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ECONOMIC AND INDUSTRIAL AFFAIRS

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16 July 1985

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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CZECHOSLOVAKIA

CSSR ECONOMIC RECOVERY, CHANGES IN CALCULATIONS ANALYZED

Zurich NEUE ZUERCHER ZEITUNG in German 4 Jun 85 pp 7-8

[Text] Czechoslovakia succeeded as early as 1983 in at least to some extent getting over the phase of stagnation which characterized 1981 and 1982. In 1983, the growth of the national income speeded up to 3.2 percent, equivalent to a 0.2 percent improvement by comparison with the plan. Prague anticipates another 3.2 percent growth in 1985. However, the economic recovery is likely to result in the postponement of the necessary reforms.

Inadequate Competitive Capacity

The West estimates CSSR debts at roughly \$2-2.5 billion. According to official pronouncements, it is to be wiped out this year. This could be managed in one of two ways: Either foreign exchange reserves will be raised to the level of the credit volume or the entire debt repaid. In fact we will probably see a combination of these two methods.

The modernization of the CSSR economy is proceeding very slowly. As a result, its products are not really competitive in the West. This is the reason why the percentage of the CSSR's exchange of commodities with the communist countries is constantly rising. Last year it reached 78.3 percent, and the USSR accounted for more than 45 percent. Some experts indeed talk of a kind of "socialist self-sufficiency," due also to the fact that the Eastern countries want to avoid being too dependent on the West. The example of Poland serves as a deterrent. For that reason also, these countries sharply curtailed imports in 1981-1983, aiming thereby to earn a surplus in trade with the West. Not until 1984 did purchases from noncommunist countries rise again slightly (by 3 percent). Western experts expect that imports might grow at about the same rate this year. Especially the purchases of licenses and technologies for the lagging machine construction sector are likely to increase. Firms in the CSSR have been granted more powers with regard to spending on research and development, and they may therefore buy more from the West.

In view of the lack of competitive capacity of the machine construction industry (once among the most highly developed such industries), the Czechs have chosen to emphasize sales on the markets of the Eastern countries and the Third World. Unfortunately, of late the terms of trade have tended to

deteriorate vis-a-vis the East as well as the West. Prices of Soviet energy and raw materials have risen steeply in recent years, and Prague therefore recorded a deficit in its trade with the CEMA countries. The deficit accumulated since 1980 already exceeds 2 billion transfer rubles.

Moderate Acceleration of Growth

A report by the East European Institute in Munich is based on a close scrutiny of the CSSR economy. The expert points out that the speed-up in the growth of the national income to 3.2 percent is due to some extent to a change in the method of calculation. The annual increases in national income used to be calculated by comparing the net values of the national income. The current calculations are based on the comparison of the gross national incomes. The new system was introduced in 1983. The produced gross national income is greater than the corresponding net value, because the new method does not take write-offs into account.

Still, even when we adjust the 3.2 percent growth recorded in 1984, it is still true to speak of a moderate acceleration of economic growth. As in 1983, agriculture provided a substantial contribution to this result. The total industrial result also was much better than expected.

Admittedly, this improved result is due in part to an increase in investments (+ 4.3 percent) not in the plan. It had initially been planned not to raise the total volume of investment spending by comparison with 1983. Only in 1985 were investments to be expanded by 1.6 percent. Among the 1984 investments for industry, the majority were allocated to the fuel-energy complex. Emphasis was also placed on the sector of technical progress, in other words the improvement of the quality and technical standard of products as well as the reduction in the consumption of raw materials, energy and fuel.

The rise in the people's cash incomes achieved 1.6 percent in real terms. The average monthly wage in the socialist sector of the national economy (excluding farmers) rose by 1.7 percent in nominal terms, 0.8 percent in real terms, amounting to 2,836 korunas. In the same period of time, the people's cash expenditures increased by 2.8 percent. The retail price index for commodities and services rose by 0.9 percent, the cost of living of households by 1 percent. Private consumption should increase by 2.2 percent in 1985 and an increase of 5.7 percent achieved by comparison with 1980. Average monthly wages are supposed to rise this year by 1.8 percent to 2,960 korunas.

Industrial output in 1984 grew by 3.9 percent in 1984, substantially in excess of the planned 2.9 percent. However, the Prague performance report emphasizes the presence of variations and imbalances in production. Still, some of the variations in growth are the result of intentional structural shifts, and above-average output increases were therefore recorded especially in the electrical industry, general machine construction, the pulp and paper industry, glass, china and ceramics manufacture and the production of sanitary facilities. The foregoing are primarily so-called modern and future-oriented industries, secondarily sectors processing domestic raw materials.

Good weather resulted in an increase in gross farm output by 3.6 percent in real terms. Crop production was 4.2 percent higher, livestock production 3.2 percent greater than in 1983. For the second year running, a record grain harvest (12 million tons) was achieved. Even more important for the satisfactory total result of crop production were the potato and sugar beet harvests.

Accents in the Planning and Management System

The planning and management system has been modified in the course of the past few years, though economic reform as such is not mentioned. In effect since 1 January 1981 for industry and construction is the "complex of measures for the perfection of planned management." The "principles on the perfection of the system of the planned management of agriculture" have been in effect since 1 January 1982. In early 1983, the authorities started an experiment in the sector of foreign trade. This involves selected production units (VHJ's--comparable to GDR combines) and is designed to produce closer links between production and the foreign trade. There were no other major reforms in 1984. However, refinements at specific points of the overall economic mechanisms are being introduced.

According to the above mentioned report, the complex of measures had two main elements: The implementation of the principle of economic accounting (in Russian: Khozraschot) at all levels and--in conjunction with this--the greater efficacy of financial levers. The latter mainly signifies the increased use of corporate and enterprise money and bank loans to produce the necessary finances. The share of equity financing (from profits and write-offs) rose from 44.6 percent in 1980 to 54.9 percent in 1983. At the same time state budget allocations decreased from 14.1 percent to 7.8 percent.

Admittedly, what has happened to a relatively large extent was the evident concentration of financial resources at the highest VHJ level but without this centralization corresponding to the actual state of integration. A good deal of objections have been raised in this connection, because apparently the management at the top VHJ level tends to fail in the financial sphere to sufficiently consider the actual situation of the various enterprises. Moreover, it frequently happens that the khozraschot regulations are not defined with sufficient precision or imperfectly applied to the enterprises, that is the economic units subordinated to the VHJ's. The result is the definite weakening of the enterprises' interest in independent economic accounting.

Another objection involves the persistence in the sphere of the replacement of basic assets (capital stock renewal) of some long-standing defects which are due to the poor efficiency of new investments and the inadequate utilization of the existing capital equipment. Last year four sectors of industry introduced a standardized investment fund in which are merged the former funds for development and construction projects and, on the khozraschot principle, links investment with the procurement of the financial resources required for it. This method has been found useful.

On 1 January 1984, a new invoicing and payment system for investment work and supplies took effect, accompanied by a series of complementary decrees

especially in the sphere of planning, the appraisal of plan fulfillment, credit and so on. This new decree is designed to pressure the contractor/supplier with regard to the observance of completion dates, fixed prices and the quality of supplies. The strengthening of the financial lever is also to be achieved by basing the calculation of premiums for the top managers of the contractor/supplier on the extent of the work and the deliveries completed. In addition the bank is to exercise greater simultaneous supervision by way of the proportional expansion of loans for investment financing.

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GERMAN DEMOCRATIC REPUBLIC

UNFAVORABLE POLITICAL CLIMATE AFFECTS 1984 INNER-GERMAN TRADE

West Berlin DIW WOCHENBERICHT in German No 10, 7 Mar 85 pp 123-31

[Article: "On Inner-German Trade -- Results and Prospects"]

[Text] In 1984, the inner-German goods traffic showed an extremely divergent development. Purchases from the GDR increased by 12 percent, while deliveries dropped by 8 percent. This resulted in a uniquely high trade balance (DM 1.3 billion) in favor of the GDR. The negative balance accumulated in the goods and service trade of the GDR dropped by about DM 1 billion. In contrast to the 2 previous years, in 1984 there were price increases in both purchases and deliveries (5, and 4.5 percent, respectively). In real terms, the turnover in the inner-German goods traffic (deliveries plus purchases) has thus decreased. The real upward trend maintained over a decade (average turnover increase, over 2 percent) did not continue in 1984.

A renewed expansion of the inner-German goods traffic, especially on the side of deliveries, is quite feasible in 1985. Mid-term and long-term development depend in part on the basic general conditions of this goods exchange. During the period of preparation of the new 5-year plan, positive signs in the trade policy toward the GDR are especially urgent.

Partially Surprising Development

In 1984, the results of inner-German trade were in part not unexpected, but also highly surprising in other parts: due to special business deals in 1983 and the substantial expansion in previous years (an average increase of 10 percent during 1980-1983), it could be expected that deliveries to the GDR would not increase unabatedly. But such a steep decrease in West German deliveries has not occurred in the history of inner-German trade since 1967. Yet the GDR still incurred much higher absolute and relative debts in other Western trade--despite a deficit reduction--, and high liabilities stemming from balance of trade deficits with the Soviet Union. No one could have guessed that attaining such a balance of trade surplus vis-a-vis the FRG would be of such importance to the GDR.

It was also surprising that GDR exports to other OECD countries--roughly calculating the effects of the dollar exchange rate--were recessive in 1984, while in inner-German trade a high growth rate of 12 percent was attained. There are no discernible economic reasons for this development. In view of the generally existing price interlocking on Western markets, differing price developments could hardly have played a role. The soaring dollar in 1984 made the GDR attractive for the purchase of consumer goods compared to offers from Third World countries. But this holds true for all trade with the West. The relatively weak development of GDR exports to the other OECD countries, compared to inner-German trade, may confirm the often voiced opinion that the FRG is more accessible as a market for GDR products because of the different circumstances pertaining. But the regionally different export development cannot be adequately explained solely on this basis. More understandable are the differences in the development of imports: increased GDR imports from the other OECD countries, and a more substantial drop in the inner-German trade. After several years of high export surpluses by the GDR, several countries pressed for more balanced trade relations.

Overall Result Politically Influenced

Despite these plausible individual explanations, they do not account for the overall result of 1984. The favorable balance in the inner-German goods traffic was achieved with great continuity. The fact that the surplus was equally high for every 3-month period points to a purposeful trade policy on the part of the GDR. Since no economic reasons are discernible, there can only have been political priorities, such as safety from trade policy black-mail¹, nurturing one's political and economic reputation, and demonstration of economic performance capability. Thus, reliability and liquidity were given priority over growth-promoting imports and profitability.

Those same motives are also behind the constant buildup of bank accounts in the West. Concerning trade relations with the FRG, the attitude of the GDR could also have been influenced by the fact that, for the coming years, it is carefully allowing for a noticeable drop in its DM income, particularly from investment holdings of the FRG in the Berlin traffic. These investment holdings were highest during the years 1979-1982 (on the average, DM 450 million per year). No projects of similar size are under way at present, nor are any planned at this time.

This means, however, that in 1984 inner-German trade was strongly influenced by non-economic forces, more so than in a long time. For a long time, deterioration of the East-West climate and reduced East-West economic involvement had not touched German-German relations in general, nor economic relations between the two German states. In 1984, these stresses also became noticeable in this area.

Not only the overall annual result fits into this picture of a commerce largely influenced by politics, but individual facts, such as the development of the accumulated balance and the use of the swing, fit into this framework.

The accumulated FRG credit balance, of about DM 3 billion, was as high as in 1977, but goods purchases have almost doubled since then. The means that the

relative GDR indebtedness (balance in percent of goods purchased) is again as low as in 1967 and 1968. In other years--in the late 70's--it had risen up to 94 percent (see Table 1).

The swing payments agreement which the GDR drew upon was also at a very low level in 1984 with DM 215 million as an annual average, although a limit of DM 690 million had been agreed on for 1984. The difference between the agreed upon, and drawn upon, swing has increased considerably (compare graph). This attitude of the GDR was surely influenced by the fact that the present swing agreement will expire in 1984.²

There has never been as little use of the swing since it was index-linked in 1969. Until the mid-seventies, the GDR managed to finance up to one-third of its accumulated balance with the help of the swing, i.e., free of interest and without commercial credits. Since then, this ratio has dropped steadily: to 13 percent in 1983, and only 7 percent in 1984. Its diminished importance is also indicated by another ratio: while in 1976, the year in which the swing was most heavily drawn upon (DM 786 million), the GDR would have had to increase its goods deliveries by 20 percent in order to repay the swing, it was less than 3 percent in 1984.

The amputation of the swing since the mid-seventies was performed step by step and through efforts by both East and West: the above-mentioned, ever lower use by the GDR had been preceded by two swing regulations on the part of the FRG, which prevented a further growth of the swing (imposing a limit during 1976-1982) and then brought about a gradual reduction to DM 600 million in 1985. These two restrictions, imposed by the social-liberal coalition, did away with the most generous swing regulation, the dynamic swing introduced by the great coalition /CDU-SPD/. The latter provided that the GDR be granted interest-free credit up to 25 percent of deliveries of the previous year. During the period of this arrangement, the swing drawn upon rose from DM 270 million (1969) to DM 711 million (1975).

