gas only in a limited way. How many enterprises does the limitation affect now, in the 1st week of March?

/Answer Natural gas use must still be limited at seven large chemical industry, metallurgical and cement industry enterprises. Otherwise the population, public institutions and enterprises serving the public would not get enough of this energy source. At the moment the Lenin Metallurgical Works, the Ozd Metallurgical Plants, the Danube Iron Works and the Borsod and Tisza chemical combines are operating parttime. We can speak of an almost complete shutdown in the case of the Hejocsaba Cement Factory and the Pet Nitrogen Works. By limiting natural gas use at these plants, producing primary materials, we succeeded in limiting the damage caused by the gas shortage to a few production areas. In this way the losses are smaller than if production had to be reduced radically in the processing industry, which uses specifically less energy.

/Question But even so the losses are significant. A number of large domestic enterprises are already facing lost production of around 200 million forints, and the production difficulties deriving from a shortage of primary material are difficult to measure for the time being. Many are concerned by the question: Why does a winter colder than usual cause such serious problems in domestic energy management? Even if an average daily temperature of minus 13 degrees is rare, this can in no case be regarded as a natural catastrophe in Central Europe.

/Answer/ On the basis of meteorological data recorded since 1872 a hard winter similar to the one this year occurs about every 10 years in the Carpathian Basin. But for a cold January to be followed by a February a good bit colder than usual can be called extraordinary; there has hardly been an example of this in the past 100 years. The first 2 months of this year were colder than average by 4 degrees in each case and on some days the mean temperature was 8-10 degrees below the average for many years. As a result of this the consumption of energy leaped; a decrease of 1 degree Celsius in the temperature increases domestic fuel consumption by five percent.

/Question/ How large was the energy reserve of the country at the beginning of winter? Were the gas storage tanks full? And why could not the missing energy be made up by extra import?

/Answer/ The colder than average January and February made necessary the use of extra energy equivalent to 500,000-600,000 tons of petroleum--despite the limitations in January and those since 11 February. The value of this is about 6-7 billion forints. We covered a significant part of the extra consumption from our petroleum reserves; 50 power plants and producing plants with alternative heating are now operating with petroleum instead of natural gas. In addition, we opened the Hajduszoboszlo, Pusztaederics and Kardoskut gas storage tanks, with a total capacity of about 700 million cubic meters, at the beginning of winter they were filled to 80 some odd percent. It must be remembered that last year the Hungarian economy consumed a larger quantity of energy than expected, energy use increased by 3.9 percent instead of the planned 2 percent. In the interest of satisfying the demand the domestic energy industry is operating at peak capacity, the production of the National Petroleum and Gas Industry Trust exceeds by about 12 percent the value for the same period last year. In addition to all this there was supplementary energy import. But obviously a limit is placed on this by the financial situation of the country on the one hand and by the fact that the neighboring socialist countries have the same energy shortage on the other hand.

/Question/ The electric power shortage on 8 January was an unambiguous indication of this also. Because of the unexpected overdraw in the united electric power system of CEMA we had to limit consumption too. But even following this disturbances have appeared a number of times in electric power supply, because of the cold.

/Answer/ The reduced natural gas and petroleum reserves make the production of electric power difficult also. Fortunately the Paks Nuclear Power Plant is operating very well--with the exception of one brief interruption in January--its output exceeds what was planned by a good bit. In addition, putting into operation domestic reserve power plants with a capacity of about 600-700 megawatts has more or less stabilized electric power supply. In the final analysis there was no real interruption in the domestic electric power system. As for imports. Hungary gets a very significant part of its electric power needs, 28 percent, through the CEMA system--Bulgaria is second in regard to ratio with a 10 percent import ratio--so we have an elementary interest that there should not be a limitation in the common system if possible. For this reason at the last session of the CEMA Executive Committee Hungary also placed great emphasis on preventing an overdraw in the electric power system.

/Question/ In the light of reports received about limitations abroad it is striking that the degree of energy limitations in Hungary is not being publicized. What sort of measures have been necessary thus far, really, and what is the domestic system of setting limits?

/Answer/ In general the degree of the limitation is reported in other countries also if it directly affects the populace. Hungary also follows this practice, which does not mean that, for example, the system of gas limitation is a secret, for this is regulated unambiguously by the gas law. In the event of a shortage of natural gas a five-stage limitation list goes into effect. The so-called buffer consumers belong to the first stage and alternative consumers belong to the second. The former receive natural gas only if there is a surplus and the latter are those which are capable at any time of switching from natural gas to petroleum heating. Actually, withdrawing natural gas from these consumers does not represent a limitation. All other producing plants belong in the next two stages; ordering the third stage is accompanied by loss of production for these and ordering the fourth is accompanied by damage to equipment. Finally, after this, ordering the fifth stage means a limitation on consumption by the communal and service sphere. But under no circumstances will a centrally ordered limitation on natural gas for the populace be ordered. There can be only a local interruption in gas supply to the populace, due to a break in or freezing of the supply lines.

But the five-stage system outlined can be used only in the case of brief interruptions; so in recent weeks we switched to another system, which also has five stages. In this new limitation system also the buffer and alternative consumers belong to the first two groups, but we listed the producing plants in the next three groups according to the magnitude of the damage caused by a shortage of energy. We distinguished two steps within the latter three stages; provincial plants belong in the first limitation step and Budapest plants belong in the second. At present, in addition to the buffer and alternative consumers, there is a gas limitation in the seven large plants already mentioned. This represents a partial ordering of the third stage.

The system for limiting electric power is more complicated, because here, according to the implementing directive of the electric power law, two versions are possible, according to whether the interruption is longer or shorter than 1 hour. But here also, in recent months, we have worked out a new system of limitation due to a possible fuel shortage.

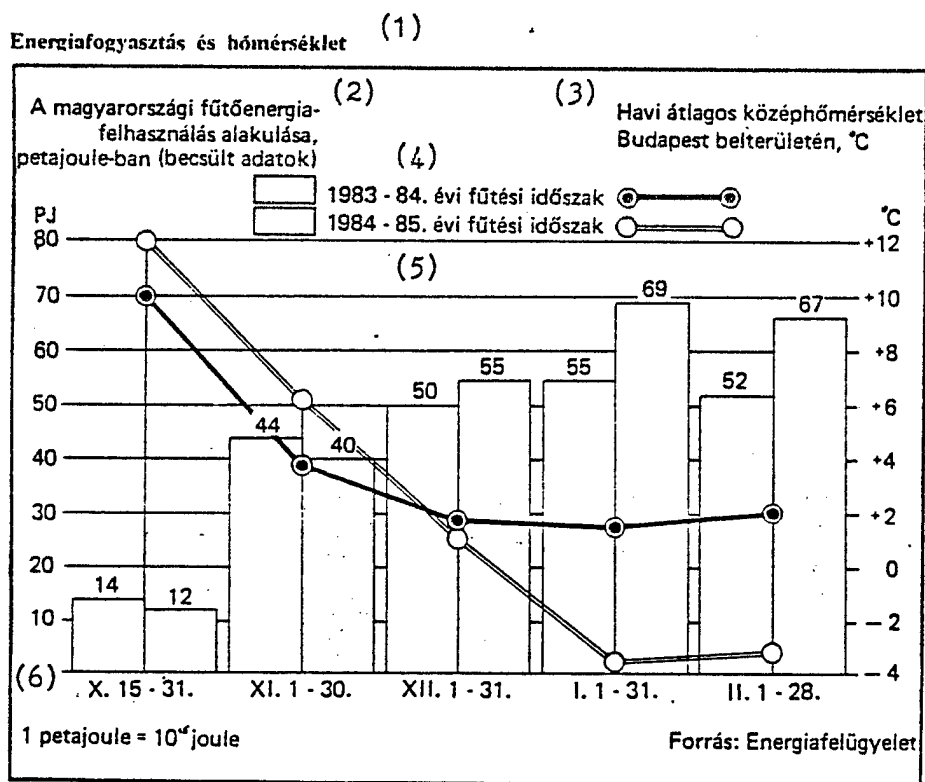
/Question/ The natural gas shortage this year awakens certain doubts in regard to the domestic energy rationalization program of recent years, which has cost 7-8 billion forints thus far and which, to a large extent, has financed the conversion of enterprises from petroleum to natural gas heating. In the meantime the price of cheap natural gas began to rise and is increasingly approaching that of petroleum. And in addition, the demand could not be satisfied even this winter.

/Answer/ According to the original intention 60 percent of the investments of the energy rationalization program were to support energy conservation and 40 percent were to support energy exchange. But this ratio developed the other

way around. It is also true that in most places gas burning replaced oil burning, that is, the program became excessively centered on natural gas. In any case, the recognition of this will soon be reflected in the new competitive announcement of the program, which hereafter will support only investments to reduce energy use and not the exchange of fuels.

/Question/ And what will happen with the gas lines for the population which had been included in the plan? A number of settlements have issued gas bonds and many people expect relatively cheap gas energy.

/Answer/ At present people use 12 percent of the natural gas sold here at home. So a moderation in consumption should not be urged primarily in this sector but rather among industrial consumers. However, a swift conversion to natural gas must unavoidably be held back sooner or later for the populace too. There is an important lesson from this winter in addition to what has been mentioned--there will be a need for a significant expansion of gas storage in order to satisfy peak winter consumption.



Key:

1. Energy consumption and temperature
2. Development of heating energy use in Hungary in petajoules (estimated data)
3. Monthly average temperature in downtown Budapest, degrees Celsius
4. 1983-1984 heating season
5. 1984-1985 heating season
6. (months as Roman numerals, days as Arabic numerals)

1 petajoule = 10^{15} joules

Source: Energy Inspectorate

Damage Triangle

"This winter is taking a part of our profit," they are saying at Ganz-Mavag. There have been power outages at the enterprise, employing 8,500 people, 11 times since the beginning of the year for longer or briefer periods (a minimum of 1 hour and a maximum of 8 hours). Because of this the production of two 8-hour shifts has been entirely lost and the production of nine shifts has been partially lost. For several days in the middle of January the enterprise suffered a 50-percent natural gas restriction and on 13 and 14 February it suffered a 75 percent natural gas restriction. Because of this they had to stop the hot plant machinery, the casting furnaces and the forging lines and partly because of this a number of engines and trailers being made for export were not finished in time. Thus far the cold at the beginning of the year has taken 100-120 million of the 8 billion forint sales receipts plan of the factory, but at the production department of the factory they still hope to be able to make up the shortage. For several weeks the heating center of the enterprise got only 70 percent of the necessary steam energy--from the Budapest Thermal Power Plant Enterprise which fell under a natural gas limitation.

For weeks they have only been burning lime at the Hejocsaba Cement Factory, the not modern plant of the Cement and Lime Works, cement manufacture has stopped. The enterprise is getting only 3,500 cubic meters of natural gas instead of the 20,000 cubic meters per day customary in "peacetime." Largely because of this the production of 160,000 tons of cement has been lost, a sales receipts loss of about 200 million forints. We heard at the Vac center that the 4.1 million ton cement manufacturing plan of the Works will be fulfilled only if the other six cement manufacturing plan of the Works will be fulfilled only if the other six cement factories are capable of increasing their production compared to what has been planned.

"We had to activate what the Labor Code prescribes for work performance in cold times," said Domonkos Sipos, production director of the Metal Works at the Csepel Works. "We set up warming areas and the physical workers take a 10-minute rest in these every hour. Each worker can drink 2.5 liters of warm hip tea per day." The first time, between 6 and 22 January, there was a 50-percent natural gas limitation at the country's only nonferrous metallurgical enterprise; limitations were ordered again for a few days in the middle of February. Because of the partial shutdown of the aluminum foundry and the copper refining plant the value of lost production thus far can be put at 34 million forints. The factory intends to make up the loss with weekend shifts in the first quarter. In addition winter storms and freezes caused about 6 million forints damage at the enterprise; insurance will cover about half of this sum. Because of the forced shutdowns the life expectancy of the furnaces has been reduced also, but at present it is not possible to estimate the damage caused in this way. The delayed deliveries of the factory could cause trouble in the domestic electronics and communications engineering industry, primarily at Unied Incandescent, the Jaszbereny Refrigerator Factory, the BRG /Budapest Radio Technology Factory/ and the Communications Engineering Materials Factory.