By sinking into insignificance, the swing meanwhile provides neither impulse for inner-German trade, nor can it fulfill the other function often imputed to it: that of being an instrument of a policy for Germany. Surely it was often overestimated in this role; occasionally it was even seen in the "role of magic wand heaping boons and blessings on the GDR."³ Nevertheless, there are a few examples showing that it was also helpful for the Western side.

Differing Price and Structural Development

In 1984, the development of inner-German trade was influenced by the components of both volume and price: in the deliveries from the FRG there were price increases of 4.4 percent; the real drop was, therefore, even greater than the nominal reduction of 8 percent. At least one-third of the expansion in earnings (12.4 percent) was due to price increases.

In deliveries, the highest price rises took place in the agricultural and food-stuffs sector. The main items, oil cake, coarse grain and raw oils, were the decisive factors. On the other hand, price increases of products of the basic

and producer goods industries were below average with 3 percent. In the case of purchases from the GDR, the products of this sector with an average price increase of 6.5 percent and their relatively high weight played a major part in the overall price rise. Formerly, the sometimes exorbitant price increases for individual products, particularly in the mineral oil sector, had a lasting influence on the total price structure; in 1984, the price increase was distributed over the whole range of goods.

In the long-term view, the price calculations carried out by DIW [German Institute for Economic Research] over the years result in the following:

--In purchases from the GDR, the prices of products of the basic and production goods industries have almost quadrupled since the beginning of the seventies, and therefore show the strongest increase.

--Products of the consumer goods industries purchased by the GDR show the second-highest rate of price rises.

--Price increases for products of the consumer goods industries were higher for purchases from the GDR than for deliveries to the GDR.

--Prices for purchases from the GDR rose overall much faster than for deliveries, so that in the long term has been a considerable change in the terms of trade in favor of the GDR⁵. This, however, is only true for the period 1973-1980; thereafter, this development did not continue.

The very high rate of price increases for the purchase of consumer goods from the GDR contradicts the claim which is sometimes made that the GDR has generally carried out a policy of low prices and price undercutting in recent years.

The favorable balance of the GDR in the inner-German goods traffic during the last decade must be attributed to a large degree to the development in the mineral oil sector, which produced considerable additional proceeds for the GDR. The additional, price-induced proceeds of the GDR resulting from the sale of diesel, heating oil and gasoline amounted to DM 9 billion (accumulated) during 1973-1984; the additional DM expenditure for the purchase of crude oil amounted to DM 4 billion. Since, in contrast to crude oil purchased in the inner-German trade, purchases of mineral oil products from the GDR were considerably expanded (1972: 1.1 million tons; 1984: 2.2 million tons), the accumulated additional proceeds of the GDR from the mineral oil business amounted to DM 6 billion during 1973-1984.⁶

Meanwhile, in the exchange of energy sources⁷, the GDR obtains as high a surplus of units of account (VE = DM) as it does through the exchange of products of the consumer goods industries. Without the price trends in the mineral oil sector, the GDR trade balance would have been negative during the past years, with the exception of 1984 (compare graph).

This also points up that the GDR's improved balance position in inner-German trade is not at all a sign of increased performance capability vis-a-vis the FRG, and that it does not reflect a more favorable competitive position of the GDR.

The competitive position can be much better seen in the development of purchases of engineering products from the GDR: its share has dropped in almost frightening continuity from about 10 percent at the beginning of the fifties to only 2.5 percent in 1984.

If analyzed according to production areas and industrial goods categories, the development in 1984 varied greatly. Different categories were involved to a varying degree in the reduction of deliveries to the GDR. Concerning purchases from the GDR--with the exception of the agricultural and foodstuffs sector--the tendency was uniform, however.

In the development of deliveries [To the GDR], the first striking fact is the drop in products by investment goods industries (and especially that of machinery). Sales by the FRG were unsatisfactory, as almost never before; in 1984, they reached the level of 1975, and a share of total deliveries comparable to 1963. Declining purchases of products of the investment goods industries on the part of the GDR in recent years clearly reflect neglect of growth in favor of export, which has been noted for some time. At this time it is difficult to foresee when this trend of economic policy will change in general. There are some indications that this will not yet occur in 1985.⁸

In considering the goods structure, the recessive development of iron and steel sales is also striking. This is due to the special sales in the previous year. However, the decline of these items (by DM 300 million) were partly offset through an increase in sales proceeds in other goods categories so that basic materials and production goods, compared to the decline in overall deliveries, suffered proportionately less. In the case of products of the agricultural and foodstuffs sector, they were not only affected by the elimination of grain purchases by the GDR, but the already mentioned price increases in fodder and raw oils must also be included in the evaluation. Although GDR purchases of agricultural products dropped way out of proportion according to value, the decline, adjusted for price, amounted to almost 30 percent.

Regarding purchases from the GDR, it is also significant that the lion's share of the additional products of the GDR came from the basic and production goods sector and that this result, strongly influenced by price, was not at all excessive in real terms.

The basic structures of inner-German trade according to balance have not changed in 1984. This means that the well-known structural weakness of this goods exchange continues.

Basic General Conditions Should Not Be Made Worse

It is difficult at this time to evaluate the future development of inner-German trade. This holds especially true in the long term. There are some indications that the GDR will continue its policy of consolidation also in the coming year--which it has carried out for years in its trade with other Western countries, and since 1984 also in inner-German trade--, but probably less rigorously than before, with greater moderation. Under these circumstances it is quite possible that in 1985 there will be an increase in turnover

by 5 to 10 percent (to DM 15 to 15.5 billion). If the deliveries to the GDR were to rise by more than 10 percent, and the purchases from there by almost 5 percent, this would still result in a positive balance for the GDR in goods traffic. It would be in a range where the GDR, even including the traditional deficit in the service trade,⁹ would still end up overall with a slightly positive trade balance vis-a-vis the FRG.

The long-term development must be considered uncertain. Political influences are as much of significance as the institutional framework. For some time now, there has been irritation in the GDR with the federal government's course of the policy for Germany, and this despite the two credits amounting to billions in July 1983 and July 1984. It must be feared that this uncertainty will have negative effects on trade policy vis-a-vis the FRG and, as shown by the results of 1984, indeed has already had them. It is all the more important not to make the basic general conditions worse, but rather improve them. This concerns the special tax regulations in particular.

The special tax system, in force for inner-German trade since 1970, was created in order to stimulate trade, which had a tendency toward imbalance, through preferential treatment on the purchasing side, and to make it more balanced through a special tax for deliveries. Economically speaking, the trend toward imbalance continues to exist in inner-German trade. It results from the fact that there are great discrepancies between the purchasing wishes of the Eastern partner and its possibilities of covering them financially through its own sales. An important reason for this is the severely restricted competitiveness in Western markets, particularly in the area of investment goods. Competitiveness has not increased in the long term, but has actually declined, as can be seen from the aforementioned example of purchases of engineering goods within the framework of inner-German trade.¹⁰

The fact that the trend in recent years gave the GDR the chance to obtain growing surpluses does not contradict this statement. As demonstrated, the improved balance situation is due to windfall profits in the mineral oil business and curbing of purchases, together with some favorable circumstances in sales by the GDR.

It is undeniable that the preferential tax treatment of purchases from the GDR has had a positive effect in the past on the development of inner-German trade. But the disadvantages resulting from the structural weaknesses of this trade were only partially compensated by this. Without doubt, abolishing or even lowering the preferential taxes would have negative effects on this trade: not only would its growth chances be harmed, but there would surely be a considerable drop in the present turnover volume. Reduced purchases by the FRG would have direct effects on delivery chances.

DIW [German Institute for Economic Research, Berlin] has often taken a stand within the framework of its reporting on inner-German trade, or in special studies on the connection between goods purchases from the GDR and their influence on the market situation and the labor market in the FRG.¹¹ In the last analysis, all statements point up that purchases from the GDR, measured against FRG production and imports, are only of marginal importance for the

overall economy, and that the negative effects of the products purchased from the GDR on the employment situation can be ignored from a macro-economic and industry-specific point of view. This does not preclude that for specific products and in regional partial markets, GDR products cannot be a competition to be taken seriously. But this must not aggravate overall inner-German trade.

Although it is understandable that, for political-psychological reasons, it is not easy for the federal government to be more generous in its trade policy vis-a-vis the GDR in view of unemployment, structural crises and surplus production; yet there are no economic reasons which speak against a further loosening of quota limitations. A generous quota practice vis-a-vis the GDR would correspond to the liberal foreign trade policy of the FRG which is otherwise embraced with great fervor.

It need not be stressed that this goods exchange constitutes an essential element of German-German relations. For this reason, all political parties in the FRG have a positive attitude toward this trade.¹² But they should also draw the conclusion from it: attacks against preferential taxes must be fended off; what is needed are constructive, trade-promoting considerations and proposals.

Positive Features Must Be Stressed

Such considerations might include--as proposed by DIW¹³--weighing whether the value-added tax rates, meanwhile increased in the FRG, should also be applied to the deduction on prepaid tax for purchases from the GDR. This increased easing of purchases would definitely exert a favorable influence on trade with the GDR.

Such a positive sign would be of special importance in the present situation, since the GDR is at present preparing the new 5-year plan determining the direction of future investment and foreign trade policy. The prospects which the GDR government foresees for inner-German trade will influence the planning of the country structure of foreign trade. Thus there is a need for action in tax promotion of inner-German trade and in the setting of quotas.

In addition, all considerations of promoting inner-German trade should not overlook the Berlin-specific aspect. This ranges from ideas on a specific form of weekend tourism for West Berliners in their surrounding area¹⁴ to investment projects in the field of environmental protection, which would not only provide better environmental conditions for the inhabitants of Berlin and the GDR, but would also open up additional possibilities for FRG industry to expand their deliveries of investment goods.¹⁵

FOOTNOTES

1. At the 37th CEMA council meeting in Berlin, secretary general Erich Honecker pointed out that the CEMA countries had to be "invulnerable... against any and all attempts at blackmail", and that the GDR would make "its active contribution." Compare NEUES DEUTSCHLAND of 20 Oct 1983, p 3.

Also compare Juergen Nitz and Paul Freiberg: "Probleme und Perspektiven der Ost-West-Wirtschaftsbeziehungen [Problems and Prospects of East-West Economic Relations]", in: IPW Forschungshefte, 3/1984, p 19.

"Without doubt, it is urgently necessary in order to reestablish the equilibrium in the trade balances of CEMA countries, especially under the conditions of the imperialist economic war, to reduce deficits purposefully, i.e., to attain trade balance surpluses vis-a-vis the capitalist industrial countries and thus to reduce financial obligations according to plan. In the last analysis, this is a necessity for the political and economic interests of the CEMA countries; they must never be in a position to be politically blackmailed through economic or financial relations."

2. This trend also continued in the first 2 months of 1985; although DM 600 million were available for that year, the GDR used only DM 170 million of the swing in January, and considerably less than DM 100 million in February.
3. Compare Armin Volze: Zu den Besonderheiten der innerdeutschen Wirtschaftsbeziehungen im Ost-West-Verhaeltnis [On the peculiarities of inner-German relations in East-West relations]. In: Vierteljahreshefte der Ost-Akademie Lueneburg, Sonderdruck Heft 83, p 1.
4. There are no official price statistics for the inner-German goods exchange. So far, only DIW calculations provide any ideas about price development. In most part, they are based on direct price studies of individual products for which quantity and value data are available. This means that there are precise price data for many individual items. Where individual price calculations are not possible or meaningful because it concerns heterogeneous goods or because category data for several products are available, price statistics on FRG exports and imports were used as well as industrial producer prices. Both computations were weighted with the goods structure of the inner-German trade.
5. Matters are different for GDR foreign trade overall: in the long term, there has been a considerable deterioration of the terms of trade to their disadvantage; compare Handbuch DDR-Wirtschaft [Handbook of GDR Economy]. Editor:DIW. Reinbek bei Hamburg 1985, p 301.
6. The additional proceeds are not a net profit of the GDR in their trade with the West: since the quantity of mineral oil products in inner-German trade is about double the crude oil purchased in the FRG, the GDR must make up the difference through other imports. In addition to the Soviet Union, mostly Third World countries provide crude oil (3-4 million tons annually).
7. Besides mineral oil products, lignite briquets also are of some importance among purchases from the GDR (1984: DM 160 million). During the years 1979 to 1982, deliveries [To the GDR] of bituminous coal and coke were significant items. With the switchover of GDR energy policy to lignite, the deliveries of bituminous coal lost in importance within the framework of inner-German trade.