Enterprises have reported about 800 million forints in freeze damage to the State Insurance Enterprise thus far. Roller trains and water circulation

systems, among other things, froze in the great cold and a significant quantity of warehouse inventory was ruined in the foodstuffs industry. But the State Insurance Enterprise does not insure for enterprise freeze damage so it will not pay damages.

What Does the Electric Power Law Say?

The energy restrictions this year and in some cases the shortage of gas and power make especially timely the question: Is the consumer at the mercy of those providing power, and if the consumer suffers damage from an energy limitation--even if a forced one--what legal protection can he lay claim to? We asked for opinions at the National Energy Management Authority (EGH) and the Hungarian Electric Works Trust (MVMT).

Tibor Tersztyanszky, expert at the OERGH:

In my opinion all involved must be aware that continual power supply cannot be guaranteed at either the enterprise--electric power industry--or state level. An interruption in service and a failure to supply or a limitation on power to the consumer can occur at any time. The situation is the same in any part of the world; this is not a Hungarian or CEMA phenomenon. System saving measures have been worked out to reduce the effect or spread of interruptions occurring in the electric power system and to prevent more serious damage. One of these--and this is not interdependent with the energetics situation of January 1985--is the so-called frequency dependent load limitation. The task of this is to stop a frequency drop.

In any case, the 1965 interruption in New York which lasted 2 days--and already counts as a classic--is considered by the profession as the first serious warning which showed what sort of trials a developed industrial society might experience in the event of the breakdown of an electric power service system designed and operated economically and with adequate safety. In the interest of avoiding the consequences of such an even system saving measures must be planned and industrial consumers must prepare themselves for automatic or manual cut off.

Andras Vikmon, chief of the legal and administrative main department of the MVMT:

The consumer really is at the mercy of the provider of power to the extent that electric power can be purchased only from the latter, but the relationship can be turned around--the provider of power cannot choose his partners either since he has a contractual obligation from which he can be relieved only in cases defined in the regulations. In contrast to customary contracts the content of an electric power service contract is not entrusted to the contracting parties by the Civil Code but rather is determined by a ministerial decree issued on the basis of authorization by law. Among other things this regulation stipulates that "both the provider of power and the consumer are responsible for damages arising from violation of the contract in accordance with the provisions of the Civil Code." Thus the provider of power is responsible for damages arising from an interruption, stoppage or limitation of electric power service. The only relief here is linked to the concept of "expectation." That is, the

court--on the basis of a professional opinion obtained from the State Energy Directorate--weighs whether under the given circumstances the provider of power did everything that could be expected of him to prevent the possible damage. There is no doubt that judging this can give occasion for much debate. Para 5 of the electric power law is less ambiguous: "In the event of a temporary shortage of electric capacity the minister of industry can order, in the interest of the national economy or national defense, a limitation in or cessation of electric power consumption. There is no compensation for damages arising from the measures ordered."

Let us give one example of a case in which there could be compensation. Let us presume that a private person or a producer cooperative is raising several tens of thousands of chickens in a site heated with electric power. The enterprise providing power does work on the grid which could be planned in advance, for this reason the service is interrupted, and the consumer is not informed about the work in the prescribed manner and in the prescribed time. In such a case the provider of the power must be responsible for the deaths of the animals resulting from the interruption of service and the court can order compensation.

8984

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POLAND

MINISTER ADDRESSES CHEMICAL ENGINEERS ON INDUSTRY

Gliwice CHEMIK in Polish No 12, Dec 84 pp 337-341

[Address by the Minister of Chemical and Light Industries, Professor Dr Edward Grzywa, at the 22nd General Congress of the Society of Engineers and Technicians of the [Chemical] Industry; date and place not specified]

[Text] Dear colleagues!

On behalf of the leadership of our ministry I want to convey to you a warm welcome on the occasion of the 22nd General Congress of the Society. I believe that exchange of views concerning the key issues facing engineers and technicians and their role in the resolution of the current and developmental problems of our industry, as well as the urgent environmental matters, will be fruitful if we discuss them in connection with the current situation in the industry and its objectives for the near future. For that reason, with your permission, I will begin by outlining to you in an inevitably brief report how we are implementing our current goals.

The implementation of production targets in the current year is generally favorable, despite the well known and fairly common difficulties. We look forward to a growth of sales compared to 1983 in the chemical industry by 7 percent and in fuels by 3.4 percent, as measured in constant prices. This growth of output covers the overwhelming majority of basic groups of products.

It is expected that, compared with the previous year, we will produce in 1984 larger amounts of such products as:

- anhydrous and heavy soda (estimated increase by 125,000 tons, i.e., by 15.0 percent);
- caustic soda (estimated increase by 100,000 tons, i.e., by approximately 30 percent);
- varnish products (an increase of about 17.1 million liters, i.e., 6.5 percent);
- pharmaceuticals (an output of products worth more than 3.3 billion zlotys, i.e., an increase of 9.0 percent);
- tires for passenger automobiles (increase of 453,000 units, i.e., an increase of 14.3 percent).

In some groups of products a slight decline of the output compared with 1983 is predicted. These are such products as:

- fuel for internal combustion engines and heating oil due to increased consumption of gas for pyrolysis and increased output of asphalt, especially industrial asphalt and construction cements;
- plant protection products and several brands of detergents due to decreased demand for these products.

For a majority of basic items, the current targets of the central plan for our ministry will be met completely and sometimes above the targets. This concerns the output of polypropylene, synthetic rubber, chemical fiber, pharmaceuticals, tires for trucks and for agricultural machines and equipment.

We will not, however, fulfill the central plan targets in other groups of products, including:

- crude refineries and output of oil products due to reduced purchase capacity from Western nations;
- artificial fertilizer, because of the interruptions with gas supply in the first quarter of 1984 and high failure incidence at plants;
- caustic soda, because of deteriorating production conditions at Soda Enterprises in Inowroclaw and failure to attain the required production output at the new plant at Nitrogen Enterprises in Wloclawek;
- polyvinylchlorides due to the delays in commissioning of the new plant at Wloclawek Enterprises.

In foreign trade, our results are not entirely satisfactory. This is due to both external causes, such as difficulties in the sale of products in Western markets by our trade agencies, and to internal factors, including a shortage of attractive goods for export. In particular, the export targets will not be met for such products as caustic soda, vinyl and chemical fiber.

On the other hand, the export targets will be overfulfilled for such items as synthetic rubber, anhydrous soda, perfumes and cosmetics. The export assignments are being fulfilled according to the plan in the remaining product groups, including sulfur products. We have also developed export of products not foreseen in the plan: about 300,000 tons of engine oil and about 30,000 tons of heating oil to capitalist nations, with a total worth of 8.4 billion zlotys, that is, about 7 percent of the entire value of exports to that sphere. Generally, we will meet the targets in the export of chemical products and fuels, but these assignments were not too large, not to mention that we had to partially reduce supplies to the domestic market to meet our export commitments, so we are not really happy with the situation.

To be partially commissioned this year are the following centrally funded projects:

- vinyl production plant at Wloclawek Nitrogen Enterprises;

- antibiotic production laboratory at Tarchomin Pharamaceutical Enterprises;
- new plant for production of salt installed at Inowroclaw Salt Enterprises (Mogilno mine);
- Olendry heat plant;
- ammonia plant at Police Chemical Enterprises (second stage).

In the plan for 1985, the sales are expected to be greater than in 1984:

- in fuel industry by 7 percent, totaling about 429 billion zlotys;
- in chemical industry by over 8 percent, totaling about 705 billion zlotys.

The projected output of major products in all nomenclature groups included in the draft central economic plan for 1985 shows an increase or, in a few items, maintenance of the output of 1984. I should mention that a moderate and therefore realistic pace of growth has been planned in most areas, except for vinyl, where a growth of 51.7 percent is envisioned, and caustic soda, with an 11.8 percent growth, justified by the increased output from the new plant at Wloclawek Nitrogen Enterprises; in the remaining product areas the increases will be as follows:

- crude refineries, 3.9 percent;
- sulfur production, 0.3 percent;
- anhydrous and heavy soda and propylene, level unchanged from 1984;
- largest increases envisaged for the output of automobile tires.

Supply of chemical products to the domestic market is estimated at 164.7 billion zlotys, that is, an increase of 7.3 percent.

Compared with 1984, the draft central plan for 1985 provides for meeting completely the demand for basic consumer products in the sanitation area (detergents and soaps) and surmounting the existing substantial shortages in some perfume and cosmetic products, such as hair shampoos, toothpaste and shaving creams. Increased supplies for other products, such as varnishes (by 6.7 percent) and pharmaceuticals (by 7.7 percent), are also provided for.

Further expansion of export of chemical products is envisioned:

- fuels by 12.3 percent;
- chemical products by 6 percent.

Of new projects funded by central investments in 1985 the following are to be put into operation: a urea-producing plant and the sulfuric acid plant at Police Enterprises and "oxo" alcohol plant at Kedzierzyn Nitrogen Enterprises. An additional antibiotics factory will be commissioned at Tarchomin. The plan provides for completing the construction and bringing into operation the remaining production capacity of the salt plant (3 million m³/year) at Inowroclaw Salt Mines. It will be recalled that the relatively limited scope of centrally funded construction does not exhaust the entire range of the building of new

capacities. Capital investment by local enterprises contributes a major share to this activity.

In 1984, of the total allocation of 45 billion zlotys for the chemical industry, enterprises contributed about 26 billion zlotys. In 1985, this investment is expected to be maintained at the same level. In the framework of enterprise-funded construction, the industry of artificial fertilizer and plant protection products has been reconstructed and modernized and the output of pharmaceuticals intensified. Sulfur and rubber industries are funding all capital investment at the local level. Altogether, the contribution of enterprises to capital spending in the chemical industry amounts to 60 percent annually, and in the future years this share will be increased systematically.

How will this development be structured in the next three years?

We know that in the current situation of our economy the development is limited, and, therefore, every investment decision should be preceded by a scrupulous analysis. This is dictated by the urgency of adapting our chemical industry to new external and internal situation, or the industry's restructuring. Primarily, this is an upshot of the critical economic situation in 1981-82 that we are slowly beginning to overcome and to some extent to economic restrictions against Poland on the part of some Western nations. In addition, the economic reform has created substantially new conditions.

The work on reshaping our industry has been going for a short period of time, but even today we can speak of positive results. The first notable effect was the abandonment of many of the imported raw materials and semifinished products (mainly from Western nations) and their replacement by domestic products of the same quality, although sometimes higher in cost. The specific framework for implementing this change was provided, among other things, by actions undertaken back in 1982 on the basis of decisions of the ministry (so-called Decision 8 on Ensuring Continuity of Production). It should be emphasized that this administrative decision was brought into effect by people like yourselves--the engineers and technicians of our industry. Thanks to your efforts, we can now speak of positive results. On the basis of this decision and similar actions, we initiated in Poland the production of articles that had previously been imported from abroad such as catalysts for nitrogen industry, technical stearines, fats and glue for the leather industry, a large number of pharmaceutical preparations (such as Trimetoprim, entobex and others).

Another group of effects of the efforts to reshape the industry includes the discontinuance or substantial reduction of the large-scale capital investment programs planned previously. We found that this could be done without any major loss.

I will proceed now to discuss the current development issues of some of the branches of our industry.

In refineries, where at the moment we are not using the full production capacity, we want by 1990 to attain a complete capacity utilization, processing 17.5 million tons of crude. Since we realize that the capacity of refineries will have to be increased to allow an additional processing of at least 6.0 million tons before the year 2000, we should begin in the nearest future to prepare for the construction of new refinery plants with analysis of their alternative location sites. The alternative at Blachownia seems most interesting, because there we plan to build, in addition to the refinery plant, a new pyrolysis installation as a basis for future development of petrochemical operations in the years to come. The implementation of the development program of the refinery industry and the system of storage and distribution will ensure adequate supplies of raw materials, energy resources and petrochemical products for the national economy.