8. Compare: Improved Supply--but Investment Reduction. The Situation of the GDR Economy at the Turn of 1984/85. Prepared by Doris Corneisen. In: WOCHENBERICHT DES DIW, Nr 5/85, p 53 ff.
9. It amounted on the average to DM 500 million each during the years 1980 to 1983. In the proceeds of the FRG (1984: DM 1.3 billion), transport and harbor costs constitute a large share; recently, GDR interest payments on commercial credits have also had an impact. The expenditures of the FRG (1984: DM 752 million) also contain postal compensatory payments--agreed-upon flat rate for 1983-1990: DM 200 million annually.
10. In all other West trade of the GDR (OECD countries without the FRG), the share of engineering products of total GDR exports to those countries is low and has dropped significantly since the beginning of the 60's: down to 6 percent in 1983.
11. Compare: Innerdeutscher Handel weiterhin auf Expansionskurs? /Inner-German Trade on a Continued Expansion Course?/ Prepared by Horst Lambrecht in: WOCHENBERICHT DES DIW, Nr 9-10/1977, p 70 ff.-- Neue Impulse fuer den innerdeutschen Handel erforderlich [New Impulses Needed for Inner-German Trade]. Prepared by Horst Lambrecht in: WOCHENBERICHT DES DIW, Nr 10/1979, p 115.-- Innerdeutscher Handel weiterhin ohne Dynamik [Inner-German Trade Continues to Lack Dynamic]. Prepared by Horst Lambrecht in: WOCHENBERICHT DES DIW, Nr 22/1982, p 291.-- Horst Lambrecht: Der Handel der Deutschen Demokratischen Republik mit der Bundesrepublik Deutschland und den uebrigen OECD-Laendern [GDR Trade with the FRG and the other OECD countries]. SONDERHEFTE DES DIW, Nr 119/1977, p 23 ff.-- Horst Lambrecht and Hans Wessels: Produktions- und Beschaeftigungseffekte im Innerdeutschen Handel. Beitrage zur Strukturforchung [Production and Employment Effects in Inner-German Trade. Contributions to the Research of Structure.] Heft 51, 1978, p 32 ff.
12. In his report on the state of the nation, the federal chancellor has recently underlined the importance of the goods exchange with the GDR by stating: "Ladies and gentlemen, inner-German trade is an essential and stable element in the relations between the two states in Germany. The federal government is willing to further expand these economic relations on the basis of existing agreements." Compare Stenografischer Bericht des 122. Sitzung des Deutschen Bundestages vom 27. Februar 1985 [Stenographic report on the 122nd meeting of the German Parliament, 27 February 1985].
13. Compare: Westverschuldung der DDR beguenstigt innerdeutschen Handel [GDR debts in the West favor inner-German trade]. In: WOCHENBERICHT DES DIW, Nr 10/1983, p 139.
14. Compare Peter Mitzscherling: Prueffeld fuer Ost-West-Kooperation [Testing ground for East-West cooperation]. In: Die Entkrampfung Berlins oder Eine Stadt geht zur Tagesordnung ueber [The Easing of Berlin, or A City Gets Down to Daily business]. Editor Rolf Heyer 1972, rororo aktuell 1544, pp 99-110 and pp 155/56. Also see Horst Lambrecht: Chancen fuer West-Berlin

durch Ost-West Kooperation [Chances for Berlin through East-West cooperation], in: DEUTSCHLAND ARCHIV, Heft 12/1972, pp 1270-1280.

15. Compare Cord Schwartau: Saubere Luft--ein innerdeutsches Geschaeft [Clean Air--an Inner-German Business]. In: DER ARBEITGEBER, Nr 18, 14 Sept 1984, p 702 ff. In the meeting of the German Parliament of the chancellor's report on the state of the nation (27 February 1985), the Lord mayor of Berlin pointed out in this very context that one must use "all one's strength and more imagination" in order to promote economic cooperation with the GDR. Compare LANDESPRESSEDIENST of the Press and Information Office of Berlin, Nr 41, 27 February 1985, p 4 f.

A. INDICES IN INNER-GERMAN TRADE

- 1) Goods purchased by the FRG
- 2) Goods deliveries of the FRG
- 3) Accumulated credit balance of the FRG
- 4) Agreed-upon swing
- 5) Swing utilized
- 6) Sources: Federal Statistical Office, specialized series 6, set 6; BUNDESANZEIGER and press information of the Federal Minister for Economics.

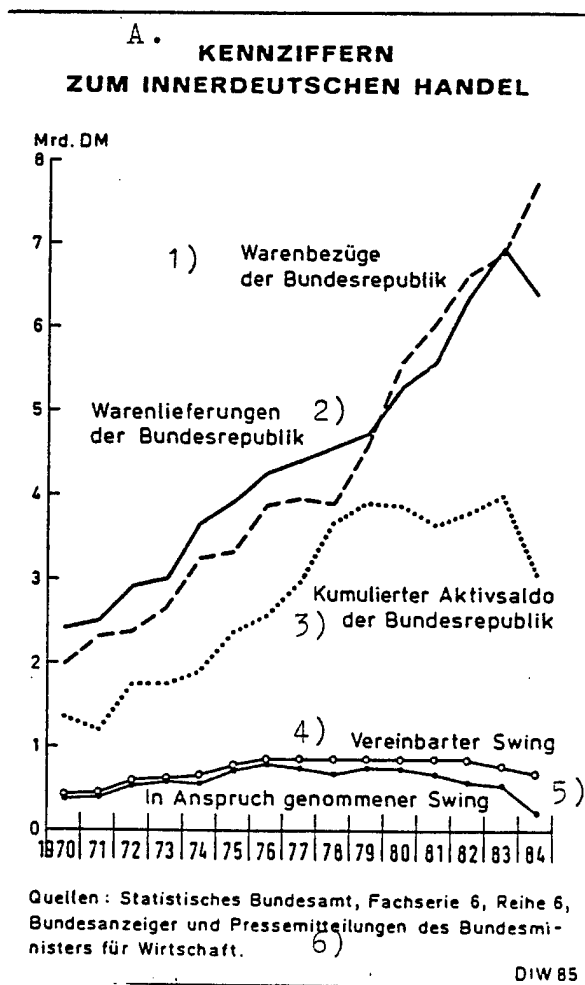


Table 1.

DEVELOPMENT OF INNER-GERMAN TRADE

- I. Goods Traffic
 Purchases 1)
 Deliveries 1)
 Turnover
 Balance
- II. Accumulated Credit Balance 2)
- III. Utilized Swing 3)
- IV. Share of Swing Financing 4)
- V. Relative Indebtedness 5)
- VI. Swing Availment Ratio 6)
- VII. Unit
- VIII. Billions of DM
- IX. Millions of DM
- X. Per Cent

1) By the FRG including West Berlin.-- 2) Credit balance of the FRG. Financial balance from goods traffic, services and cash-payment account (Special account S).-- 3) Swing actually utilized by the GDR on an annual average.-- 4) Ratio of utilized swing vs. accumulated credit balance.-- 5) Ratio of accumulated credit balance vis-a-vis goods purchases from the GDR.-- 6) Ratio between utilized swing and goods purchases from the GDR during the respective years.-- 7) Preliminary.

Sources: Federal Statistical Office, Goods Traffic with the GDR and East Berlin, Specialized series 6, set 6, (annual report 1983 and monthly report December 1984); BUNDESANZEIGER Press Information of the Federal Minister for Economics; computations by the DIW.

	Einheit	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Warenverkehr I.	VII.											
Bezüge ¹⁾	VIII. Mrd. DM	2,00	3,34	3,88	3,96	3,90	4,59	5,58	6,05	6,64	6,88	7,73
Lieferungen ¹⁾	Mrd. DM	2,42	3,92	4,27	4,41	4,57	4,72	5,29	5,58	6,38	6,95	6,40
Umsatz	Mrd. DM	4,41	7,26	8,15	8,37	8,47	9,31	10,87	11,63	13,02	13,82	14,14
Saldo	Mrd. DM	0,42	0,58	0,39	0,45	0,68	0,13	-0,29	-0,48	-0,26	0,07	-1,33
Kumulierter Aktivsaldo ²⁾ II.	Mrd. DM	1,35	2,39	2,58	2,97	3,68	3,91	3,87	3,65	3,80	4,10	3,10 ⁷⁾
in Anspruch genommener Swing ³⁾ III.	Mill. DM	387	711	786	748	677	748	745	676	582	543	215
Swing-Finanzierungsanteil ⁴⁾ IV.	vH	29	30	31	25	18	19	19	19	15	13	7
Relativer Schuldenstand ⁵⁾ V.	vH X.	68	72	67	75	94	85	69	60	57	60	40
Swing-Bezüge-Relation ⁶⁾ VI.	vH	19	21	20	19	17	16	13	11	9	8	3

Table 2. PRICE DEVELOPMENT IN INNER-GERMAN TRADE
[next page]

1) Price Development for Total Trade and Terms of Trade

I. Change compared to previous year in percent

Deliveries 1)
Purchases 1)
Terms of Trade 1)2)

II. Index (1970 = 100)

Deliveries 1)
Purchases 1)
Terms of Trade 1)2)

2) Price Developments according to Goods Categories

III. Index of Deliveries 1) (1970 = 100)
Products of the

Basic and Production Goods Industries
Investment Goods Industries
Consumer Goods Industries
Agriculture and Foodstuffs Industries

IV. Index of Purchases 1) (1970 = 100)
Products of the

Basic and Production Goods Industries
Investment Goods Industries
Consumer Goods Industries
Agriculture and Foodstuffs Industries

1) Of the FRG including West Berlin.-- 2) Prices of deliveries to the GDR:
prices of purchases from the GDR x 100.

V. Sources: Computations of DIW according to data in: Federal Statistical
Office, Goods Traffic with the GDR and East Berlin, Specialized series 6,
set 6 (Annual and monthly reports 1984); Prices and Price Indices for Import
and Export, Specialized series 17, set 8; Prices and Price Indices for
Commercial Products (Producer Prices), Specialized series 17, set 2.

[Table on following page]

Table 2

	1980	1981	1982	1983	1984
<u>1) Preisentwicklung für den Gesamthandel und Terms of Trade</u>					
<u>Veränderung gegenüber dem Vorjahr in vH</u> I.					
Lieferungen ¹⁾	9,1	8,1	1,9	1,1	4,4
Bezüge ¹⁾	15,1	10,0	-0,5	-2,3	4,9
Terms of Trade ¹⁾²⁾	-5,3	-1,7	2,5	3,5	-0,5
<u>Index (1970 = 100)</u> II.					
Lieferungen ¹⁾	167	180	184	186	194
Bezüge ¹⁾	233	256	255	249	261
Terms of Trade ¹⁾²⁾	72	71	72	75	74
<u>2) Preisentwicklung nach Warengruppen</u>					
<u>Index der Lieferungen 1)</u> (1970 = 100) III.					
Erzeugnisse der					
Grundstoff- und Produktionsgüterindustrien	171	183	185	186	191
Investitionsgüterindustrien	168	188	199	204	200
Verbrauchsgüterindustrien	150	150	155	150	157
Landwirtschaft und der Ernährungs-güterindustrien	156	176	169	174	203
<u>Index der Bezüge 1)</u> (1970 = 100) IV.					
Erzeugnisse der					
Grundstoff- und Produktionsgüterindustrien	325	372	364	350	373
Investitionsgüterindustrien	136	145	150	154	155
Verbrauchsgüterindustrien	165	173	175	172	178
Landwirtschaft und der Ernährungs-güterindustrien	146	151	152	151	157
1) Der Bundesrepublik Deutschland einschließlich Berlin (West).- 2) Preise der Lieferungen in die DDR : Preise der Bezüge aus der DDR x 100.					
Quellen: Berechnungen des DIW nach Angaben in: Statistisches Bundesamt, Warenverkehr mit der Deutschen Demokratischen Republik und Berlin (Ost), Fachserie 6, Reihe 6 (Jahreshefte und Monatshefte 1984); Preise und Preisindizes für die Ein- und Ausfuhr, Fachserie 17, Reihe 8; Preise und Preisindizes für gewerbliche Produkte (Erzeugerpreise), Fachserie 17, Reihe 2.					
V.					

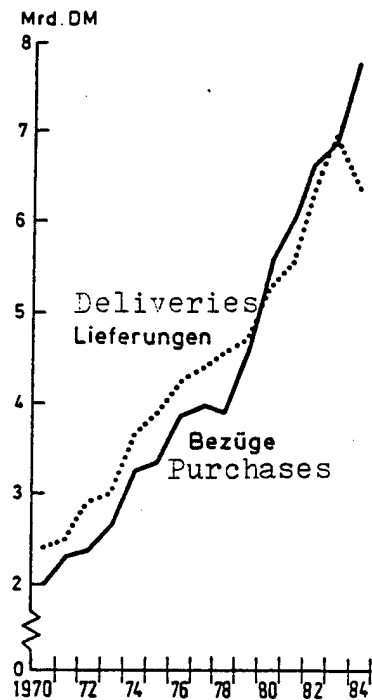
B. DEVELOPMENT OF INNER-GERMAN TRADE

- I. Actual Balance of Goods Traffic
 - II. Balance of Goods Traffic without Petroleum
and Mineral Oil Products
 - III. Purchases from the GDR
 - IV. Deliveries to the GDR
-
- 1) Nominal, without mineral oil products
 - 2) Nominal, without petroleum

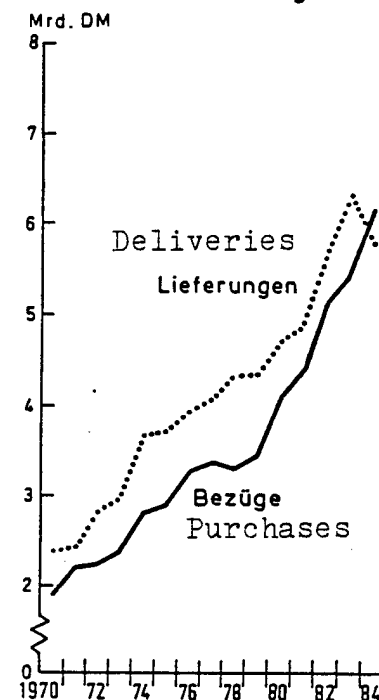
[chart on following page]