Another important area to be developed in our industry is the expansion of the basis of organic semifinished products, which is crucial for many other branches, and especially the pharmaceutical industry, plant protection products, paint and varnish production, small-batch synthetics, insulation material and many others. This area will become our strongest base of export to Western nations.

In fulfillment of these tasks, we should undertake in the next few years and subsequently a large number of modernization and capital investment projects. The most important of these will be:

- full utilization of the pyrolysis plant capacity at Plock and subsequent expansion of the pyrolysis plant at Blachownia;
- utilization of coke coal raw materials;
- expanded production of gasoline, naphthalene and other aromatic compounds, as well as epichlorohydrin, dianhydride, aromatic anhydrides, etc.;
- we must adequately develop the production of so-called letter acids;
- building plants and starting production of chlorobenzene and its derivatives at Oswiecim;
- starting the production of new semifinished products, including compounds of the amino group, polyhydroxyalcohols (pentaerythritol and glycerine), synthetic butyric acids, etc.

In the area of so-called massive synthetic materials, the most important objective after complete development of the Wloclawek polyvinylchloride plant will be developing the adequate nomenclature of PVC products at Tarnow and Oswiecim plants and modernization and expansion of the production of polymers and styrene copolymers.

A much broader program is proposed for so-called small-batch synthetic materials, where we see a large potential for selective development of our industry. Here we propose above all to initiate the production of: polytroxane, polyethylene terephthalate and tarflene, as well as semifinished products for this material (anhydrous hydrogen fluoride, Freon 22, and possibly

with the cooperation of the GDR, Freon 22 in exchange for chloroform and tarflene).

In the artificial fertilizer industry, our objective is to provide for the soil fertilization rate of 230 kg NPK/ha in 1990 and 245 kg NPK/ha in 1995. For these ambitious goals to be met, we should proceed as fast as possible with bringing into complete operation the factory producing fertilizer mix, Police II, and a number of modernization and renovation projects both in nitrogen and in phosphorus industries (Pulawy, Tarnow, Kedzierzyn, Wloclawek, Tarnobrzeg, Lubon, Wroclaw, Torun and elsewhere). This calls for full and vigorous implementation of the recent decree of the Government Presidium in this area.

Major efforts are planned in the nearest future in the production of plant protection chemicals. This will involve primarily improvements of the infrastructure of Azot Enterprises at Jaworzna to make possible further development of production plants mainly for the production of bromvinphosphate and the building of new production capacities at other enterprises (in particular, the pyrasol plant at Rokita).

As a safeguard for the development of our industry and, as a minimum, for maintaining the existing level of exports, we must maintain the current level of output of chemicals and minerals, specially sulfur and salt. For these two minerals we will have to build new mines in the next few years. These are extremely capital-intensive projects, but they are indispensable.

I have mentioned by way of illustration just a few of the items of the development program in our industry on which we are concentrating our efforts. We are working at the ministry, but the major contribution to these efforts comes from you, dear colleagues. All these aspects and issues reflect your work at your enterprises, institutes and research and development offices.

Several months ago, the ministry developed in this framework the "Proposal for the National Economic Plan for 1986-90."

In this period we expect the chemical industry to grow by 20 percent. Our exports will increase by 31 percent and imports by 32 percent. In the meantime, the employment in the industry will grow by only 3 percent. Centrally funded capital investment is projected for the ministry at 159 billion zlotys in 1986-90. Major contribution to financing the development in accordance with the spirit of the economic reform will come from the local investments by enterprises. These investments will be initiated immediately by the factories concerned, that is, will involve your direct and indirect participation as the engineers and technicians of our industry.

In the framework of centralized capital investment, we envisage primarily continuation of the projects already begun and their completion, as well as initiation on a ministerial level of 29 new enterprises, including 22 in chemical and fuel industries.

Before identifying the specific projects, I must mention that the fact that they are included in our "Proposals" is not synonymous to their being included in the final long-term government plan. The work on the 1986-90 national plan has not yet been completed, and the Planning Commission of the Council of Ministers that has worked on the final version of the proposals will certainly, in view of other requirements, introduce some limitations before the final draft is submitted to the top political and government authorities.

Given this reservation, I will say that in the coming five-year period we have proposed to begin the construction, among other things, of:

- a new refinery;
- the Osiek sulfur mine;
- the Lanieta salt mine;
- the Chwastox factory at Sarzyn;
- pharmaceutical departments at Pabianice and Starogardz Gdanski;
- surgical suture material factory at Poznan (Polfa);
- a plant for production of chlorobenzene and its derivatives at Oswiecim;
- a polyformaldehyde plant at Tarnow;
- resumption of the construction of the paint factory at Kack.

These are the most important undertakings. I am mentioning them at this congress, among other things, to assure you, dear colleagues, that we have no shortage of ambitious projects despite the transitional weakening effects of the crisis. We must proceed with these projects, especially since they fulfill our ambitions as professionals and engineers.

What are the objectives on which the engineers and technicians should concentrate their efforts in the framework of the current situation in industry and with a view toward the future development?

There is no doubt that mainly this is the sphere of technological progress in the broad sense of the term, and this is our primal goal.

Let us take a closer look at the utilization of means assigned to this purpose.

The systematic solutions under the economic reform specify the goals and activities that should be accomplished in the area of technological progress and the financing of these efforts from the funds of technical economic progress available to enterprises. They are substantial funds:

- in 1982, of 4.2 billion zlotys placed at the disposal of enterprises, 1.7 billion zlotys were utilized, that is, about 42 percent;
- in 1983, of 7.5 billion zlotys, about 2.5 billion zlotys were actually put to use (33 percent);

--in 1984, it has been estimated that of 7.6 billion zlotys placed in the fund of technological progress only 3.8 billion zlotys will actually be utilized, that is, just one-half;

--for 1985, 10.4 billion zlotys will be left at the disposal of the enterprises. Colleagues, engineers! My question to you is, how come you are not utilizing 50 percent of allocations available to you under the fund of technical economic progress?

After completing this evaluation in July 1984, I circulated a letter to the directors of all enterprises describing the stance of the ministry and reminding them of the prescriptions defining the goals and areas of technological progress that should be financed from the local funds. I also recommended that they analyze the causes and effects of the existing situation and undertake effective steps to utilize their available funds. I believe that a key objective for engineers and technicians, including members of this association, is to undertake and implement assignments of technological progress to take advantage of the considerable means allocated for these purposes. The enterprise funds are supported by central ministerial allocations totaling more than 2.0 billion zlotys annually, mainly on the basis of joint financing of projects in technological development implemented as experimental production installations.

I will remind you that the area of activity in technological progress that can be funded from local funds including the Fund for Technical Economic Progress is extensive and, in particular, includes:

--research and development and experimental work conducted by engineering and technical services of the enterprises and R&D contracted out by the enterprise to a research facility;

--inventions, standardization and industrial design and development projects;

--construction, design, process development and experimental work on new products and equipment, including the implementation activities preceding the beginning of an industrial scale production;

--work on organizational innovations.

I am appealing to the aktiv of this association to urge the members in their cooperation with enterprises and to work together with factory directors so as to initiate and realize steps in technological progress in the broad sense of the term. Let us wage war on stagnation in our technological progress, on the feeling of impotency and reluctance to commit ourselves to the future of our children and grandchildren and for ourselves.

Falling behind the world development as we are now, we will leave a bad heritage to our grandchildren. Using the results of science in economy and industry, utilizing the intellectual potential of our research and development facilities and engineers and technicians is a key to our technological progress, which is the primary goal.

We have a mighty potential and huge reserves utilized to a very small degree. We have means. In 1984 we have greatly increased our allocations to the Fund for Technical and Economic Progress.

There is a need for major futuristic goals. Somehow we are still capable of formulating this general objective, but we fail to utilize our potential to resolve seemingly smaller problems which, taken together, however, would produce major effects. Since we don't even formulate these objectives, I am afraid we will not achieve much.

I see the need for certain modifications in the system of financial incentives for the authors and those implementing the inventions and for research groups as a whole. Specifically, I believe that remuneration to those working at research and development groups in the industry should be tied to the effects obtained as a result of implementation of projects or export of their results.

Recently, we have submitted a proposal for this payment formula to the Ministry of Wages and Social Affairs.

A major role is to be played by the engineers and technicians also in the area of industrial innovation. This is linked with the research and development, but should be regarded as a separate task.

Essentially, it is necessary to have at each enterprise favorable conditions, in particular, utilizing the favorable changes recently effected in the area of industrial innovation laws.

More use should also be made in utilizing and disseminating creative thinking in the form of new inventions. According to the data of the Main Statistical Office, in 1983 more than 140,000 inventions were submitted in the industry. Of these, 91,500 projects were implemented, but only 1535 were promulgated, that is, just 1.6 percent.

This means that new ideas are far from being put to use for the economic and social goals. Therefore, we should expand our activity in the implementation and dissemination of new ideas. Recently, I requested that directors of all enterprises subordinated to our ministry make such an effort. I suggested that the directors work on this aspect in an organized and planned way, specifying the schedules for implementing new inventions, assigning the persons responsible, etc.

The approved programs of introduction of new concepts should be viewed as a plan assignment for the responsible organizational units of enterprises and the individual members of the technical cadre concerned. In particular, we should make efficient use of the fund for incentives and awards for participation in implementation of new inventions as expanded by the new laws on inventions and speed up the introduction and dissemination of new concepts.

The quality of products is also an important sphere of activity for engineers and technicians. This is our third goal.

Improvement of quality is a major factor in raising the competitiveness of our products on foreign markets, and often it is an indispensable condition for export.

There is no doubt that the quality in domestic markets is of equal importance, not only as a way to cut down on the waste of materials, often associated with poor quality, but also considering its inevitable negative public repercussions.

In the meantime, we are observing, unfortunately, that the gradual increase in product output is not accompanied by an improvement in quality, although improved quality and durability of goods is one factor in meeting the shortages of products and is associated with a more efficient utilization of raw materials.

The high quality of prototypes and of manufacturing should be regarded as a substitute for quantity and an effective one, because usually it is achieved at minor expense. So this is our third goal. I should add that a most effective manner of ensuring adequate production quality is a systematic concern directly during the course of production and therefore strict compliance with technological specifications and production discipline in following the specific processes, formulas and parameters. This is in fact the basic duty of engineers and technicians.

I believe that a more active participation of engineers and technicians in solving the quality problems that are so important for our industry and for society as a whole is absolutely indispensable. I think that it is desirable for this society to continue to evaluate the quality level of individual products groups and to perform, jointly with the ministry, expert evaluations of deficient products and processes and work out recommendations for eliminating these shortcomings. I believe that this association can produce many valuable recommendations for the system of quality control in the chemical industry, and I expect proposals for changes in this area (in compliance with the requirements of the economic reform). Major role is to be played by this society in personnel training and upgrading, in the area of quality control, as well as standardization and dissemination of new research methods and world technological developments.

Finally, I would like to express my conviction that engineers and technicians of the chemical industry supported by the strength of organized activity in the framework of this society and utilizing the ample experience and traditions of this organization will cope with the difficult tasks facing us in the near and more distant future.

I want to express my deep appreciation for the entire contribution of this society and the participation of all of you in the development of the Polish chemical industry.

9922

CSO: 2600/705

POLAND

FINNISH FIRM AIDING COAL INDUSTRY WITH KNOW-HOW, EQUIPMENT

Helsinki UUSI SUOMI in Finnish 8 Mar 85 p 23-

[Article by Ilkka Juva: "Effort Made to Reduce Deficit in Finnish-Polish Trade by Aiding Coal Industry in Energy-Saving Technology"]

[Text] The trade imbalance between Finland and Poland and Poland's need to increase its coal export has opened channels to Finnish enterprises to sell energy-saving technology and equipment. The sale of energy-saving know-how could rise in the next three years to a value of 150 million markhas.