B. ENTWICKLUNG DES INNERDEUTSCHEN HANDELS

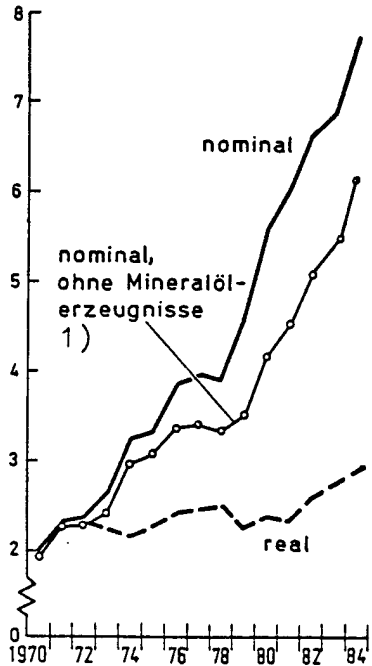
I. Tatsächliche Warenverkehrs-bilanz



II. Warenverkehrs-bilanz ohne Erdöl und Mineralöl-erzeugnisse



III. Bezüge aus der DDR



IV. Lieferungen in die DDR

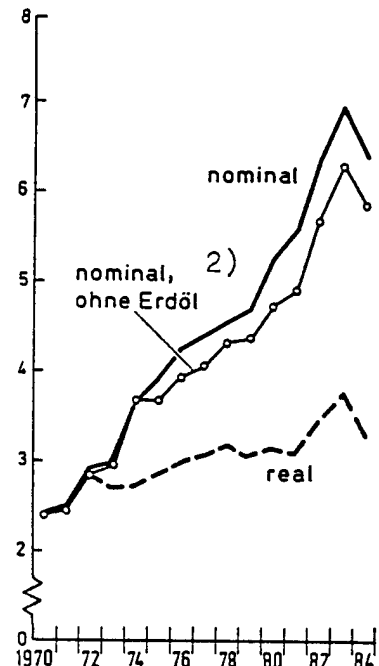


Table 3 [next page]

FRG DELIVERIES 1) IN INNER-GERMAN TRADE ACCORDING TO GOODS CATEGORIES

- a) Product Categories and Products, respectively
- b) Change Compared to Period of Previous Year
- c) Products of the Basic and Production Goods Industries 2)
- d) among them:
 - e) Mining products
 - Petroleum, crude
 - f) Iron and Steel 3)
 - Products of blast furnaces
 - g) Nonferrous Metal 4)
 - Silver
 - h) Chemical products 5)
 - Inorganic base materials
 - Organic base materials and chemicals
 - Plastics and plastics products 6)
- i) Products of Investment Goods Industries
 - among them:
 - j) Engineering products
 - Metal-working and testing machines
 - Installations for the chemical industry and mining
 - Electro-technical products
- k) Products of the Consumer Goods Industries
 - among them:
 - l) Textiles
- m) Products of Agriculture 7) and Foodstuffs and Luxury Food Industries
 - among them:
 - n) Grain
 - o) Raw oils
 - p) Oil cake and coarse meals
 - q) Coffee
- r) All Products 8)
- s) in millions of DM
- t) in percent

1) Including West Berlin.-- 2) Including mining products.-- 3) Including foundry products as well as products of drawing mills, cold rolling mills and steelworking.-- 4) Including their semifinished products.-- 5) Including plastics products and rubber goods.-- 6) Including synthetic rubber.-- 7) Including hunting, forestry and fishing industries.-- 8) Including goods not categorized.

Sources: Federal Statistical Office, Goods Traffic with the GDR and East Berlin, Specialized series 6, set 6, (Annual report 1983 and monthly report December 1984).

[Table on following page]

Table 3

a) Erzeugnisgruppen bzw. Erzeugnisse	b) Veränderung gegen- über dem Vor- jahreszeitraum				c) in vH	
	s) in Mill. DM		t) in vH		1983	1984
	1983	1984	1983	1984	1983	1984
c) Erzeugnisse der Grundstoff- und Produktionsgüterindustrien ²⁾ darunter: e) Bergbauliche Erzeugnisse d) Erdöl, roh f) Eisen und Stahl ³⁾ Erzeugnisse der Hochofenwerke g) NE-Metalle ⁴⁾ Silber h) Chemische Erzeugnisse ⁵⁾ Anorganische Grundstoffe Organische Grundstoffe und Chemikalien Kunststoffe und Kunststoffserzeugnisse	4 003 741 676 1 104 898 601 289 1 397 190 564 203	3 828 717 660 817 606 694 341 1 436 205 587 265	- 175 - 24 - 15 - 287 - 292 93 52 38 15 23 63	- 4,4 - 3,3 - 2,3 - 26,0 - 32,5 15,4 18,0 2,7 7,8 4,1 30,9	57,6 10,7 9,7 15,9 12,9 8,7 4,2 20,1 2,7 8,1 2,9	59,8 11,2 10,3 12,8 9,5 10,8 5,3 22,4 3,2 9,2 4,1
i) Erzeugnisse der Investitionsgüterindustrien darunter: j) Maschinenbauerzeugnisse Metallbearbeitende und Prüfmaschinen Anlagen für die Chemische Industrie und den Bergbau Elektrotechnische Erzeugnisse	1 266 769 308 166 159	1 026 635 117 163 142	- 240 - 134 - 191 - 3 - 17	- 18,9 - 17,4 - 62,0 - 1,9 - 10,6	18,2 11,1 4,4 2,4 2,3	16,0 9,9 1,8 2,5 2,2
k) Erzeugnisse der Verbrauchsgüterindustrien darunter: l) Textilien	471 258	480 247	8 - 11	1,7 - 4,5	6,8 3,7	7,5 3,9
m) Erzeugnisse der Landwirtschaft ⁷⁾ und der Nahrungs- und Genußmittelindustrien darunter: n) Getreide o) Rohe Öle p) Ölkuchen und Schrote q) Kaffee	1 130 129 128 464 62	989 0 168 456 59	- 140 - 129 40 - 9 - 3	- 12,4 - 100,0 30,8 - 1,9 - 4,8	16,3 1,9 1,9 6,7 0,9	15,5 0,0 2,6 7,1 0,9
r) Alle Erzeugnisse ⁸⁾	6 947	6 403	- 544	- 7,8	100,0	100,0

Table 4 [next page]

PURCHASES BY THE FRG 1) IN INNER-GERMAN TRADE ACCORDING TO GOODS CATEGORIES

- a) Product Categories and Products, respectively
- b) Change Compared to Period of Previous Year
- c) Products of Basic and Production Goods Industries 2)
- d) among them:
 - e) Gasoline for motors
 - f) Diesel fuel and heating oil
 - g) Iron and steel 3)
 - h) Nonferrous metals 4)
 - i) Chemical products 5)
 - Inorganic base materials
 - Organic base materials and chemicals
 - Plastics and plastics products 6)
- j) Products of the Investment Goods Industries
 - among them:
 - k) Engineering products
 - l) Electro-technical products
 - m) Iron, sheet metal, and metal products
- n) Products of the Consumer Goods Industries
 - among them:
 - o) Glass and glassware
 - p) Wood products
 - Furniture
 - q) Textiles
 - Textiles for the home
 - Knit goods
 - r) Clothing
 - Outer apparel 7)
- s) Products of Agriculture 8) and Foodstuffs and Luxury Food Industries
 - among them:
 - t) Grain
 - u) Cattle for Slaughter 9)
 - v) Sugar and candies 10)
- w) All Products 11)
- x) in millions of DM
- y) in per cent

/Discrepancies in the sums due to rounded-off figures/

1) Including West Berlin.-- 2) Including mining products.-- 3) Including foundry products and products of drawing mills, cold rolling mills and steel-working.-- 4) Including their semifinished products.-- 5) Including plastics products and rubber goods. -- 6) Including synthetic rubber.-- 7) Including processed fur goods. -- 8) Including hunting, forestry and fishery industries.-- 9) Including fresh pork.-- 10) Including fresh fruit.-- 11) Including non-categorized goods.

Sources; Federal Statistical Office, Goods Traffic with the GDR and East Berlin, Specialized series 6, set 6, (Yearly report 1983 and monthly report December 1984).

[Table on following page]

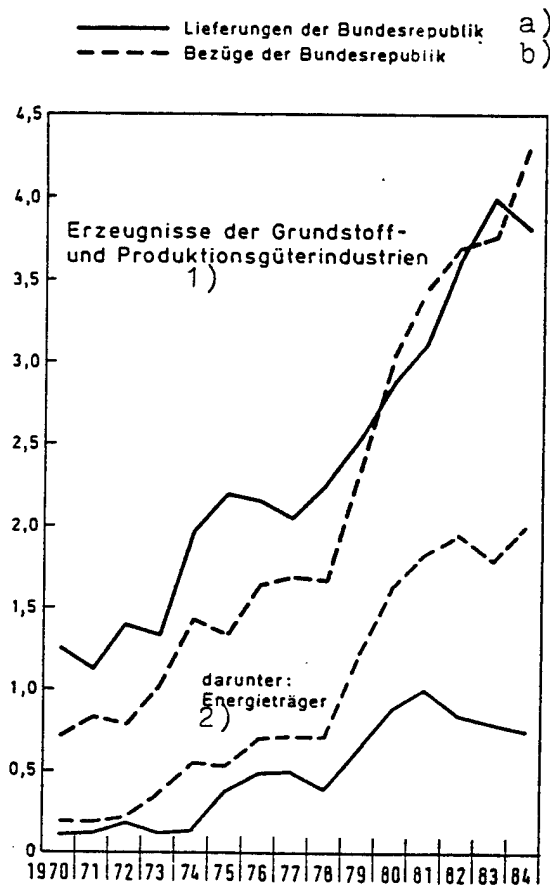
Table 4

a) Erzeugnisgruppen bzw. Erzeugnisse	b)				
	x)		Veränderung gegen- über dem Vor- jahreszeitraum		
	1983	1984	y) in vH		
	in Mill. DM				
	1983	1984		1983	1984
c) Erzeugnisse der Grundstoff- und Produktionsgüterindustrien ²⁾ darunter: e) Motorenbenzin f) Diesellochstoff und Heizöl g) Eisen und Stahl 3) h) NE-Metalle 4) i) Chemische Erzeugnisse 5) Anorganische Grundstoffe Organische Grundstoffe und Chemikalien Kunststoffe und Kunststoffserzeugnisse 6)	3 763	4 304	541	14,4	54,7
	263	273	10	3,9	3,8
	1 125	1 309	184	16,4	16,9
	421	495	74	17,6	6,1
	305	424	119	39,1	4,4
	915	1 033	138	15,1	13,3
	122	133	10	8,5	1,7
	183	244	60	32,9	2,7
	311	344	33	10,6	4,5
j) Erzeugnisse der Investitionsgüterindustrien darunter: - k) Maschinenbauerzeugnisse l) Elektrotechnische Erzeugnisse m) Eisen-, Blech- und Metallwaren	721	837	115	16,0	10,5
	185	191	5	2,8	2,7
	269	337	68	25,4	3,9
	122	150	28	22,9	1,8
n) Erzeugnisse der Verbrauchsgüterindustrien darunter: o) Glas und Glaswaren p) Holzwaren Möbel q) Textilien Heim- und Haustextilien Wirk- und Strickwaren r) Bekleidung Oberbekleidung 7)	1 607	1 812	205	12,8	23,4
	111	110	- 1	- 0,7	1,6
	316	364	47	15,0	4,6
	256	291	35	13,8	3,7
	450	519	68	15,1	6,6
	124	148	24	19,0	1,8
	215	229	15	6,8	3,1
	440	506	66	15,0	6,4
	285	309	24	8,4	4,1
s) Erzeugnisse der Landwirtschaft ⁸⁾ und der Nahrungs- und Genussmittelindustrien darunter: t) Getreide u) Schlachtvieh 9) v) Zucker und Süßwaren 10)	752	742	- 11	- 1,4	11,0
	185	179	- 6	- 3,0	2,7
	283	251	- 32	- 11,2	4,1
	103	106	3	3,0	1,5
v) Alle Erzeugnisse ¹¹⁾	6 878	7 732	855	12,4	100,0

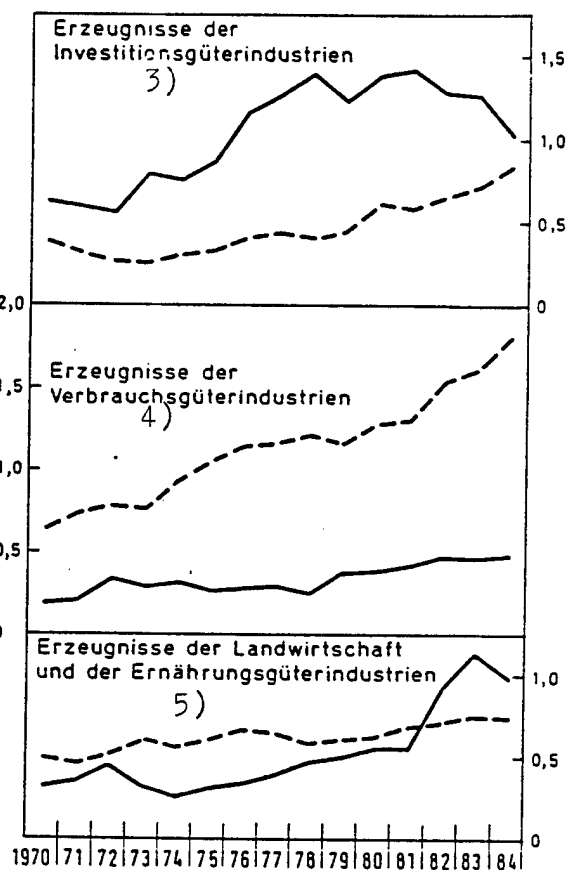
C. INNER-GERMAN GOODS TRAFFIC ACCORDING TO MAJOR PRODUCT GROUPS
IN BILLION DM

- a) Deliveries by the FRG
b) Purchases by the FRG

- 1) Products of the Basic and Production Goods Industries
- 2) Among them: Energy Sources
- 3) Products of the Investment Goods Industries
- 4) Products of the Consumer Goods Industries
- 5) Products of Agriculture and Foodstuffs Industries
- 6) Source: DIW, based on data of the Federal Statistical Office.