This of course does not cover the trade deficit, but it is considered a first step toward a mutually agreed-upon goal of a trade balance. Already the possibilities are being mulled over traditional export goods of our industry which would be suitable for Poland.

Management Systems Oy of Helsinki, which has participated in national energy-saving projects in Finland, Sweden and Holland, has in the last few years developed energy-saving designs for Poland. The company's Managing Director Pauli Lopponen states that energy-saving know-how has been sold to the Poles "as good business," although the trade balance objectives were always in the background.

"In Poland 190 million tons of coal are excavated per year. Thus Poland is a rich country but the idea of economizing has been alien there. However, only about 40 million tons have gone into export," Lopponen said.

"As Poland's critical resource is Western currency, the obvious conclusion has been reached that by saving on the consumption of energy more coal will be available for export. Coal demand is on the rise worldwide," he remarked.

As a result of an equation like this and the practice of sharing each other's innovative ideas, which has now been followed for a couple of years, Finncoal's three member enterprises--Nokia, Kymi-Stromberg and Partek--are now selling energy-saving technology to the Poles with the backing of Management Systems.

It is estimated that the value of the trade will rise in the course of three years to an annual level of about 160 million. As a means of

correcting the trade imbalance the sale of energy-saving know-how thus is only the first step, the groundwork for further growth.

Balance as Objective

The Poles have set the restoration of the trade balance as the prime goal of the Finnish-Polish trade commission. Areas to be studied for increasing our exports have also been set down by both parties. These are, among other things, the traditional products of the woodprocessing and metal industries. Listed are also ships, elevators, railroad cars as well as woodprocessing machinery.

Assistant Department Manager Olli Mennander of the Foreign Ministry says that prospects of increasing our exports have now opened up.

The KEVSOS [Central European Free Trade Agreement with Socialist Countries] and TTT [Economic, Technical and Industrial Corporation] agreements are creating favorable preconditions. However, much depends on Poland's overall economic development and, among other things, the matter of how credit can be provided for the trade deals.

The export guarantee office does not grant such documents on exports to Poland, nor are there any plans, according to Director Matti Sikstrom, to rescind the guaranty ban at least in the near future.

Already 300 Enterprises in Free Trade

An outlook of optimism is seen in the amendment of Poland's business enterprise legislation. Whereas as recently as 1981 Poland had only about 50 enterprises with the right to carry on trade directly with foreign countries, now about 300 business concerns have this possibility. Especially the Poles themselves believe that this will create conditions for trade. Lopponen also considers the new opportunities of the Polish enterprises worthy of note.

9655

CSO: 3617/92

POLAND

MEXICAN OFFICIAL DISCUSSES TRADE POSSIBILITIES

Warsaw POLITYKA in Polish 26 Jan 85 Supplement EXPORT-IMPORT p 17

[Interview with Roberto Friedrich, vice chairman of the Mexican Institute of Foreign Trade, by Jacek Poprzeczko]

[Text] [Question] The name of your institute, translated into Polish, is a little deceiving. Let us begin with an explanation of what this institute is and what role it plays in the Mexican economy.

[Answer] The role is similar to the Polish Chamber of Foreign Trade but in a wider range. The institute gathers together all representatives from ministries involved in one way or another with international trade as well as representatives of business. Therefore, it is a bridge between the public and private sectors. The main goal of the institute is to support the development of international trade. We conduct all promotional activities, such as trade missions, trade fairs, exhibitions and seminars. We perform an advisory function for the federal government. The institute has 25 international representative offices and 8 centers in the country. We gather and analyze information about conditions for the conduct of trade in the international market and also to discern the possibility and the restriction of export potential in the country. We supply information to our businessmen as to what is taking place in the international market and also to our government as to strategies for the businessmen to use to enter overseas markets.

[Question] You are in Poland as the head of a visiting Mexican trade mission. Is this your first visit in our country?

[Answer] I myself was here 4 years ago and there have been many Mexican trade missions in Poland in the past. But this is the first mission after a period of weakened economic contacts with the CEMA countries, which were caused by difficulties in our economy. Now we have overcome those difficulties and we feel this is the time to revitalize our contacts with the socialist countries. We want to work in this area with a lot more energy than before.

[Question] We can see some parallel in the economic situations existing in Poland and Mexico. Both countries had ambitious development programs, but attempts to implement them brought crises. Do you think this analogy is superficial and not correct as a result of our different economic systems or do we really have here some processes with certain common characteristics?

[Answer] The differences are many, but for sure there are some common characteristics that influence not only both countries but also the world economy as a whole. I am thinking here of the crisis in the international financial system. But this analogy cannot be advanced too far. The economic development program in Mexico was tied to a large degree to imports and too little attention was placed on export development. This caused the breakdown in foreign exchange. Now we have to teach our business people that we must not only produce for the domestic market but also increase the scale of our production to match the international competition.

[Question] Poland in essence has similar problems, although we spoke from the beginning about the need to expand our exports. Do you think that Mexico's economic development strategy to build modern industry from oil revenues and foreign credits was incorrect or was the strategy justified and the failure due to difficult-to-forecast factors like the decline in the demand for oil and subsequent lower prices?

[Answer] This strategy undoubtedly brought good results in the development of industrial potential. However, many mistakes were made and now must be corrected. In general, I can say that the standard of living we obtained from revenues earned from oil and credits was too high in relation to the potential of our economy. We wanted too much in too short a time. This caused very high inflation and broke the external balance and led to the balance-of-payments crisis in 1981. The strategy was probably correct, but its method of introduction caused a lot of problems.

[Question] Let's discuss now the strategy to get out of the crisis. The savings program developed by the International Monetary Fund foresees the lowering of the budget deficit by raising taxes, withholding salary increases, reducing subsidies and lowering public expenditures. In 1983, the deficit was reduced, but the effect was a lowered standard of living and increased social tension.

[Answer] Savings are necessary, but we try equally to save the production base and employment. So far experience has proven this to be the right course. We have saved many enterprises from bankruptcy and stopped the increasing unemployment. And this is the main cause of the social tension. The first 5 months of 1984 show that after 2 years of a declining national income, this year we will have a positive index. In our conditions, this has an especially significant meaning.

[Question] You emphasize the role of exports to restore the economic balance. The principal Mexican export is still oil, but the prospects for this product are not very good.

[Answer] This is why we must differentiate our exports. This requires a lot of effort, but we can also see the results. During the first 5 months of last year, the export of industrial processing materials increased by about 20 percent. Oil constitutes around 70 percent of Mexico's exports. We would like to cut this figure to 50 percent with the increased sale of other products. The existing industrial base in Mexico, in my view, permits us to achieve this goal.

[Question] Let's return to the characteristics of the economic development strategy in Mexico before the crisis. This can be summarized as oil export, credits, large import of capital and expansion of industry producing mostly for the domestic market. This dependence on imports must have left traces. Meanwhile, the balance-of-payments situation demands drastic cuts in foreign purchases. How does this reflect on the whole economy and the ability to export?

[Answer] We are keeping a positive balance in foreign trade, but now it is even better thanks to increased exports, and not to reduced imports. During the first 6 months of 1984, imports increased in comparison with the same period of 1983 by about 30 percent. This is one sign of a stimulated economy.

[Question] Mexico has approximately \$90 billion in debts. How do you evaluate the September agreement with 600 banks to restructure the payments?

[Answer] Every easing of the financial situation has great meaning for us. Two elements are important in the decision you are discussing. First, the lowering of the interest rate on a portion of the loans. Second, the possibility of repaying some of the loans in European currencies. This means that we can avoid paying some of the loans in American currency, whose current value is very high. In a word, we have a little room to breathe.

[Question] The main reason for this mission was to explore the possibility of developing Polish-Mexican economic cooperation. How do you evaluate the possibility, considering that both countries have limits on investment and imports?

[Answer] Limitations exist, but both countries have to increase their imports to develop. Of course, here we have to be very careful and not make the same mistakes. I think countries with similar problems should have even greater cooperation. Room in the world economy cannot be limited only to the richest countries. The situation is better, but at the same time protectionism is growing. We have to look for new ways to make economic revival more universal. Also, the richest countries have to recognize this and accept the idea of economic order for their own good, too.

If we talk about our economic relations with Poland, the current level of trade is so low that all possibilities remain open. Exchange with Poland is 0.03 percent of Mexican turnover. Positive political and institutional frameworks exist to develop this exchange. We have economic agreements, credits and the possibility to consummate the exchange. This framework should be used to its fullest essence.

[Question] In what areas do you see the greatest possibilities for cooperation?

[Answer] There are many complementary areas between our countries. I can see the possibility of increasing Mexican exports of textiles, food products and machinery. Other traditional exports include coffee, cotton and nonmetallic materials. But I think we should look for new products and change tradition. Poland could bring from Mexico more investment goods and processing products. I am thinking about pharmaceuticals and chemical and petrochemical products. We know you have a lot of interest in these products. Poland could become an important supplier to Mexico of shipping and mining equipment. I think we should develop this cooperation and transfer technology, as this is the basis of a solid economic connection.

[Interviewer] Thank you for the discussion.

9807

CSO: 2600/660

POLAND

FIRM EXECUTIVES FEEL INCREASINGLY USELESS AS REFORM 'CONSULTANTS'

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 17 Feb 85 p 2

[Text] At the latest meeting after a 10-month break with representatives of enterprise consultants, Minister Wladyslaw Baka stated that the modification introduced in 1984 to the economic-financial system has brought positive results to the economy. Enterprise activity has been growing systematically, but the most active enterprises already have used their shallow reserves and now need to introduce permanent elements of progress. This remains a difficult barrier to overcome. Even the best can become tired trying ineffectively to break this barrier. It is worth it then to think about what makes this barrier higher.

"Somewhat, but not directly," responded the minister. "Even last year," he said, "there was a strengthening of the reform, but there was not enough progress made and even a few fields noted some regression. Above all, we can see contradictions between the proclaimed reform and the stereotypical thinking about the economy."

"To maintain the 'old' perspective of the economy," stated the minister, "can threaten the basis of reform and devalue even existing achievements."

A poll conducted recently among almost 6,000 managing directors showed that many people see the current economic policy as routine and not suitable for atypical situations. Responding to questions on the reform (see ZYCIE GOSPODARCZE No 6), the managing directors discussed policy. Almost 50 percent of the respondents noted that economic policy prefers the average to the effective. Only 38 percent felt that this was in accordance with the economic reform. This result should give the reader much to ponder.

The meeting took place at the Office of the Council of Ministers. Minister Baka introduced the following problems for discussion among the consultants:

- what should be the direction of modification mechanisms in 1986-90?
- how should we improve the activity of the central means of economic control?

-- what do those gathered feel about the document "General Assumptions and Directions To Shape Organizational Structures in the Economy"?

-- What opinions do the managing directors have about the system of enterprise evaluation (see the articles on pages 1 and 4 of this issue of ZYCIE GOSPODARCZE) discussed in the Government Presidium?

As one can see, these subjects are very serious. However, speaking euphemistically, discussion on them was not hot. Why not?

"I feel strongly," stated Managing Director Andrzej Szybowicz of the Bielsko Passenger Car Works, "that because the Government Presidium already has accepted those documents, our views won't count for much."

Minister Baka answered that the Government Presidium has accepted the form of the documents for discussion, but that does not mean that they already have been approved.

But Manager Szybowicz also mentioned other reasons for the low intensity level of the discussions. "We have the impression," he said, "that as consultants we are less and less needed by the plenipotentiary. It was very difficult to have a voice at the beginning of the discussions. Now many of us think it is not worth it to say anything. What good will it do? Why show oneself?"

This is a symptomatic statement but it expresses the mood of the lobby. At the last meeting, only nine representatives of enterprises participated in the discussions. But those who did speak spoke in very interesting terms and strongly criticized the different aspects of the so-called perfection of the reform.

The principle of hard financing has been vulgarized and the observation is to have the enterprises take as much as they can. Take the money because the policy seems to be to deprive the enterprises of self-financing and use this as a pretext for centralization of their finances.

Mieczyslaw Swiech from Radoskor, among others, spoke about the limitation of systemic elements and the increased recognition of the allocation of resources. Director Ferdynand Golenio from Tarnow's Azoty said the parametric system is changing into an "invited" system. Enterprises often are forced to "hang in" in different central institutions. And the system of central planning is inefficient, which makes planning for the enterprises very difficult in turn.

Against this background, one can also criticize the expansion of decisionmaking by the sections and branches of the ministries. They have become an indirect administrative tie concentrating their power in, among others, parameter control. Minister W. Baka also discussed this indirect tie of the ministries to trade.

These voices stood as a good context for considering the proposal for evaluating state enterprises. Some people stated that the framework proposal could be accepted with some corrections. It was decided that the founders'

organs should consult with the enterprises on a set of criteria and standards that will be used for evaluation. The guiding system should be--even more than predicted for the framework--for evaluation of dynamic changes. Also taken into consideration should be a scale for strengthening the enterprises, as in the regulation system many production factors have a deciding effect on the achievement of results by the enterprises.

Director Wladyslaw Bujwid from the Dental Instruments Works reminded those present that different central institutions have a large influence over the functioning of the enterprises, but this does not mean that the values of the self-governing organs, unions, party and technical associations can be passed over. Without taking all of this into consideration, the values based on statistical indicators will be far from the truth.

Janusz Wisniewski, director of the Poznan Arpis trade office, stated that the framed system of values has had too many criteria and standards. He proposed that they be reduced to two or three, with profit as the primary criterion and all other factors as subsidies.

The majority of those taking part in the discussions felt negatively about the proposed value system. Managing Director Boguslaw Szajewski of the Teletransmission Works stated that it is wrong to grade enterprises working in completely different areas of endeavor. He said the proposed system is similar to the competition among the various works in the past. And this averted attention to the most important factor--profit. Profit is only one of many criteria proposed in the plan and not the most important one.

Karolina Russ, managing director for economic matters at the Crane Works, reminded those present that the reform contains a system of self-control and enterprise control. In reality, they are controlled by the banks, treasury, price controls, etc. If the reform were to work efficiently, then we would not need a bureaucratic system of evaluating the enterprises.

But if the central organs do not wish to carry out efficiency with everyone, then they are reluctant to use regulations on sanctions and bankruptcy. They then have to look for substitutes and formal measures. Managing Director Russ observed that the proposed system has a great many supporters. We feel that this means that the enterprises would be more and more forced to request it. There is anxiety that the evaluation system would become nothing more than a system of enterprise relief and preference.

If the system had become the instrument in the hands of initiator organs, stated Ferdynand Golenio, then it would have meant departing from the spirit of the reform.

The tone of this discussion can best be summarized by the following question posed to Minister Baka: "Does the evaluation system act as a whip for those who exceed the rules and profit?"

In answer, Minister Baka said he understands the suspiciousness of the enterprises. Their fear is that this system will become a means by which to

control the enterprises further. Besides, he said, there are other criteria for evaluation, profit being only one of them. It is also important to know what the enterprises are doing to maintain the optimum in the future. In the West, the board of directors is responsible for this area, but here the state must be responsible by sharing part of its wealth with the enterprises. The minister stated that by using the statutory delegation (Article 52 of the law on enterprises), the parent organs would evaluate the enterprises. The proposal was put forward that the evaluation should be systematic and not cursory.

Somewhat less attention was paid to proposals for principles to shape the organizational structure in the economy. Managing Director Szajewski responded to this issue. Before the end of last year, the enterprises received from the Ministry of Metallurgy and the Machinery Industry an anonymous report (confirmed by the managing director) with a long and illegible title that when read in full aroused loud laughter among those present.

"I would like to say," said the managing director, "how evasively expressions like 'direction of shaping the organizing structure' are interpreted by some ministry officials." This document from the Ministry of Metallurgy and the Machinery Industry of course has a proposal to create a structure over the enterprises. It is assumed, although not proved, that voluntary associations are not fulfilling their expectations and the main proof is this question taken from the document: "Competition is not guaranteed by the rules for the designated enterprises." "We know exactly what we are talking about here," stated Director Szajewski.

The doubts voiced by Director Szajewski were echoed by Stanislaw Suchonski, economic director of the Lenin Steelworks. He said that associations have to have strong attributes of authority. The rules and decisions made by the associations should have full force for the enterprises, and the working authority of the associations (director and council presidium) also should have the same authority from the central organs. Central funds should be created in the associations: development, technical progress, hard currency and even a socio-housing fund. The association should have a conclusive vote in the distribution of relief and even credits. The list of association roles even included a special fund to allow the association "to make" an enterprise's plan similar to the central plan.

In order that there would be a more interesting program for the associations, Economic Director Suchonski proposed a declaration on self-dependence, self-government and microefficiency of the enterprises.

The statement of Director Suchonski was met with an immediate response from the audience: the associations would be no different from the unions. Their reaction was not diminished--as suggested by the crowd's behavior--when Director Suchonski revealed that his views came from his work as vice chairman of the team on enterprises in the reform commissions. But Director Suchonski stated that his views on the competence of the associations were his own, not those of the commission.

The statements that the associations do not fulfill an integrating role in the activities of the enterprises became a polemic among the directors. If the enterprises see the sense of close cooperation to undertake common goals, then the associations will play an essential role here. For example, the Telkom association council rejected an "integrating" proposal from the Ministry of Metallurgy and the Machinery Industry because the association would guarantee strong cooperation.

In the view of Director Jan Pawlak from the Furniture Works in Swarzed, the current discussion on the organizational structures follows through on an error committed from the start of the reform. The parent organs do not allow for the creation of horizontal associations for enterprises tied together technologically, but rather for branch structures that copy the associations' forms. And after that, these bad forms are strengthened and turn to the associations for correction. Very frequently the associations require payment for services rendered in hard currency. "The enterprises, whether they want to or not, take the view that they will not throw out their association," stated Director Pawlak.

Summarizing the discussions, one can say that the consultants had a great deal of mistrust of the proposed system for evaluation of the enterprises. And they know the reason why these evaluations could be useful for them. Speaking more clearly, they fear that this next tool in the hands of the branch ministries could facilitate their interference into the independent affairs of the enterprises.

The general tone of the meeting of the directors was critical and rather doleful, so maybe it would be better not to call them so often for consultation. At the beginning of the reform's fourth year, they emphasized, it is difficult to have even a little optimism.

9807

CSO: 2400/651

POLAND

DECISIVE POLICY ON AUTO INDUSTRY GROWTH URGED IN TRADE JOURNAL

Warsaw AUTO TECHNIKA MOTORYZACYJNA in Polish No 12, Dec 84 p 3

[Article: "A Wasted Year"]

[Text] On the 40th anniversary of the Polish People's Republic, all the postwar achievements of our economy are being emphasized repeatedly. In fact, there were many achievements. A meaningful example is motorization, which arose from the ashes after the war, a war that wiped out all of the economic achievements of the interwar period and wrecked Poland's ambitious modernization plans. In fact, comparisons with the interwar period look quite impressive. A total of 42,000 automobiles were registered in Poland in 1939. In 1946, there were not too many more--60,000. But in 1983 there were over 3.5 million. The same applies to vehicle production. In the year preceding the war, Polish factories and assembly plants produced about 7,000 automobiles, while the stronger Czechoslovak economy produced 14,000.

All vehicle plants were completely destroyed during the war. We started from zero, just as we did after World War I, but in this 40th anniversary year, the new automobile industry produced over 350,000 vehicles. The data presented here are enough to turn one's head. The achievements are truly great, and perhaps this is the reason why motorization is considered to be a second priority problem if not an unresolved problem. However, the evaluation of our accomplishments in this area appears somewhat less impressive if we compare our successes with the successes of other countries, especially allied countries. Thus, in evaluating the decades of success, we should not forget about the deformities that arose in managing the economy, and about managing the economy properly. In struggling with reality, we also must devote more attention to the future of the state and this society.

In truly thinking about the future, one must finally become aware that transportation, public, individual as well as freight, is one of the areas on which the development of our country depends. A buoyant economy and modern society cannot exist without it. The motorization industry exists, and to speak of its demise is rubbish. Its development is a must. How will this be accomplished, and which plants will be the first to modernize their production are questions that must be answered (there can be many solutions, for example, companies and concerns). A decision must be made.

In the meantime, 1984 is coming to an end and things continue in the old way. With the currently existing method of managing the economy, despite its somewhat earnest reformation, the lack of high-level decisions is generating salutary expectations in the factories. No decision was made concerning motorization. It still is not known if production of the ZS engine for light traction will be initiated; nothing is known about starting the production of a new family of delivery trucks, which are badly needed in Poland. And basic modernizations of products produced by bus, truck and automobile factories are still being questioned. Thus, it turns out that motorization is falling out of grace despite the fact that it generates much profit for the national economy. Factories, which are included among the most profitable on an economic scale (see AUTO TECHNIKA MOTORYZACYJNA No 12/1984, "From Poland and the World"), can do little. Thus the question arises: What can they do? It seems that they can wait. However, this is a dangerous view because further delay threatens economic and social development. What is worse, not only is motorization kept waiting, but so is everyone.

At the threshold of the new year, we would like to express the hope that our managers will be roused finally from the lethargy in which they find themselves and have the courage to try solutions, unpracticed to date, to develop motorization and electronics as well as the coal, sulphur, and copper processing industries. We also wish this courage for the decisionmakers and the higher echelons. And to the readers, who are always prepared eagerly to earn and spend money, we wish a bit more patience and optimism in the new year 1985.

11899

CSO: 2600/706

POLAND

GROWTH FIGURES MISREPORTED ON TV NEWS GRAPHICS

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 17 Feb 85 p 14

[Article by M]

[Text] For many readers, the TV news program broadcast on Sunday, 3 February 1985, represented the first contact with the official presentation of 1984 economic results. The newscaster presented several charts to illustrate the GUS [Main Statistical Office] communique. We would not have expressed our opinion were it not for a fairly serious error which greatly decreased the level of decline of the 1984 national income generated in comparison with that of 1978.

Three bar graphs were shown. The third, which illustrated 1984 national income generated, was somewhat greater than the second. It was labeled as 105 percent. The figure of 100 percent was written above the second graph which symbolized 1983 national income generated. Everything was in order up to this point, until the GUS report mentioned that 1984 national income generated rose over 5 percent as compared with 1983. The error consisted in designating the first column as 114 percent, which was to have characterized the difference between 1978 and 1983.

In order for the bar graph depicting national income generated in 1978 to have been correctly represented in comparison with 1983 and 1984 (if the level of income was 100 percent in 1983 and 105 percent in 1984), then first this column must be much greater, and second it should be 122 percent, not 114 percent. We do not want to be malicious and convert this to zlotys, as a matter of fact, billions of zlotys.

The reason for the error is unknown. The GUS report indicated that despite the 5 percent increase in 1984 national income generated as compared with 1983, it was still considerably lower than 1978 figures. Also for purposes of illustration of the difference, it was reported that 1984 national income, and we stress 1984, was lower than in 1978 by 14 percent. But what does this demonstrate? It demonstrates that in drawing up the graphics 1984 should not have been labeled as 105 percent but rather 86 percent, 1983 should have been 82 percent not 100 percent, and 1978 should have been 100 percent and not 114 percent.

If, on the other hand, the intention had been to label 1983 as 100 percent, and 1984 as 105 percent, then percentage calculation rules would require that, as I mentioned earlier, 1978 equal 122 percent not 114 percent. Of course, the bar graph depicting 1978 would then have to be increased considerably.

12229

CSO: 2600/653

POLAND

MORE FACTS, FIGURES ON CONSUMER GOOD IMPORTS

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 17 Feb 85 p 14

[Article by U.Z.]