Quelle: DIW nach Angaben des Statistischen Bundesamtes.



6)

DIW 85

9917
CS0: 2300/427

GERMAN DEMOCRATIC REPUBLIC

PROGRESS IN RAIL ELECTRIFICATION REPORTED

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 3 Jun 85 pp 9-10

[Article by Peter Jochen Winters: "Goal Is the One Thousandth Mile, GDR Electrifies Railroads, Energy Policy Adjusted Following Oil Crisis, Youth Brigades"]

[Text] Berlin, 2 June. With the schedule change of 2 June, a new era began for the state railroad of the GDR--it is still called the "Deutsche Reichsbahn" [the German Imperial Railroad]. From Bad Schandau on the Czechoslovak border to the central station in Rostock, the trains now run all the way on electrified rails. The entire north-south connection of the GDR is now entirely open to electric locomotives without engine changes or detours since the final gap in the Berlin perimeter was closed during the weekend.

From now on, the overhead contact wire of the entire rail ring around Berlin will be electrified. With the entry of the Rostock central station into the GDR electrified rail network, besides East Berlin--where the Lichtenberg station was connected at the end of last year--eight of the 14 district capital cities are accessible and linked by electric powered trains: Magdeburg, Halle, Erfurt, Leipzig, Karl-Marx-Stadt, Dresden, Potsdam and Rostock. The completion of the electrified section between East Berlin and Rostock brings a 50-minute reduction in travel time for passenger trains on this route. But even more important for the GDR: through electrification the specific energy consumption for the Berlin-Rostock railroad section is reduced by 39.5 percent and load capacity is increased by one third. About 16 percent of the GDR rail network is now electrified; toward the end of the year approximately 37 percent of all rail traffic will move on electrified rails.

Since the oil crisis really hit the GDR at the end of the seventies--at that time the Soviet Union reduced its oil deliveries and simultaneously raised prices contrary to contracts--, energy policy in East Berlin has been changed. Even more than formerly the GDR is depending on its domestic brown coal. Everywhere gasoline and diesel fuel are economized and heating with heating oil is prohibited. For transportation in the GDR this means a shift from the roads to the rails and inland waterways. Railroads can transport three times the goods with the same energy expenditure as motor vehicles. But the GDR rail network was not capable of meeting the new demands. Many facilities were outdated; many sections--partly because of Soviet dismantling during the

period following the war--were only single-track; others were completely shut down. Only a very limited portion of the approximately 14,000 kilometer rail network of the GDR--including 6,000 kilometers of main lines--was electrified. The picture was dominated by steam locomotives; diesel locomotives had just begun to be put into use on a relatively large scale.

In April 1981 at the 10th Party Congress of the SED, a program of railroad electrification was agreed upon for the 1981 to 1985 5-year plan. At first, 770 kilometers of track were to be electrified by the end of 1985; the project goal was later raised to 826 kilometers. The calculations of the GDR economists were simple: an electric locomotive requires three times less energy for equal capacity than a diesel locomotive and 12 times less than a steam locomotive. But, most importantly, the electric locomotive runs on energy which is recovered from domestic brown coal while the diesel locomotive consumes fuel from imported crude oil. In 1978 approximately 25 percent of the overall consumption of diesel fuel in the GDR was by the state railroad. Operation of trains with electric locomotives is economically more reliable and more efficient compared to that with diesel locomotives. Electric locomotives have greater acceleration, greater maneuverability and longer operational life. For example, with electric powered freight trains the running speed goes up to from 60 to 80 kilometers per hour; the tracks are freed up. Finally, electric locomotives are ecologically harmless, much more ecologically harmless than steam locomotives of which there are still 150 in use in the GDR today.

The electrification of railways, the most significant plan for the rationalization of the German state railroad and also the means of rationalizing GDR transport by shifting road transport to the rails, is making very great demands on the GDR national economy. It is not just a question of placing poles for overhead contact wires, construction and exploitation of new electric power plants and installation of signals, but also of the restoration of sections of track, new construction of second tracks and, not insignificantly, of the production of large numbers of new electric locomotives. The first 25 new domestically produced electric locomotives were delivered last year. From now on larger quantities are expected. This year 75 new electric locomotives are to be put into service.

In the GDR, the FDJ [Free German Youth] cannot fail to be involved in such a great undertaking as the electrification. As early as 1982 the electrification of railroads was classified as a "youth objective" by the central council of the FDJ. This year 60 percent of all labor for the project was furnished by youth. For this, 1,400 FDJ members are active in 90 youth brigades. (Usually 10 to 15 workers work together for a relatively long period of time on a given project in a youth brigade, of these the majority are not to be older than 25 years.)

In the 1970's approximately 40 kilometers of rails were electrified annually in the GDR. Since 1981, the rate has climbed continuously: in 1981 it was 86 kilometers, already 140 kilometers in 1982, a total of 151 in 1983 and 253 kilometers in 1984. This year 295 kilometers of track are to be electrified so that within the time frame of the 5-year plan from 1981 to 1985 a total of 925 kilometers will be reached. The FDJ members, who are working on the

electrification and were able to report the connection of the Rostock central station to the electrified network to the 12th FDJ parliament on 18 May and with it the completion of the 750th electrified kilometer of track since the 10th party congress of the SED in 1981, also committed themselves to electrifying the 1,000th kilometer by the 11th party congress of the SED in April of next year.

With the opening of electric passenger train traffic between East Berlin and Rostock, the "North-South-Magistrale," much discussed in the GDR, is still not finished. It will not be until the electric trains can travel past the Rostock central station to the ferry port of Warnemuende and from Waren through Kavelstorf to the port of Rostock which is supposed to occur this year. The shortest ferry connection between Denmark and the GDR runs between Warnemuende and Gedser; and when the ferry port at Warnemuende is connected to the electric rail network, travel time between southern as well as southeastern Europe and Scandinavia will be shortened. But the most important factor is the connection of the Rostock harbor, which is not only the largest international port in the GDR and thus the largest transfer point for seagoing foreign trade in the country but also the port of transit for Czechoslovakia and several southeastern European CEMA countries. At the Rostock international harbor approximately 1,500 rail freight cars are loaded and unloaded daily. Only when they can be moved by electric locomotives will the most important stage of the electrification of the state railroad be accomplished. By the end of the year, the border section from Bad Schandau to Decin in Czechoslovakia should also be electrified. At that time, special locomotives will be put into service there which are to be equally usable with the different electric power systems of the GDR and Czechoslovakia.

After the linking of Czechoslovakia and the Baltic harbor of Rostock by way of Dresden and East Berlin, the linking of the Magdeburg industrial region and Rostock by way of Schwerin, or the second north-south connection in the GDR has priority. The plan is to electrify the Stendal-Geestgottberg near Wittenberge/Elbe section by the end of this year. By April of next year, the rail section between Rostock and Bad Kleinen on Lake Schwerin is to be ready. It is in this section that the 1,000th kilometer electrified since the 10th party congress will fall. In addition to the work in the north, final work is being continued around Berlin. There, the Rummelsburg classification yard and the Pankow and Koepenick freight stations are to be electrified by the end of the year. In the central part of the GDR the most significant connecting line is being completed between Rosslau/Elbe and Wittenberg.

For transit traffic by train between West Berlin and the federal territory, the electrification of the GDR railroads which has been carried out up to now is only of limited significance. There are five rail connections for transit traffic: between Berlin and Hamburg by way of Nauen, Wittenberge/Elbe, Schwanheide; between Berlin and Stuttgart by way of Potsdam, Magdeburg, Marienborn; between Berlin and Frankfurt by way of Potsdam, Bitterfeld, Erfurt, Gerstungen; between Berlin and Stuttgart by way of Potsdam, Bitterfeld, Jena, Probstzella; between Berlin and Munich by way of Potsdam, Bitterfeld, Leipzig, Probstzella or Gutenfuerst. The northern section to Hamburg is not electrified at all; the southern sections are partially electrified. The greatest interest for the GDR would actually be the

electrification of the section leading into Hamburg undertaken at the expense of the FRG, particularly since the port of Hamburg is used by the GDR and the other countries of "the Council for Mutual Economic Assistance" as a transit port. The FRG minister of finance will, however, hardly be willing to bear the expense of the electrification of the 225 kilometers of the Berlin-Hamburg section which lie in GDR territory. Whenever electrification is considered specifically in relation to West Berlin, it is the shortest transit connection: between Berlin and Hannover. For this, only 161 kilometers are in GDR territory. However, here also the high costs have so far deterred the FRG government. In Bonn, in West Berlin and in the GDR other solutions are being brooded over.

12666

CSO: 2300/421

GERMAN DEMOCRATIC REPUBLIC

SHIPPING FIRM SEEKS LARGER WESTERN MARKET

West Berlin IWE TAGESDIENST in German No 86, 11 Jun 85 p 1

[Article datelined IWE Berlin 11 Jun 85: "GDR Merchant Fleet in Search of Western Clients"]

[Text] The GDR merchant fleet is supposed to provide more transport for Western clients and thus help the GDR increase foreign currency revenues. For this purpose, the "VEB Deutfracht Seereederei" [state owned shipping company] is systematically expanding its international contacts and trade relations. At the end of May, for example, there was an "information exhibit" about the GDR merchant fleet's service capacity at the London Maritime Exchange, and this aroused lively interest in British shipping and business circles. As the head of the VEB Deutfracht Seereederei's Main Department for International Work, Werner Stephansky, confirmed, incident to the information exhibit, "new business connections" had been established with Great Britain's business establishments. According to the GDR shipping company's representative, similar public relations events will take place in more international trade centers, and not just those in Europe.

In the meantime, systematic modernization of the GDR merchant fleet is being continued. 171 merchant ships of the "VEB Deutfracht Seereederei," with a deadweight tonnage of 1.65 million tons are currently plying the seven seas. Even now, the GDR merchant fleet's utilized capacity--7.5 tons of cargo per year for each ton of deadweight tonnage--is significantly higher than the international average of 5 tons. In connection with this, Western shipping circles point to the GDR shipping company's policy of dumping prices. Currently it is operating regular service to ports on four continents. In 1984, the GDR merchant fleet carried a total of 12.8 million tons of goods, the record up to now. The GDR shipping company is now aiming at the 15 million ton limit.

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HUNGARY

MARJAI SPEAKS AT ECONOMIC CONFERENCE

AU191338 Budapest MAGYAR HIRLAP in Hungarian 14 Jun 85 p 7

[Report on speech by Deputy Premier Jozsef Marjai delivered on 13 June at the opening of a 2-day international conference on economics organized by the U.S. daily INTERNATIONAL HERALD TRIBUNE in the Budapest Hotel Atrium Hyatt: "Economic Conference"]

[Text] At the beginning of his speech Jozsef Marjai stressed: We consider this increased interest in the Hungarian economy to be an honor and recognize it as an acknowledgement. We are glad to satisfy your interest and we openly express our views on both our achievements and our problems.

We are doing this because we are convinced that relations between enterprises can only expand if we know and understand each other better. Therefore, it is necessary to gain personal experience. It is my opinion that this conference will help you to conceive a correct, impartial, and well-intentioned notion of the development and problems of the Hungarian economy.

The lectures to be delivered there will convince you that--based on existing potentials--the Hungarian People's Republic has the firm intention of dynamically expanding its international economic relations. Our primary intention has always been to become reliable partners and fulfill the generally accepted norms of international trade. We will pursue this line in the future. At the same time we also expect our business partners to consider us an equal party; we oppose any discrimination and protectionism motivated by political considerations. We do not ask for privileged relationships, but we do want equal condition in competition, the reduction of artificial disadvantages on markets, and the removal of obstacles to natural economic and business relations. We are willing and able to take part in competition on any market according to the rules and norms of that particular market.

Based on Own Resources

It is well-known that there is hardly a country in the world that in a relatively short period of time has managed to stop the tendency toward insolvency and even considerably reduce its debts. Since 1982 Hungary has accumulated a substantial surplus in convertible trade and the state of the balance of payments even allows our debts to be decreased.

The deputy premier said: One of our major targets is to strengthen the balance of foreign trade and decrease our debts. This goal is served by our export-import business activities which should prove effective through our stronger intention to take part in the cycle of world trade on the one hand, and our application of reliability, effectiveness, saving measures, and comparative advantages on the other.

Jozsef Marjai continued: Considering the restoration of the foreign trade balance, we have regrouped our resources, especially as regards investments, at the expense of domestic utilization and to the benefit of exports because we had no other choice. In the coming 5-year plan period we can positively expect the Hungarian economy--based on the internal and external balance of trade and its parallel improvement--to set out on the road of steady and stable prosperity in the coming years.

During the coming period the boom in our economic activity, our efficiency, stricter business regulations, transformations in the economic structure, and speedier technical development will offer our foreign partners much better opportunities for business activity than heretofore, and we ourselves consider the realization of such business to be vitally important.

Depending on our productivity we are planning to gradually increase the means for investments. Our most important task is to change our development policy and accelerate the modernization of the economic structure. We intend to form an intensifying and reconstructing [both words published in English] development policy which is more flexibly market-oriented and competitive, and which will reduce expenditures, and give preference to investments to develop technology.

Jozsef Marjai explained: The government does not plan to introduce a complete change in the proportion of branch industries carrying out investments. The most vital investments will continue to be in the productive branches and the proportions [of investments allocated] to agriculture will not be substantially changed. We would like to see the development of the processing industry take an upward swing, as well as the necessary development in the production of basic and raw materials and in the energy sector, all of which will be necessary to enable us in the long range to catch up with world trade. In our development policy we will continue to carry out our central development programs and to influence investments by the enterprises. We do not intend to initiate a centrally organized large investment program but we will continue our well-established and successful programs: the power management program, which aims at creating an energy-saving production and utilization structure, the programs which stimulate the introduction of modern technologies and thrifty management of materials, and the program for a more intensive utilization of waste materials and secondary raw materials. Investments currently under way by independently operating business--which use resources from their own finances as well as credits--already make up 60 percent of total investments.

We must also rely on direct foreign capital investments. These investments will be taken into account as being sources of potential acceleration and as

additional resources. There are not many examples yet but the Hungarian economy offers a wide range of possibilities for mutually favorable international cooperation in the following fields: simple cooperation in goods production, technology transfer, purchase of licenses, cooperation on third markets, utilization of foreign capital, and the establishment of joint ventures in production and commerce. It is in our interest to better utilize any possible cooperation.

In CEMA

Hungary is an active participant in the socialist economic integration, in CEMA. Being part of this integration gives us security and forms an important aspect of our competitiveness. We are actively participating in the further development of CEMA and this development will bring about an extension of international relations, an improvement in East-West economic relations, and it will promote the strengthening of our multilateral economic and business connection with economic groupings other than the socialist integration.

The deputy premier also explained that the further modification and perfection of our economic system and the continuation of reform will enhance the capacity of our economy, and at the same time prepare a more natural, smoother way for us to directly join the international division of labor.

We believe that our potential partners will find attractive possibilities for cooperation in view of the political stability of our country, Hungarian economic life, our development projects, and our economic policy oriented toward maintaining equilibrium and increasing exports.

Among other things we encourage foreign companies to enter into joint ventures with Hungarian enterprises. We are fully aware that the working capital which should reach Hungary via the joint ventures will not in the near future create additional resources for developing our economy. However, we are convinced that the joint ventures, being new forms in international relations, will create a favorable basis for closer relationship between partners. It is our intention to further improve conditions for foreign firms entering into joint ventures in Hungary and we would like to modify the rules of practical operation which are sometimes somewhat complicated. It is my opinion that this conference will serve future relations by engineering serious and practical ideas. We must mention here that at present there are 41 joint ventures in Hungary in which foreign partners are involved, and this is a twofold increase since the beginning of 1984.

We Hungarians are practical people. We think that we must establish more and more mutually favorable, good businesses and create dynamic joint ventures. These are fields in which countries of different social systems may better understand each other. With these goals we desire to create an atmosphere of trust, the practical implementation of the principles of good-neighborliness, and finally the preservation of peace.

CSO: 2500/422

HUNGARY

BOSSANYI ON CONTINUED ECONOMIC GROWTH

AU191009 Budapest NEPSZABADSAG in Hungarian 15 Jun 85 p 1

[Article by Katalin Bossanyi: "The Command of the Situation"]

[Text] We all know that because of the harsh winter and the related energy restrictions the current year had an unfavorable start, and the boom in the economy could not begin as desired.

However, the latest data published by the Central Statistical Office show that development was not intensified and that in May production even decreased in certain branches of industry. The bad weather at the beginning of this year cannot be blamed for the stagnation. In the background there are other, more deeply rooted problems that block the upward swing; they result from structural and market problems. We must face these troubles and search for solutions.

What do we see in the data of the first 5 months? If we examine the various fields of our national economy we will see that the increase in industrial production--contrary to the stipulated 3 percent--does not exceed the level of the same time last year; in fact, we are actually facing a decrease in production in the machine and food industries, both of which play a vital role in our competitiveness on the world market. There was a substantial decrease in the production of the building industry and if we examine the figures of agricultural procurement, we see that trade remained behind last year's results. Investments have also decreased, even though we were expecting an increase this year. The income level of the people remained as expected, but was not supported by the stipulated increase in efficiency. The most thought-provoking fact is that although at the same time last year our foreign trade accountable in dollars registered a substantial growth--in other words, we exported more than we imported--this year the case has been exactly the opposite.

These are indeed very unfavorable trends! If until the end of the year we cannot revitalize the economy, we will be faced with problems not only in the fulfillment of this year's plan. There is a greater danger behind this--and this makes the economic changes of 1983 so important--namely, that we would have to start our new 5-year plan period from a very disadvantageous position. Then we would not be able to utilize the notable

upswing in the world market, and we would be too late in joining the external trends that could strengthen our economy. At present we have a good chance to do so, precisely because of our consistent and effective efforts in the economic policy and because we have maintained our balance of payments, and even improved our solvency.

It is very important to uncover the unfavorable trends in our economy; we must focus our attention on those points that create internal obstacles to economic growth. It is true that there are external, objective factors that also affected the results of the past 5 months, but we must admit that we cannot substantially influence these external problems. One could argue that the reasons for the low industrial production intended for export were also influenced by other factors, such as the strength of the U.S. dollar and, accordingly, the changes in the other currencies. Others may say that agricultural exports, despite an increase in quantity, could not counteract the losses resulting from the low prices on the world market. One has to realize, however, that this is how the international field is and that we are just the players. Nobody intends to belittle the real losses caused by the winter and the shortfalls of production resulting therefrom. However, when the economic trends of the past 5 months are examined, it becomes clear that the substantial shortfall behind the targets of the plan was not caused by these trends.

There is a much clearer evidence than the above-mentioned: While in recent years we have restored the external equilibrium of the national economy as a result of our restructured economic policy, the necessary structural changes in the production sector only developed at a lower rate and were accompanied by many contradictions. This low rate of increase diverted attention from the shortages in commodity stocks and the losses stemming from the slow exchange of goods, from inefficient productivity and organization, and from inadequate marketing. All these shortcomings have surfaced together and at a time when we wish to revitalize the economy. Thus, it has become even more evident that the present output of our processing industry can only be sold at a loss and on a very limited market.

Because the recognition of the structural problems is nothing new, one would be entitled to ask: As we were able to draw up a decisive and successful economic program in the recent and very difficult period to decrease our debts and maintain equilibrium, could not the enterprises come up with a similarly rational and feasible concept to boost the market and attain a closing of our ranks?

A concept, however, is not enough; it cannot be sold on the world market. The real meaning of our current economic program is that we must increase the country's income by producing and marketing more modern and more competitive goods. This means the following: radical changes in product structure, a selective acceleration of the technical and technological development, a halt in the production of goods at a loss, a cut back on expenses, and more effective production and employment.

Such a process will not develop overnight and it cannot take place without conflicts, because the evolution of the process itself requires time. Unfortunately, we have little time left, because on one side of the balance we find the selective closing of ranks on the market and a more effective participation in the international division of labor, while on the other side we have not only the shortfalls, but also the danger of dealing with an almost impossible task to recoup the losses.

The trends of the first 5 months of this year seem to indicate that the enterprises are lacking initiatives that are so important in a dynamic economy. Perhaps the enterprises consider their situation more unfavorable because it is impossible to estimate the effects of the new economic system, which is understandable if one looks at the current economic situation. The country's problems of liquidity have disappeared and it is now possible to obtain capital both at home and from abroad. It appears that the businesses are restrained by a kind of psychological inhibition and are not even prepared to follow up the slightest initiative that is at their disposal, although they now enjoy independence.

The other fact is that the number of businesses has increased that are lining up to request various preferences and state support. It would be wrong to give into such requests, because it is clear that to introduce such preferences would be an impediment to the desired structural renewal and would direct attention to side issues.

There is another kind of disturbance in the economy. It seems that we have become too relaxed after the heroic efforts of the past few years, though we have absolutely no reason or right to do so. In recent months, in the midst of very important political and social events, we have been talking more than usual about our achievements, but we have not kept quiet about our problems either. Let me only remind you of the electoral speeches of the party's general secretary or the premier, or of the latest agreement between the government and the Council of Trade Unions while discussing the shortfalls in production. It is clear from all these documents that we are over the hump in the decisive phase in stabilizing our economy, but we have not as yet finished the job. Great efforts are required to become active on the markets and progress faster.

We cannot sit down and relax! The situation commands that to fulfill the national economic plan we must do our best and spare no efforts.

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POLAND

REVIVAL OF TRADE WITH BRITAIN ANTICIPATED

Warsaw RYNKI ZAGRANICZNE in Polish 9 and 11 Apr 85 p 1

[Article by Janusz Brzozowski: "Evolution in the Desired Direction"]

[Text] After a period of an almost complete freeze in official contacts, last year the first signs appeared of a thaw in political and economic relations between Poland and Great Britain. A dialogue was initiated at various levels. In August 1984, Lord Shackleton, the chairman of the British Council on Trade with Eastern Europe, visited Warsaw. Soon afterwards -- after a 3-year hiatus -- the bilateral mixed commission resumed work, and in November Malcolm Rifkin, the deputy foreign secretary of Great Britain, came to Poland. The visit that is now beginning by Geoffrey Howe, the head of British diplomacy, thus constitutes a sort of culmination of the evolution of London's attitude toward Poland.

It can be viewed from two aspects. In the first place, it is the next element in the new Eastern policy recently initiated by the government of Margaret Thatcher. Admittedly, Great Britain is still acting loyally within the framework of NATO's general policy toward the socialist countries, but it is also undertaking attempts to initiate a dialogue on its own account. In economic matters, this consists of striving to increase trade turnover and to revive the East-West cooperation that has been obstructed in recent years. The British are aware of the benefits arising from an improvement in relations with the socialist countries, and want to play the leading role in this process.

The other aspects of the visit, closely linked with the preceding one, is the apparently mutual desire to take a further step in the normalization of bilateral relations between Poland and Great Britain, and the restoration of the former significance of the cooperation between both countries.

Great Britain has always been an important trading partner for Poland. We have had traditional and longstanding economic ties with this country since the period between the wars. Until the beginning of the last decade, Great Britain occupied first place among the Western states from the standpoint of the size of bilateral commodity trade. In the last few years, it has invariably been our second trading partner among the capitalist countries (after West Germany). Poland is also Great Britain's second trading partner among the socialist countries (after the USSR).

The favorable evolution in economic and trade relations is demonstrated not only by the increasingly more numerous meetings and visits by delegations at various levels, but also by the figures for the value of the turnover. After a 30 percent decline in our exports to Great Britain in 1981, in the following years an uninterrupted growth trend continued, and last year the value of these exports had already reached the level of 267 million pounds, i.e. twice as high as 3 years earlier (and close to the level noted at the end of the 1970's, during the height of Polish-British trade). It should be added that these data are based on British statistics taking into account the principle of the country of the actual destination and purchase of the goods. They thus do not include our exports to third markets through British firms. And those are extremely large, constituting about 40 percent of total Polish exports to Great Britain.

In recent years there has also been a trend toward an increase in imports from Great Britain, although the rate of this growth has been considerably slower than in the case of exports. This is mainly a result of Poland's difficult payments situation. The suspension in the granting of new credits by Britain is also a factor seriously hindering imports.

Bearing in mind the longstanding tradition of bilateral cooperation and the economic potentials of both countries, it should be stated that in spite of the gradual increase in the value of trade, it is still too modest. Great Britain's share in our foreign trade barely amounts to about 3 percent, and Poland's share in British trade is even smaller, barely amounting to a fraction of 1 percent.

Chances for a stronger revival in economic cooperation certainly exist, and they depend above all on an increase in our exports to Great Britain (these mainly consist of goods from the electrical machinery industry), and on the development of industrial cooperation.

During the last session of the mixed commission, the areas in which the greatest possibilities exist for the development of cooperation between both countries were designated. In this regard one should cite, among other things, medical equipment, food processing machinery, construction, road, and mining machinery, forklifts, electrical equipment, electronics, pharmaceuticals, and products for the protection of plants.

Cooperation in third markets can become an important element in the expansion of cooperation and trade between Poland and Great Britain. For the time being it is much less developed than in the case of our relations with West German, French, or Japanese firms, and is essentially limited to reexport.

Meanwhile, it appears that it is possible to increase cooperation significantly on the basis of contract partnership or subcontracting. Such prospects exist, for example, in the areas of mining and energy, chemistry, and general construction.

The realization of the determinations of the mixed commission and the development of cooperation in third markets should provide the beginning for a new pattern in Polish-British economic and trade relations in the second half of the 1980's. One may consider that Minister Howe's visit will create the conditions for this.