[Text] As is apparent from Ministry of Domestic Trade and Services information, more imported goods will be available on the market this year than in 1984. The total retail value will be approximately 334 billion zlotys, which will denote a 6 percent growth rate in comparison with 315 billion zlotys for 1983.

The import of tea, among other things, will increase from 24,300 tons from last year to 30,000 tons for this year; automatic washing machines from 116,500 to 150,000 units; spin washers from 38,200 to 120,000; refrigerators from 405,300 to 500,000; freezers from 45,500 to 49,000; radios from 215,000 to 250,000; and color television sets from 85,000 to 170,000. The import of black-and-white sets will be lower or will remain at the same level of 50,000 units, dryers at 63,000, and watches at 3.8 million units. It is worthwhile to note that the import of all the goods mentioned (with the exception of black-and-white sets) even in 1980 was at a much lower level or not imported at all, as in the case of freezers. For example, the import of automatic washers in 1980 totaled 400,800 units, refrigerators 185,300, and color sets 79,200.

The imports (chiefly from the non-convertible currency countries) represent significant supplementation of goods which cannot be obtained domestically. It is estimated that total 1985 imports for the domestic market will be 61 percent for refrigerators, 41 percent for color television sets, 33 percent for automatic washers, 30 percent for dryers, 26 percent for freezers, 14 percent for radios, and 10 percent for black-and-white sets.

If 1985 tea imports are fulfilled as intended, we will be importing quantities previously unheard of in our country. On the other hand, coffee imports purchased with funds allocated for this purpose by the central authorities or supplemented by imports from Pewex hard currency revenues will remain on the 1984 level of 21,000 tons, and will be lower than the record-breaking 1980 imports of 37,000 tons. However, they will be considerably higher than 1983 imports, which only totaled 4,500 tons.

In addition, 80,000 tons of rice will be imported this year, while lemon imports of 23,000 tons from Greece will also continue. Large imports of citrus fruit than in previous years from Cuba are also being predicted (approximately 51,000 tons in comparison with 33,000 tons in 1984).

Our trade prospects with China also appear to be quite interesting this year. It is apparent that 1984 imports of Chinese goods will total two and a half times those of last year, above all including an increase in imports of industrial goods (3.5 times that of 1984), and food imports will double. Rice imports will be 82 percent higher, while tea will increase by 45 percent. In addition, our shops will receive many more textiles and clothing items (including knit goods and ready-to-wear clothing), leathers, furs, enamel kitchen goods, and sports articles. We will also be importing goods never before imported from China, or imported only in small quantities, such as cocoa products, powdered cocoa, woolens, bed linens, down goods, leather shoes, and stainless flatware. A large import of towels, thermoses, toys, school items, leather gloves, and porcelain is also being predicted.

In 1985, imports of market goods from hard currency countries (with the exception of China and Yugoslavia) will be chiefly for basic food articles needed to supply the market, such as tea, rice, coffee, and pepper. However, an increase in imports of industrial goods from these countries is unforeseeable. Only those imports will be continued which are in accordance with Dal Foreign Trade Enterprise binding trade, exchange, and barter terms.

Imports of raw materials, machinery and equipment for the production of goods in great demand will be made with Pewex hard currency funds. Pewex funds are already being used to finance the development of a domestic program for the production of Adidas-type shoes, to increase production capabilities in light industry to manufacture additional supplies of hosiery, and to finance imports of goods for the production of laundry detergents in amounts which will fully utilize the current production capabilities. The import of raw materials essential for increased 1988 production of liquid detergents, soaps, and shampoos will also be financed.

In addition to the activities aimed at improving the market supply situation in domestic goods through Pewex funding, manufactured goods which are being imported also include 5 million pairs of hose, and 2,500 tons of coffee, pepper, and spices.

12229

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POLAND

HILTI FIRM MARKETS INDUSTRIAL EQUIPMENT IN KATOWICE

Katowice RUDY I METALE NIEZELAZNE in Polish No 12, Dec 84 pp 553-554

[Text] On 12 September 1984 there took place a meeting at the Silesian Zinc Enterprises in Katowice with representatives of the Technical Information Bureau of the Hilti firm, which was accompanied by a demonstration of the company's equipment. The meeting was organized by the local branch of the Society of Polish Metallurgical Engineers and Technicians at Silesian Zinc Enterprise of Katowice, supported by the factory management. The meeting was attended by 68 specialists from the following organizations and enterprises: Inowroclaw Chemical Works, Hutmen ZHPMN, Institute of Inorganic Chemistry, Miasteczko Zinc Metal Works, Kotlomontaz PM, Labedy Metal Rolling Mill, Olawa Smelter, Nitron-Erg at Krupski Mlyn, Energy Cable Factory at Bedzin, Chemical Factory at Tarnowskie Gory, Baildon Metal Plant, Chorzow Nitrogen Factory, Cuprum ZPB, Barowent OBR and BPiDG Insulation Plant. The representatives of the Hilti firm, who are members of the staff of the company's Technical Information Bureau, located in Warsaw, Alexander Kempa and Eugeniusz Adamczyk, described the services provided by their firm, including the supply of equipment, conservation, maintenance, part replacement, and demonstrated the operation of equipment for electrical point welding, thermoplastic bonding, nail driving into stone walls and steel and cast iron surfaces, reinforcement of insulation materials, mold formation, coupling of concrete girders and demolition technology. The participants from the organizations mentioned above were interested in the possibility of purchasing the equipment and instruments demonstrated at the meeting, given current difficulties with foreign currency quotas. They asked questions about the possible applications of the equipment for specific assembly and repair and demolition projects. In view of the broad scope and complexity of operations for which the demonstrated equipment could be used, the firm offered to rent the equipment free of charge for trial use in order to test its efficiency in specific construction installations or maintenance activities. The representatives of the enterprises who attended the meeting thus were given an opportunity for first-hand acquaintance with the modern building and repair equipment, as well as for establishing direct contacts with the staff of Hilti's Technical Information Bureau.

POLAND

CUSTOMS RULES ON PERSONAL COMPUTER IMPORTS EASED

Warsaw INFORMATYKA in Polish No 11, Nov 84 p 13

[Article by Zbigniew Gluza: "Little Computer, You Are Free To Enter!"]

[Text] From the president of the Main Office of Tariffs to Prof Iwo Bialnycki-Birula (the Polish Academy of Sciences Department of Theoretical Physics).

"With reference to the letter of 7 November 1984 proposing to change the rules for importing personal computers, and with reference to previous correspondence on this matter, I am pleased to inform you, Citizen Professor, that I instructed the tariff office officially to issue permission to import home and personal computers, that is, during customs clearance and without demanding applications from the interested parties.

"The accepted solution is the only one possible in the obligatory legal position because importing, in case of need, of computers via item 58, point 4 of the distance tariff is not possible for formal reasons. (The Regular List of Products, on which the customs rate is based, includes all computer equipment in branch 692.)

"The instruction will be obligatory temporarily until the order of the minister of foreign trade establishing the custom rate is changed."

How incredible this is! Not too long ago the tariff office was called upon, for the good of the state, to prevent the import of computers having inscrutable capabilities. And all at once: please enter, the way is open. And what is more, the tariff remains at the existing low level. This is truly an extraordinary victory for common sense.

One way or another, the event is a good one, and there is no need to get upset. Instead let us ponder the possible after-effects. Since the tariff procedure has been simplified, we can now expect a significant flow of equipment that will be brought in by Poles from abroad as well as sent in from abroad. The senders could be organizations (for example, Polonia organizations) for whom the development of Polish civilization is not a trifling matter. Therefore, let us think about how we will manage this if it

comes to pass. Who will do the managing and on what basis? Is this not an opportune moment for microinformatics devotees to organize themselves extensively?

After all, any time is a good time for self-organization.

11899

CSO: 2600/706

POLAND

BRIEFS

IRON, STEEL INDUSTRY REPORT--Evaluation of the Metal Industry Status. According to the resolution of the 20th Congress of Polish Technicians and the 24th Congress of Delegates of the Society of Polish Metallurgical Engineers and Technicians, evaluations have been undertaken of the current status of Polish metallurgy as compared with the world level. This research, which covers all branches of the metal industry and the general evaluation of the economic situation, has been recently submitted to the corresponding panels of the Chief Technological Council. This agency organized in October of 1984 a workshop, where a broad spectrum of specialists discussed this issue in its entirety. The workshop developed recommendations that were submitted to the appropriate authorities. [Text] [Katowice RUDY I METALE NIEZELAZNE in Polish No 12, Dec 84 p 553] 9922

POOR SHOWING AT FRG TRADE FAIR--The international technical fair organized every spring at Hannover in the FRG took place from 4 through 11 April 1984. The fair is considered the world's most important commercial show in technology. In the past few years, the fair has experienced an evolution from universal orientation toward specialization in selected branches of electrical engineering, as determined for each year. Poland has taken part in the Hannover Fair for 20 consecutive years. In 1984 we were represented by 10 trade agencies, including two showing the products of electrical engineering and electronics: Elektrim and Metronex. The exhibits of both these agencies presented a modest sight, to say the least: a small number of products, technologically simple and commercially not particularly attractive. One could hardly expect them to try to make a splash with products of Polish electrical engineering in this "lion's den," but the exposition of renowned trade agencies representing one of the most modernized branches of Polish electrical engineering at least should not have degraded the level and capabilities of this industry at this international event, given its prestige and broad scope. [Excerpts] [Warsaw WIADOMOSCI ELEKTROTECHNICZNE in Polish No 19-20, 1-15 Oct 84 p 463] 9922

NEW ECONOMIC STRATEGY INITIATIVE--A meeting of the Economic Strategy and Policy Committee was held on 29 January. The topic of discussion concerned the development project entitled "Basic Problems of Economic Strategy and Policy in Poland During the 1980's and 1990's." The committee chairman, Prof W. Wilczynski, summed up the fruitful discussion by proposing changes and addenda for the project under consideration. Following development and acceptance, the new version would be presented to the appropriate authorities. It was also proposed that the material be published in ZYCIE GOSPODARCZE. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 7, 17 Feb 85 p 15] 12229

ECONOMISTS BRIEFED ON PRICES--A meeting of the Economic Theory and Policy Department was held on 31 January 1985. The topic of the session was presented by Antoni Gryniewicz, undersecretary of state in the Office of Prices, in his report on "The Initial Results of Public Consultation on Proposed Food Price Changes." By 31 January 1985, 38,000 questionnaires and 2,000 letters had been sent by private citizens to the Price Research Office. Materials were also being received from the local consultative sessions. It is already obvious that the questionnaires contained many different views. At first, negative opinions predominated (mainly among the retirees). However, with the continuation of the consultations the incoming mail became calmer and better thought-out. Nonetheless, it is a fact that up until now only a minority of the respondents supported the specified price increase variant. During the discussion, there were differences of opinion concerning the proposed price increases. Without denying its necessity, few, however, concentrated on the question of the most socially and economically justifiable variant. A certain disinclination toward this type of consultation also became apparent. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 7, 17 Feb 85 p 15] 12229

CSO: 2600/653

YUGOSLAVIA

UNCERTAINTY OVER DEFINITION OF, AID TO UNDEVELOPED AREAS

Zagreb DANAS in Serbo-Croatian 25 Dec 84 pp 19-20

[Article by Djuro Zagorac: "Politicians--between a Rock and a Hard Place"]

[Text] They say that no one attached so much importance to the problem of the developed (northern) part versus the undeveloped (southern) part of the country as did, at one time, Boris Kidric, who was the leading economic figure of the new Yugoslavia. Kidric lived with the idea that it was possible to "even out" the level of development of the country during one five-year period so that everyone in socialism would start out with identical states of development. Had he been even partially successful in this endeavor, many people today, from both developed and underdeveloped areas, would be deeply grateful to Kidric--he would have deprived them of extremely delicate economic and political ordeals which continue to smolder, and which every five years threaten to explode.