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ROMANIA

EFFORT TO ACHIEVE NEW AGRARIAN REVOLUTION

Bucharest ERA SOCIALISTA in Romanian No 10, 25 May 85 pp 14-17

[Article by Iulian Plostinaru: "A Dynamic, Revolutionary Spirit in the Political and Organizational Work for Carrying Out the New Agrarian Revolution"]

[Text] Guided by the imperatives for completely materializing the traits characteristic of socialism and, equally, by the necessity of fully utilizing the advantages of the socialist system of social organization and management, our party has conceived a strategy for achieving the homeland's economic and social progress within which the development of agriculture constitutes an essential condition for economic growth on the whole, for the implementation of the program for raising the whole populace's standard of living.

On this plane too, the historic ninth party congress represented a moment of wide revolutionary openings. Bearing the imprint of the bold, innovative thought of Comrade Nicolae Ceausescu, the strategy for Romania's economic and social development, devised and implemented in the last 20 years, starts from the necessity of raising our society, in a historically short interval, to a new, qualitatively higher stage of development, from the basic truth that only modern, high-output production forces can secure the new society's rapid progress. The balanced, harmonious development of all areas of the homeland and the establishment of a dynamic equilibrium between industry and agriculture, between all branches of the national economy, occupy a central place within this strategy.

For Modern, Intensive, High-Yield Agriculture

Along with achieving a high rate of growth in industry, in accordance with the sweeping scientific and technical revolution, our party has in view the providing of the intensive development and the modernization of agriculture, so that it may meet completely and with high efficiency the national economy's requirements. This is, in fact, the course of the profound revolutionizing of agricultural production, with the development of the production forces as a decisive factor in progress presupposing the harmonious growth of the national economy, based on modern industry and on strong, highly productive and profitable agriculture. The national economic complex is not and cannot be a mechanical sum of the branches of material production but represents a single whole in which they evolve in close interdependence. In accordance with the

requirements of proportionality in developing the economy's branches and of the transition to a new quality in all fields of economic and social life, our party and state are harnessing those conditions meant to secure the harmonization of the relationships between industry and agriculture on a higher plane, the achievement of as full an agreement as possible between these branches, having profound economic and social implications.

Promoting the new agrarian revolution, a concept devised by Comrade Nicolae Ceausescu, the party is performing a long-term action on a complex plane--technical, organizational, economic and social--to bring about transformations of a qualitative nature in the field of the production forces and social relations, transformations that would be materialized in the modernization of the technical-material base, the substantial growth of the role of scientific research, the raising of the qualifications of the work force, the improvement of the planning, of the forms of management and organization of production, the growth of material incentives and the expansion of socialist, working-class democracy, and the obtaining of high economic efficiency. Against the background of these qualitative transformations there is being secured not only the substantial growth of agricultural production and labor productivity but also the accentuation of the process of turning agricultural activity into a variant of industrial work, on the basis of which, gradually, the bringing of agricultural work and industrial work closer together, the elimination of the essential differences between them, and the disappearance of the differences between the village and the city are occurring.

From the perspective of this programmatic choice, the 13th party congress established that, in the 1986-1990 5-year period, in agriculture "the basic objective will be to carry out the new agrarian revolution, which presupposes the general transformation of our cooperative peasantry's way of working, of life and of thinking, the achievement of an agricultural output that meets to the full the consumption needs of the whole populace and other requirements for developing the national economy." To this end, a large volume of investments is being allocated to agriculture, with the material and financial efforts being aimed at the full and rational use of the land resources, the raising of the fertility of farmland, the attainment of a higher technical and technological level in all sectors, the raising of zootechny's percentage of the total agricultural output, the development of scientific research and the generalization of its achievements in practice, the qualitative improvement of the work force and the providing of strict labor discipline in all agricultural units, and the consistent application of the principles of the new economic and financial mechanism.

In this very year, as Comrade Nicolae Ceausescu indicated, it is necessary to obtain record yields per hectare: over 8 tons of wheat, 20 tons of ears of corn and 40-60 tons of potatoes, sugar beets and greens, with a significant rise in all vegetable and animal production being secured.

The realism of these objectives has its foundation in the technical-material conditions existing in agriculture and in the achievements of the top agricultural units, it being possible to obtain record outputs wherever all the workers--from the farm machinery operators and cooperators to the technicians and

specialists--exhibit high responsibility and firm discipline in performing the work on time and with perfect quality, in accordance with the technological parameters, strive with abnegation and revolutionary spirit to eliminate the old and the backward mentalities and to promote the new, to overcome the difficulties, and act with responsibility and a sense of thrift to intensively use the land, tractors and agricultural machines, to reduce the material expenditures per unit of product, and to affirm in practice the principles of worker self-management and economic and financial self-administration.

The forging of modern, intensive, high-yield agriculture is conditioned by the amplification of the interaction between the development of the production forces and the improvement of the socialist production relations. In order to utilize this interaction as well as possible, the material and financial efforts that our state is making have in view the multilateral, qualitative development of the production forces, there being secured the growth of the degree of socialization of production and labor in the agricultural cooperatives and the bringing of cooperative ownership closer to ownership by the whole populace on a higher plane, and, on the other hand, are aimed at the improvement of the production relations, with the accent being put on, among other things, the expansion of the association and cooperation among the socialist agricultural units and on the improvement of the unitary planning and management of agriculture.

The creation of the combined agroindustrial councils responded to the requirements for the progress of the production forces, with these bodies directly providing the unitary coordination of the activity of planning, management, scientific research, association, cooperation, industrialization and sales, with a view to utilizing with maximum efficiency the land resources, technical means and work force. Through their activity, the combined agroindustrial councils have abundantly demonstrated their viability, providing, along with the unitary coordination of the activity, the intensification of the ties of cooperation between the two forms of socialist ownership in agriculture and the accentuation of the process of equalizing, on a higher plane, the development of all agricultural units. Better conditions have thus been created for obtaining yields that would reflect a qualitative leap in the efficiency of the social labor used in this basic branch of the national economy.

In accordance with the exigencies of the new agrarian revolution, the leadership of the party and state has taken steps meant to lead to the improvement of the activity of the combined agroindustrial councils, creating within them the bureau for coordinating the party political and organizational activity and the bureau for coordinating the activity of the people's councils. Their powers and tasks bring out their special role in the qualitative improvement of the entire activity in agriculture. Thus, the bureaus for coordinating the party political and organizational activity are called upon to provide the guidance and supervision of the party organizations, the people's councils and the managements of the economic units, including those in the fields of mining, geology, petroleum, the wood and construction-materials industry, transportation, small-scale industry and services, as well as the social and cultural units in their range of activity, for the firm application of the party's decisions and the state's laws regarding the fulfillment of the sole

plan for economic and social development, the plan for developing agriculture and the food industry on a territorial basis and the special programs for growth in agricultural production, the systematization and administration of the localities, the application of the economic and financial mechanism, and the matter of using to the utmost the entire human and material potential within the state and cooperative combined agroindustrial council. In their turn, the bureaus for coordinating the activity of the communal people's councils concern themselves with the proper organization of the activity of collaboration among the communes that belong to the same combined council for the attainment of objectives of common interest, the improvement of the public administrative activity, the implementation of the law on the systematization of the localities, the guidance of the local bodies of state power and administration, and the fulfillment of the tasks in the plan for economic and social development on a territorial basis and of the self-supply programs.

Directly involved in the broad set of problems of management of agriculture, the coordinating bureaus are in a position to bring about the raising of the economic and social potential of the rural localities, to enrich and intensify the political-educational and cultural activity in the villages, to economically consolidate the socialist agricultural units, to strengthen and expand the forms of cooperation between the state agricultural enterprises and the agricultural cooperatives--all these things being materialized in the growth of agricultural production and of social labor efficiency.

The entire activity of the combined agroindustrial councils and the coordinating bureaus is guided and aided effectively by the county party committees, through the members of the bureau and its apparatus or through the sectors for problems of party work in agriculture within the organizational sections. They have the duty to raise the unitary management of agriculture to the level of the exigencies of the new agrarian revolution, militating for the political and organizational strengthening of the party bodies and organizations, for the growth of their competence and responsibility in the management of the entire activity.

The Imperative of Raising the Party Work to Higher Levels

The broad process of revolutionizing our agriculture brings out a major requirement--namely, the raising of the party work's quality to higher levels. The transition to a new quality in agriculture too is synonymous with the substantial growth of production and labor productivity, with the reduction of the costs per unit of product, with high profits and high profitability, with higher economic efficiency--exigencies for economic growth that cannot be achieved except through first-rate work, characterized by political and professional competence and performed in a spirit of high responsibility and revolutionary abnegation. "Every communist," Comrade Nicolae Ceausescu said in this regard in the speech given at the working conference in Mangalia, "must master well the highest scientific, technical and professional knowledge in all fields. But he must have an additional attribute--he must be ready to perform any task on the party's behalf, in any field, he must be a professional revolutionary."

The quality of the activity of the combined agroindustrial councils and the coordinating bureaus--quality that is reflected in the results obtained in production by the subordinate agricultural units--is determined mostly by the training, competence and revolutionary spirit of the working people, of the personnel with responsible jobs in the respective field, especially of the party organizer, invested with the positions of chairman of the combined agroindustrial council and secretary of the bureau for coordinating the political and organizational activity, with powers and tasks of particular importance.

On the basis of the powers that he has, the party organizer militates for the implementation of the decisions of the party and state in agriculture and the instructions of Comrade Nicolae Ceausescu, for the materialization of the basic objective of the new agrarian revolution. In the center of his attention there must lie the matter of applying with maximum efficiency the set of measures adopted by the party leadership with regard to improving the management and planning of agriculture, which, as is known, is aimed both at the providing of the unitary management of all sectors of activity and at the strengthening of the role of the agricultural units, with the whole council being effectively responsible, as plan titular, for the complete fulfillment at higher levels of the tasks that go to the agricultural units. The main obligation of the chairman of the combined agroindustrial council is that all the agricultural units that make up the council obtain good results. This presupposes that he organizes his activity so as to cover all sectors, to know well the situation in each unit, to penetrate competently into the essence of the production processes and economic phenomena, which allows him to draw correct conclusions, to generalize the positive experience, to adopt efficient measures for eliminating the shortcomings and improving the work.

The good results gotten by a number of combined agroindustrial councils in the growth of vegetable and animal production are directly linked to the first-rate work performed on all planes by the party organizer--the secretary of the bureau for coordinating the political and organizational activity--and the members of these bureaus, who, through their political and professional ability, managed to stimulate the activity of the party organizations in the respective agricultural units, imparting to their work discipline and responsibility for the exemplary implementation of their own decisions and measures referring to the rational use of land, the application of modern production technologies and the maximum utilization of production capacities, and so on.

The chairman of the combined agroindustrial council has the duty to militate for the development of the spirit of responsibility in work and of revolutionary firmness, this being an essential condition for the qualitative improvement of the party work and of the activity of the agricultural units. In many places, the actions of the coordinating bureaus and the combined agroindustrial councils are constantly aimed at strengthening the leading role, the competence and the strictness of the party organizations and the general assemblies. As a result of the activity performed, the center of gravity of the work has been moved to the agricultural units, where the fate of production is decided, to the core of the concerns and worries of the people.

This experience brings out the significance not only of the systematic political, ideological and specialized training of the members of the coordinating bureaus but also, especially, of the instruction's content and its practical efficiency. Because, in the final analysis, the thorough assimilation of the party and state decisions and the revolutionary style of work by the party activists is essential. In the spirit of this exigency, action is being taken by the county party committees, which, through the sectors for problems of party work in agriculture, are intensifying and diversifying their concerns regarding the improvement of the training of the members of the coordinating bureaus, of all the party and state personnel in the villages, systematically using the forms and means that they possess within a broader training program than up to now, in the sense of expanding the set of problems from those of a political, ideological and educational nature to other fields--economics, technology, science, culture and so on--absolutely necessary to the activist of today.

The imperative of obtaining record outputs at the level of the existing conditions and of substantially increasing the production and labor productivity in agriculture necessarily requires the intensification of the concerns for securing the qualitative improvement of the work of the members of the coordinating bureaus, of all the communists, so that they master well the highest scientific, technical and professional knowledge in all fields. Moreover, in this there also lies the basis for the raising of the level of the activity of the party organizations, for their political and ideological maturation, for the growth of the competence and responsibility in the fulfillment of the tasks, in the management of economic and social life.

A Revolutionary Spirit in Managing the Activity in Agriculture

The revolutionary spirit in the management of agriculture is manifested truly only insofar as the priority centering of the work on the many requirements for developing this basic branch of the national economy is achieved, only insofar as the blending of the current activity with the long-term activity is secured.

Militating for high communist responsibility, for a revolutionary spirit in management, the county party committees are performing efficient actions--through the sectors for problems of party work in agriculture--meant to aid the combined agroindustrial councils and the coordinating bureaus within them in deeply involving themselves from all viewpoints in the activity of the agricultural units, where, in fact, the attainment of a new quality in agriculture is decided. In many combined agroindustrial councils, the party organizer and the coordinating bureaus are managing, through their work, to ensure that this involvement is viewed not as an extra concern but as a multilateral, continually performed activity, based on concrete objectives, that includes the entire economic and social activity of the villages and concentrates the efforts of all the working people in agriculture in the direction of the growth of production, the raising of labor productivity and profits and the obtaining of higher economic efficiency.