While working on the present mid-term plan of development for the country for the years 1981 to 1985, those from developed and underdeveloped areas "haggled" up to the very end after hearing exhaustive discussions and reviewing tons of analytical data. Determination of the level of development of republics and provinces had been entrusted to specialists and scientists; the leading economic institutes in the country, located in republic and provincial centers, were included. And what did these professionals and scientists come up with at that time? We recall that there was a great scandal. Using the same statistical data and criteria, the outcomes were different--in just such a way that they corresponded to the desire of their own social-political communities. The comedy ended by having leading politicians, both federal and republic-provincial, sit and make a judgment--membership in the clubs of the developed and the underdeveloped was not changed, the amount of social product which the developed areas had to cede to the underdeveloped was determined in percentages. The significant news was that associated labor was also brought into the development--instead of the obligatory and legal setting aside of monies into a special fund, it was left to work organizations to be associated independently (for at least 50 percent of the funds) in order to build and produce what was of special interest.

Councils Powerless

Having reconciled matters at that time, politicians virtually swore that they would not make decisions and intervene in such a way any more. In an agreement

with republics and provinces, the Federal Executive Council was ordered to compose objective scientific and economic criteria by which one could quickly and easily determine the level of development of every social-political community. These criteria were also supposed to be accompanied by a scale of maximum values. If someone reached the maximum values they would immediately leave the club of underdeveloped areas, and vice-versa. A mechanism set up this way was supposed to exclude any form of suspicion, and the possibility of manipulation and cheating. Has this mechanism been put into place and is it able to begin determining who will have the status of underdeveloped republics and provinces in the new mid-term plan for the years 1986 to 1990?

People worked on the discovery of this reliable and objective mechanism for a long time, approximately three years. At certain times it seemed like everything was proceeding normally, and there was also optimism with the acceptance of the Long-Range Program of Economic Stabilization, in which the problem of developed versus underdeveloped was clarified additionally. Unfortunately, the professionals and the scientists again failed...

"On the basis of all the scientific and expert analyses which were carried out on the part of numerous scientific institutes, the Federal Council has not gotten uniform scientific and learned opinions regarding this problem area, so that the Federal Council has not been able to take uniform positions based on this scientific analysis and expert testimony." This was the evaluation of Dr Tihomir Vlaskalic, president of the Federal Council for Questions Relating to Social Order. Discussions in the Federal Council for Economic Development and Economic Policy also ended with the same conclusions, and because of this Vlaskalic states:

"We in the Council have now come to the conclusion that the matter is no longer one of a professional-scientific nature, but that it is quite definitely characterized by political qualities and by political consequences. We have informed all participants about the Council's work--the republics and provinces and the federal institutes. The Federal Council has exhausted all its possibilities and done all it was able to do and therefore is of the opinion that the entire problem must be discussed in one of the higher political institutes in the country. We have proposed several alternatives. These include the Presidency of the Central Committee of Yugoslavia, the Presidency of the SFRY, a joint session of these two bodies, and the SFRY Assembly or its Presidency."

So the problem, in virtually the identical form and content, returned to 1980. It will rest on the shoulders (and conscience) of the politicians, the very ones who were most afraid of it before. With insignificant exceptions (in some other functions), the knot will have to be "undone" by the same people who worked on it four years ago. We have now learned that a study group of the Presidency of the Central Committee of the LCY is trying to clear things up and to quiet passions, and that the two presidencies are then to discuss the matter.

Where They Got Stuck

Where did the professionals and the scientists, and the members of the federal councils, have the most trouble? The Federal Planning Bureau proposed three

basic criteria by which the development of each republic and province was to be measured. The first was the social product per inhabitant, the second the level of employment (number of employed per 100 employable persons), and the third the purchase price of active fixed assets per employable person. Three republics (Slovenia, Croatia, and Serbia) and both provinces supported the use of these criteria. The remaining three republics (Montenegro, Macedonia, and Bosnia-Herzegovina) also accepted these criteria, but insisted on supplements and improvements.

Macedonia and Montenegro proposed that an indicator showing reproductive capacity be the fourth measure, equal in value to the others. Bosnia-Herzegovina also supported this criterion, but did not insist on it being equal to the first three--that is, it could be used as an amendment. The above three republics have also proposed additional criteria concerning employment, as well as an amendment to the third criterion proposed by the Federal Planning Bureau.

The three republics and the two provinces don't think that the additional indicators are acceptable because the level of economic development of each republic and province can be reliably determined using the three indicators already mentioned, and they think that these additional indicators only overlap the others and show the same situation with regard to the final value. It is true that the underdeveloped areas, especially Montenegro, are in a difficult situation regarding external and domestic indebtedness. It is thought that this can be resolved through economic policy measures and that there is no justifiable reason to introduce it as a criterion for measuring development.

The differences regarding the criteria used are not so great that they can't be overcome--additional calculations are being drawn up which would indicate whether the same final value or a different one would be obtained. The major disagreements--and thus obstructions--have been expressed regarding the proposed scale of maximum values which determine the individual "standing" and decide which area is to be considered developed or underdeveloped. According to the scale proposed by the federal planners, republics and provinces which reach 70 percent of the social product of Yugoslavia, 80 percent of the employment, and 75 percent of the purchase value of active fixed assets, per employable inhabitant, would no longer be treated as underdeveloped republics or provinces. A second, more favorable possibility has been provided using an increase of another five percent for each criteria. Each republic and province also offered their own scale of maximum values. The three developed republics and Vojvodina proposed maximum values from 67 percent (for social product) to at most 80 percent (for the employment level), while the underdeveloped areas raised the maximum value ranging from 80 percent (social product) to 100 percent (for employment).

Only Kosovo Underdeveloped

If the three criteria and the maximum values which were proposed by the republics now considered developed, and by Vojvodina, are applied, the club of underdeveloped areas would be practically transformed in the new mid-term

plan--only Kosovo would have the status of an underdeveloped region. Using the same mechanism, but adding the proposals of the underdeveloped areas, the situation would be as follows--all the areas now considered underdeveloped would also have the same treatment in the next five years of the planning period. If the proposal of the Federal Planning Bureau were to be accepted, then--according to the strictest alternative--Macedonia and Kosovo would remain in the underdeveloped category, and Montenegro and Bosnia-Hercegovina would be removed. If the second, less strict, alternative of the Bureau were used, only Montenegro would fall from the club of the underdeveloped.

Each of the proposals has their own justification. The developed areas maintain that the underdeveloped republics have attained a level of development which allows them to continue to develop without the support of the broader social community, that the currently developed republics and Vojvodina demonstrated this on a practical basis when they were at the level of development the others are at now. The underdeveloped areas find a point of support for their maximum values in social-political resolutions which are contained in the Constitution, the LCY Program, the stabilization program... In the concluding discussions held in the federal councils, representatives from Montenegro and Serbia proper were the most vocal. The opinion was stated that proposals which would make Montenegro lose the status of an underdeveloped region were incomprehensible. Their trump card--its large indebtedness and the impossibility of making payments due; its above average economic expenses and its social structure (low population density); the large share of the energy and raw materials sector and transportation in the structure of the economy... In Serbia, they think that the republic has shown a tendency to lag in development according to many economic and social parameters for some time now. They even take the firm position that Serbia proper is no longer able to participate in making contributions to stimulate rapid development of the underdeveloped republics in the next planning period, with the exception of Kosovo, and that these contributions should be made in proportion to the level of Serbia's development.

The Next Move--Politicians

Since many of our relationships have been made more complex, and since all this has happened at a time when the total economic situation of the country is becoming more and more complex, there are those who think that the only way to introduce a new level of harmony is to use transitional solutions. The suggestion has been made that republics which lose their underdeveloped status not be left to fend for themselves, but that their development be followed and assisted for some additional time, but using a smaller percentage of the funds set aside than provided for in the plan. Here, measures of current economic policy might be apparent, mostly regarding payments of debts which, it seems, are a pressing problem for all three underdeveloped republics. There is still no agreement concerning now much time to allot to this transitional period, and those who would lose their present status have not offered anything concrete in return.

Evaluations indicate that getting an agreement on setting aside a smaller amount of total funds can be attained first of all with the condition that the time period be realistic. And as far as using the stimulative measures of

discounts are concerned, the developed republics are somewhat more afraid of this than they are of setting aside funds. Thus, it is thought that this would make doing business and the relationships themselves even more complicated than they are now, under conditions of implementation of the economic stabilization program with conditions of equal rights on the unified Yugoslav market. But in spite of justified concerns, it seems to us that a solution can ultimately be found using just the kind of transitional mechanism which is the most realistic for the type of situation we have now.

On what kind of solution will the most responsible political people in the country decide?

We know in advance that it will not be easy for them, that they will find themselves caught between a rock and a hard place. There is no solution which will entirely satisfy both the southern and the northern areas, but the two must be reconciled.

Funds for the Underdeveloped

Republics and Provinces	Percent contributed	Percent used
Bosnia-Hercegovina	14.7	27.0
Montenegro	2.18	9.7
Macedonia	5.82	19.4
Kosovo	2.15	43.5
Croatia	24.95	---
Serbia proper	24.07	---
Slovenia	15.71	---
Vojvodina	10.65	---

Each republic and province sets aside 1.86 percent of social product into the Fund for Accelerated Development of Underdeveloped Regions at present, which will only amount to 84 billion dinars for 1984. Monies are also set aside for the accelerated development of underdeveloped areas through the federation budget, and this year they will amount to approximately 33 billion dinars.

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YUGOSLAVIA

PRICES, INTEREST RATES, OTHER AGRICULTURAL PROBLEMS

Belgrade BORBA in Serbo-Croatian 12-13 Jan 85 p 2

[Article by Vasa Rokic: "High Hopes, Weak Foundations"]

[Text] We go into this year with a rather ambitious program for developing agricultural production. Ambitions now, though, are somewhat more modest than they were at the beginning of the current green plan, which has just entered its final phase--instead of the 4.5 percent growth envisaged earlier, a production increase of 3.5 percent is planned. However, even realizing this projected development level, especially if one keeps in mind that the previous year was one of record productivity, would doubtless be a great victory. But what are the prospects for the planned production increases being realized?

To predict the results of agricultural production for a year, and to do so at the beginning of the calendar year when everything is still uncertain, is undoubtedly a very thankless task. Unexpected turns of events, either pleasant or unpleasant, are always possible, especially in agriculture. For that reason, all one can do is give a possible estimate based on those relevant factors which are not unknown and which therefore represent realistic bases for projected development.

Pruning of Investments

The realistic prospects for agriculture this year are really not especially favorable. This is not only because of the substantial reduction in the planting level of bread grains and the great delay in planting, but also because of many other things. And if the planned growth rate of 3.5 percent is achieved, it will indeed be a genuine miracle. Why is this?

This is the final year of the third green plan. We know the fate of the first two, and during the last four years of this third consecutive green plan the average rate of increase for agriculture has been half of what was projected. Last year, with extraordinarily favorable weather conditions, production on the whole was 2.2 percent greater.

It is certain that such a drastic failure in the rate of growth--even in a number of very productive years--is not the result of chance. The desired increase cannot take place without the corresponding foundations. The level

of investment in agricultural development has been less than expected, and incidents in which part of those investment funds being used for investment are spent badly are not rare. But this is really a relatively less severe problem than the actual fact that the absolute level of investment has increasingly diminished.

One of the reasons for this is undoubtedly the high level of interest rates. Dr Milorad Stanojevic, president of the Federal Committee for Agriculture, recently spoke about this before the Federal Assembly. Interest rates for agriculture have been partially subsidized, but they are nevertheless noticeably higher than for other economic areas designated as "development priorities." But although they are a serious hindrance, interest rates are not the major reason for low investment levels. Thus, they are really less of a problem than the rate of increase in prices for agriculture products. And if by some chance general price increases are brought in line with price increases of agricultural products, the problem of interest rates would probably not be so strongly emphasized. However, only in the last year the prices of industrial products have increased by over 61 percent, not counting the latest price increases in electricity and oil which came at the end of the year. Thus, the vice grip of prices is again open, ready to have a drastic effect on agriculture.

Within the overall price increases of industrial products, the prices of all those goods and services which directly make up the expenditures of agricultural production have also increased very quickly and very considerably (machinery, spare parts, motor pool repair and maintenance expenses, fertilizer, plant care agents, seeds, fuel for machinery, electricity, insurance, veterinarian medicines and services, etc.). Understandably, this has also provoked a corresponding increase in expenses in all areas of agricultural production. The considerably slower rate of growth in prices for agricultural products has not, consequently, been able to come close to compensating for the sudden crushing blows on production expenses from the outside. This is why agriculture's accumulative ability and reproductive capacity continue to decline at an ever increasing rate. That is why it is becoming more common to refrain from investing in agricultural development and from incurring debt. That is also why interest rates appear to be too high.

No Dependable Production

One other factor is very important while on the subject of the economic situation in agriculture. Today there is virtually no one product, with the possible exception of corn, which a farmer can stick to and consider to be at least reasonably dependable. He avoids wheat because on a small, individual farm it gives him a low yield per hectare. He also avoids industrial plants for similar reasons. True, they give him higher yield per hectare, but only if his production is completely mechanized. Mechanization for an individual farmer's holding is too expensive and almost inappropriate, and there is no widespread drive for association, nor is it being encouraged. In cattle breeding, after each short-lived rise in production there follows a massive slaughter of livestock. The market for seasonal goods is extremely unorganized. And today, although our cities have increased in size many times, they rely on the greengrocer market and the small middleman. With these forms of products, the producers earn the least amount of money and those who have modern means of

transportation earn the most. According to farmers from the Juznomoravski region, who have traditionally been truck farmers, middlemen earn 20 million old dinars a day each in season on the farmers' goods, but they take advantage of both those who produce the goods as well as those who buy the goods for consumption. And as storage space capacity for these products is in short supply, very little is bought up. It is calculated that approximately two-thirds of the total production of fruits and vegetables in our country perishes in the fields and orchards.

Instability in the production of precisely those goods which traditionally make up the largest share of monetary income on the farm (livestock and livestock products, industrial plants, fruits, vegetables, grapes) has reinforced to a considerable extent the increasingly pronounced decline in dietary standards in recent years. Consumption of meat, milk and refined products, fruits and vegetables, consumption of precisely all those items which are rich in protein and vitamins, is declining because these foods are expensive for declining purchasing power. Nutrition has been reduced to its simplest make-up because it is cheaper.

Just recently, in the wave of general price increases, some people have been reciting an actual "ode" to the greengrocer market because it has been relatively well stocked and has recorded the slowest rate of price increases. But they do not know why. If they would only look a little closer at trends of consumption and changes which have appeared in the make-up of the nutrition of an enormous proportion of the population of the city, everything would immediately become clear and in a moment they would be freed from illusion. Because they could then recognize what has to be, both from the point of view of the health of the population and from the point of view of future production trends, cause for alarm.

Doubtlessly, we have not come to such a situation overnight. It is only the logical result of many years of an accumulation of problems whose solution has been postponed almost as far as the eye can see. And for this reason, if the prospects for agriculture in the year ahead are examined from the point of view of this situation--and these are precisely the real material bases for its development--then undoubtedly the prognosis cannot be optimistic. Unless a miracle takes place for which we all secretly hope. But involvement with mysticism is not the subject of this article.

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YUGOSLAVIA

FURTHER COMMENTS BY ECONOMISTS ON FAILURES OF SYSTEM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 4 Mar 85 pp 10-11

[Article by M. Zlatic: "Socialist Paradoxes"]

[Text] What does it do to society to lack money accumulation, to lack accumulation of knowledge (knowledge in the information society, which is a megatrend, is taking over the role of capital, says Marijan Korosic, but with our targeted education we have proletarianized and deprofessionalized young people, restricted their freedom, and now we do not have knowledge either), to lack owners of (public) property, to lack jobs for a million unemployed, 730,000 Gostarbeiterer and about 2 million of those who are employed in form alone? A situation fraught with the lack of basic elements for society's development is a product of "a visionariness that was often unsuitable" (Joze Mencinger), and anyway visionariness "easily passes over into arbitrariness" (Korosic). If the answer is a free economy with functions clearly separated from a government that is also indispensable, and that was the solution seen by a majority of the participants in the 2-day (21 and 22 February) academic meeting on the topic "The Crisis of the Yugoslav Economic System--Causes and Prospects" organized by the Serbian Academy of Sciences and Arts, then that, too, is visionariness (Mihajlo Markovic). "Isn't the desire for a free economy a vision as well, visionariness should in general be separated from the domain of ideology and practice when no one seriously even wants to bring it about."

France Cerne examines ideas and protagonists with his own breadth and benevolence: as for the construction of the economic system and its functioning it seems that it is enough for some people for us to have a clear political-ideological platform of a system and a mass political movement, that is, revolutionary power with a sufficient revolutionary desire for the system which has been conceived (defined in terms of general principles) and that system will be brought about. This "heroic-revolutionary (and indeed even voluntaristic) abstraction," according to Cerne, is one of the big mistakes. In this chain: a system conceived in ideological and political terms--a system of institutions and principles--an economic policy and practice--there is an important link missing, an elaborate and scientific political economy which would be the basis for developing a consistent economic theory as to the system (system economics).

Returning to the present, Cerne sees the economic system arising out of a theoretical and historical controversy, "the historical paradox of socialism" which is manifested in the fact that it ought to be a society conceived in Marxist ideological terms, an increasingly associative and nonmarket system, while the given (objective and subjective) developmental forces of society are still demanding (a more) highly developed commodity (market) form."

"Stationary Like the Stabilization Program"

According to Cerne, the controversies have not been sufficiently evident in the awareness of either politics or political economy (which in our case he refers to as economic thought, not economic science). The proof is the Long-Range Economic Stabilization Program (above all in the theoretical section entitled "Basic Premises ...") which did not resolve the controversy: "even to the contrary, it has been attempting rather mechanically (sometimes eclectically) to join without saying so two differing system categories: on the one hand are the directly social ownership (which rather figures as nonownership), self-management as a noncommodity category, self-management social planning ..., while on the other there are the autonomy of the market and market laws, regulation of the entire economy on the basis of prices of final products and prices of production factors, proclaiming that the correct system, and efficient economic system, has thereby been found (harmoniously combining the market nature and the plan nature of our economy)."

Confirming the permanence of the metaphorical joke in the heading above, which was used a few days ago by NOVE OMLADINSKE NOVINE, that is much the view of the stabilization program taken by Miroljub Labus: "it has to encounter great resistance in its implementation, since it is coming up against the obstacle of the existing property relations on which the economic system that it wishes to change has been built." "The nonowner concept of social property," which is Labus' field of research, "is not only an erroneous property principle, but it is at the same time a principle of a purely declarative nature, it cannot be realized in practice." As Ivan Maksimovic says, ownership without an appropriator is a contradictio in adjecto, so that social ownership received a frontal attack on logical grounds from all sides.

The moment we live in requires that society decide whether it wants basically a market economy or basically a planned economy. Implying a conclusion, Cerne paraphrases Marx ("Poverty of Philosophy"): "Political economists improvise systems, look for some reborn science in their heads, not in historical reality itself." Thus hibernating for a lengthy period of time as a mainly consensus economy, it [(?) the system] is indicative of the very scant capability of this political economy for class analysis and for functional analysis. It suffers both from inadequate historical logic (and relevance) as well as from abstract (nondialectical) deductivism ..., it brings together in the same "mix" a political economy of labor and a political economy of capital. The Basic Premises, the Anti-Inflation Program and the Concluding Section Concerning the Economic System in a way reproduce and take even further these theoretical inadequacies.

From the Beginning to the Beginning

Achievement of the real should be viewed as a positive utopia. Or, as Cerne writes: "when one speaks about our economic system, he should take Yugoslav reality (as it exists and the probable trends) as his point of departure, the typical Yugoslav workingman (who is now institutionally torn apart in his motivation between Homo economicus and Homo socialis), and his preferences (for the present and near future) and in that way trace an economic system whose results would satisfy the largest number of people, which in concrete terms means that we should start ... somewhere where Marx ended his reflections on the transformation of capitalism--with the abolishing of private ownership on a capitalist basis in the form of stock companies and worker enterprises." A system should be created in which "it would not be allowed once again to merely play around with the market, but it would be authentically recognized as an objective necessity" and "clearer boundaries should be defined between the jurisdiction of the two mechanisms (the planning mechanism and the market mechanism, since they are complementary, but also essentially opposite to one another) ..., I would not be afraid of changes of certain laws embodying the system and certain amendments to the constitution." In any case, as Dragoje Zarkovic paraphrased Zarko Puhovski on this occasion, socialism is anyway only an intervention into bourgeois society.

What was new that was said at this meeting (or repeated after a long time) may seem like a return to the beginning, which, if true, need not be a bad thing.

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YUGOSLAVIA

ARTICLES IN LAW ON BANKING SYSTEM TERMED UNCONSTITUTIONAL

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Mar 85 p 2

[Text] Our most recent "surprise" has again been sprung by the Constitutional Court of Yugoslavia. The dilemma for several months over whether certain articles of the Law on the Bases of the Credit and Banking System are subject to dispute has been resolved by a decision of the Constitutional Court of Yugoslavia: Articles 158 (Paragraph 2) and 197 are not in conformity with the Yugoslav Constitution.

That is, the "problematical" Article 158 on the Law on the Bases of the Credit and Banking System prescribed that the basic bank would be liable for its obligations with all the resources it possessed. However, in case those resources are not sufficient, the members would also be liable in proportion to their total resources (reserve fund, the money portion of the business fund and so on). Article 197 states that the self-management accord on entry into association to form the bank establishes unlimited secondary liability of the members for the obligations of the associated bank as well as the manner in which mutual obligations would be discharged and the "calling of the roll" on the basis of that liability.

The opinion supporting the decision of the Constitutional Court (that court instituted proceedings for evaluation of constitutionality on its own initiative) states that the pooling of the resources of the OUR's [organization of associated labor] in the bank as a self-managing organization is a self-managing form of the pooling of capital in reproduction. Which means according to the assessment of the Constitutional Court, that the workers in associated labor shall through self-management regulate under what conditions the OUR's will pool their resources, with what resources they will be liable for the obligations of self-managing organizations and communities of which they are members. Article 34 of the SFRY Constitution, which provides that this liability shall be set forth in a self-management accord pursuant to law, does not afford the constitutional foundation for that liability to be entirely regulated by law without consent of the OUR's which have entered into association to form the bank, that is, without a decision of the workers to accept such an agreement. These constitutional provisions have stated that throughout these relations the rights of the workers guaranteed by the constitution must be safeguarded: to make decisions on their own as to what resources and in what amounts the OUR will be liable for the obligations of an organization,

in this case the bank, of which it is a member. The fact that Article 34 states that this liability is to be regulated by a self-management accord pursuant to law means that the law may regulate the foundations of that social compact, but without jeopardizing the rights of the workers guaranteed by the constitution.

Or again, it follows from Article 24 of the SFRY Constitution that an OUR need not be liable with all its resources for the obligations of organizations and communities of which it is a member. On the contrary, under Article 39 of the constitution the pooling of money to form a bank does not automatically entail the obligation of pooling all resources to meet the bank's obligation. The mutual relations among the bank's members are regulated, according to that article of the constitution, by the self-management accord establishing the bank, by the bylaws and by law, but not exclusively by law, as has been represented. However, the law may regulate the foundations for regulation of that social relation and the type of liability for the obligation of the bank, but not which resources and in what amounts the OUR's and other social juridical persons are liable for specific obligations of the bank which it is unable to discharge.

As in the case of the foreign exchange law, the SFRY Assembly is left a 6-month period to bring these provisions of the law into conformity with the constitution.

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END