Life has demonstrated abundantly the efficiency of collective labor, which, through its moral support, stimulates everyone's initiative and creative thought, his personal responsibility and his concern for utilizing his professional ability, his qualities as a manager. This way of acting is more and more characteristic of the work of many council chairmen. As a result, in the activity of the respective combined councils, the routine way of operating in slices, so to speak, has been abandoned, there being established the practice of managing with full knowledge of the facts, with the people and through the people, on the basis of the principles of worker self-management. Not by chance, in this way, the measures established have acquired consistency, leading to actions on a broad front that channel the efforts of the working people in the villages toward performing the agricultural work in an exemplary manner, using with maximum efficiency the worktime and the technology and strictly applying the technologies both in the vegetable sector and in zootechny.

However, not everywhere does the activity of the combined agroindustrial councils and the coordinating bureaus within them respond to the current exigencies. The different outputs obtained by agricultural units or even by work formations that have the same economic and natural conditions constitute graphic proof. As a rule, the cause of this state of affairs lies in the deficiencies regarding the application of modern technologies in plant growing and animal husbandry, the organization of production and labor and the use of the factors of the new economic mechanism. Hence, the necessity of increasing the spirit of militancy of the party organizations regarding the manifestations of self-satisfaction, indulgence and superficiality, of involving the management councils in the units and the specialists in efficient work, of strengthening everyone's spirit of responsibility, of performing systematic supervision--directions of action that must constitute a permanent concern of the party organizers.

Along this line of thinking, the necessity of securing the proper functioning of all the collective-leadership bodies of the combined agroindustrial council and of those in the agricultural units, the rational planning of labor, the sensible distribution of the forces, and the continual performance of supervision stands out. Through its nature and character, the council is a dynamic organism and, in consequence, it must perform continual, concrete and efficient activity, characterized by the resolution of the problems, by promptness in fulfilling the tasks.

In agriculture too, just as in the other fields of the national economy, the work performed by the party organizers and the party bodies and organizations cannot be judged except according to the concrete results obtained in implementing the programs for growth in production, according to the way in which they manage to unite the efforts of the agricultural workers, to correctly distribute the forces. No matter how well the sessions may be organized, no matter how sensible the decisions and plans adopted may be, no matter how many conferences and meetings may be held, if in one agricultural unit or another the plan is not fulfilled to the parameters set, the political and organizational work cannot get a good grade. In this case, the causes of the deficiencies must be sought in the party organization's low ability to mobilize and influence, in the unsuitable level at which political leadership is

exercised, in its low possibilities of becoming involved in solving the problems raised by the growth of production, in overcoming the difficulties arising in one field or another.

Efficiently using the forms and methods specific to party work, the party organizers and the bureaus for coordinating the party political and organizational activity have the foremost duty to pursue the strengthening of the role and influence of all the party organizations among the working people in the villages, to work to actively mobilize them to fulfill the economic and social tasks in an exemplary manner. These exigencies involve profoundly and multilaterally the sectors for problems of party work in agriculture within the county party committees, called upon to exercise firm control and to closely aid the coordinating bureaus in the activity of expanding the leading role of the party organizations, of improving the organization and planning of labor and the supervision of the implementation of the decisions, of strengthening the internal party life and affirming the spirit of order and discipline, of consistently applying the norms of internal party democracy, of guiding the party bodies and organizations for the numerical and qualitative strengthening of the party's ranks, the improvement of the educational content and the growth of the role of the general assemblies of the party organizations, and of involving all communists in the exemplary performance of the professional and public tasks.

The effort to conscientize the working people as deeply as possible, to increase their political and economic maturity, to develop their personality and their initiative in the organization and management of production is synonymous with the effort to affirm working-class democracy, with any success on these planes being of particular importance, since, in the final analysis, the measures, programs or decisions, no matter how well substantiated they may be, are materialized not by themselves but through the people's direct activity.

Of course, the substantial growth of cereal production, of agricultural production in all its sectors, is not and cannot be an end in itself. The party asks of the working people in agriculture that the growth of production be obtained not just in any way but in terms of high productivity, with as low material expenditures as possible per unit of product, so as to secure a significant rise in economic efficiency. Only in this way can agriculture efficiently increase its contribution to the formation of national income and only in this way can the agricultural workers increase their incomes.

The reason for these considerations brings out the particular responsibility of the party bodies and the sectors for problems of party work in agriculture, which have the duty to make new and persistent efforts to raise the efficiency of the entire ideological, political, cultural and educational activity, through a more intense mobilization of the coordinating bureaus and a better combining of the efforts of all the educational factors in this direction. As Comrade Nicolae Ceausescu stressed, it is necessary for us to understand that the activity of forming the new man, of creating a revolutionary spirit in work, in life, in all fields, presupposes that all the party and state bodies and organizations regard the matter of the political-educational activity as a central and permanent task.

Being fully involved, in a revolutionary spirit, in materializing this task of overwhelming importance, the party organizers and the coordinating bureaus have the duty to aid the party bodies and organizations in the popularization of the party and state documents and the tasks and orientations laid out by Comrade Nicolae Ceausescu and in the discussion and assimilation of them by all the working people in the range of the respective combined council, with a view to forming and developing the socialist consciousness of the communists, of all the citizens of the communes, and mobilizing them to attain the objectives of economic, social and public-administrative development of the localities. To this end, the party organizations, the people's councils, the trade-union, UTC [Union of Communist Youth] and women's organizations, the ODUS [Socialist Democracy and Unity Organization], the collective-leadership bodies and the other educational factors must be aided in the activity performed to apply the party decisions and comply with the country's laws, to cultivate the principles and norms of socialist ethics and equity, to promote socialist, revolutionary humanism, to educate the working people in the villages in the spirit of the scientific materialistic conception of the world and life.

The practicing of a revolutionary style of work that stimulates initiative and creativity, the prompt resolution of problems--in contrast to those obsolete methods, based on empirical considerations, that lead to narrow practicality and bureaucratize the work--is essential for the combined agroindustrial councils, their chairmen and the bureaus for coordinating the party political and organizational activity. The experience accumulated in this field must be thoroughly assimilated, it being turned into an instrument for practical action in conformity with the respective concrete conditions. Life shows that each action performed can be materialized successfully only insofar as it is based on concrete objectives and, by virtue of them, persistent efforts are undertaken to completely achieve them.

Taking into account the materialization of the experience accumulated, the county party committees are called upon to act with greater firmness to establish in the activity of the party organizers and the coordinating bureaus the revolutionary style of work, there being eliminated the formal, conservative tendencies of isolation, the attempts to find the justification for any shortcoming in factors outside the agricultural unit or party organization, the practice of waiting for solutions from somewhere else when they exist within the respective staff. Only through persevering work of guidance and supervision can the party organizers ensure that the combined council's bodies become a dynamic force, true catalysts of the efforts of the working people in the villages.

The revolutionary spirit must be manifested in all areas of party work. The promotion of the new, the relentless fight against what is old and obsolete, and the complete utilization of the results of scientific research through their generalization in production represent the major imperative, put in our party's strategy, on whose accomplishment the country's economic and social progress depends. Starting from science's foremost role, the party's secretary general, Comrade Nicolae Ceausescu, has put in the center of the process of carrying out the new agrarian revolution the development of scientific research and the speedup of the introduction of progress into all fields. If

the creations of science constitute the essential premise, the attainment of the objectives of the new agrarian revolution is inconceivable without the prompt application of science to production. The application of the results of science to agricultural production contributes to the better resolution of key problems, such as the rational use of the land, of the entire technical-material and human potential, the expansion of mechanization, chemicalization and irrigation, the raising of the qualifications of the agricultural workers, the improvement of the organization of production and labor, and so on.

The promotion of the dynamic, revolutionary spirit in the party political and organizational work in the villages and the strengthening of the discipline and responsibility in the performance of party and state tasks represent one of the main factors in carrying out the new agrarian revolution, in turning agriculture into a modern, highly efficient branch that contributes substantially to the development of our national economy and to the raising of the people's standard of living.

12105

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ROMANIA

DOMESTIC, FOREIGN ACTIVITIES OF FORESTRY INDUSTRY UNITS

Bucharest ERA SOCIALISTA in Romanian No 10, 25 May 85 pp 43-44

[Article by Lazar Meloianu: "The Products of the Forestry Industry Under the Sign of Quality, Diversification and Efficiency"]

[Text] The forests, an important component of the national economy, have always represented one of the most remarkable riches of our country. Today, through their productive function, the forests make good and efficient use of approximately 27 percent of the country's area, especially that area that cannot be utilized by agriculture or by other economic branches due to the forms of relief and the differences in altitude and climate.

Silviculture, an important branch of the national economy, has undergone ascending development in the years of socialism, and especially after the Ninth RCP Congress, which gave a new and vigorous stimulus to the creative efforts in all fields of activity. The ways to develop silviculture on the long term in accordance with the requirements for the country's economic and social progress were established by means of "The National Program for the Conservation and Development of Forest Resources in the 1976-2010 Period."

The leadership of the party and state has devoted and is devoting special attention to the better utilization of the natural resources that our country possesses. In this regard, the Directives of the 13th Congress of the Romanian Communist Party Regarding Romania's Economic and Social Development in the 1986-1990 5-year Period and the Long-Term Orientations up to the Year 2000 provide that the wood-harvesting and -processing industry will be developed mainly through the better utilization of timber. The percentage of furniture production and other finished and semifinished wood products (such as laminated board and so on) will rise to the detriment of products with a less high degree of processing (such as pulpwood, logs for beams and so on). New assortments of textured, colored, thin and extrathin decorative veneer and of chipboard and fiberboard made with new technologies will be assimilated.

The continual growth of the percentage of products with peak performances on a world level is an important objective of the wood industry. Consequently, the process of modernizing the structure of the processing industry through the assimilation of new products with high technical, functional and quality parameters will be intensified.

In the years to come, in order to raise the technical and qualitative level of production, steps will be taken to modernize and redesign the products, securing the growth of their life and dependability, the reduction of weight and specific consumptions, the raising of the outputs and the lowering of the expenses for exploitation, maintenance and repairs; modern methods of analysis and control of quality in the design and utilization of products will be generalized.

The reduction of the specific consumptions and the raising of the unit value of the products, as a result of improving their technical and qualitative performances, will lead to the more marked growth of the degree of utilization of raw materials, supplies, fuel and energy. In addition, action will be taken so that the wood-harvesting and -processing economic units may more rapidly adapt the structure of their production and its quality to the requirements of the domestic and foreign market.

The objectives that devolve upon the wood-harvesting and -industrialization industry, in accordance with the directives of the 13th Congress of the Romanian Communist Party, were established by starting from the fact that considerable funds for investments have been allocated to this industrial branch throughout the period after 23 August 1944. Thus, between 1945-1983, the investments in the wood-harvesting and -processing industry rose 26-fold, and the results were not slow in appearing.

In particular, the big changes made in the forestry operations and enterprises should be mentioned. Mechanized work has been introduced more and more into the forestry operations, just through the equipping of them with powersaws, equipment and installations for transportation. It ought to be added that the timber-sorting activity is no longer done in the forest, it being shifted to preindustrialization centers, equipped with technological lines set up for this purpose, it thus being possible to obtain a more correct and unitary estimate of the timber assortment.

Due to these efforts, in the forestry sector there are 30 enterprises for exploitation and transportation (IFET's) and 20 wood-industrialization combines, equipped with modern installations and with advanced wood technologies, which permit the achievement of a bigger and high-quality output. This, the following are manufactured for the needs of the national economy and for exportation: lumber, doors, windows, parquet, furniture in diversified structures and models, wooden containers of all types, chipboard, fiberboard, enhanced board (enameled, plastic-faced, lined and so on), blockboard, plywood, veneer and many other products and assortments of wood--from pencils and matches to musical instruments and prefabricated houses.

The achievements in quality and efficiency obtained in the last four decades have also been proportional to the efforts made by the working people in this sector; among other things, the indices of utilization of timber in the products for industrial processing has risen from 35 percent to 84.5 percent.

The period inaugurated by the Ninth Congress of the Romanian Communist Party, a period in which big successes were obtained in the better utilization of

timber, the assimilation of techniques and technologies with high productivity and economic efficiency, and the growth of the degree of competitiveness of Romanian products on the foreign market, strongly put its imprint on the wood-harvesting and -processing activity, as on all fields of economic and social life. In this context, a strong stimulus was given to the production of chipboard and fiberboard, through which it is possible to use the thin wood, remnants and scrap resulting from industrialization to replace lumber in the making of furniture, along with drawing into the industrial circuit valuable indigenous species, insufficiently used in the past, such as sycamore maple, ash, cherry, elm, lime and so on.

Good results were also obtained in reintroducing into the industrial circuit the reusable wood resources from the processes of wood harvesting and processing, resources that have come to be used completely as raw material in the production of wooden board as well as in the production of energy.

The massive investments, the assimilation of the gains of technical progress, the diversification of the resources of materials, and the improvement of the processing and finishing equipment and technologies have turned the wood-harvesting and -processing industry into a strong branch of the national economy.

Along with meeting the domestic need for wood products, the wood-harvesting and -processing industry supplies a large amount of high-quality products for exportation, thus contributing to Romania's active participation in international economic exchanges, to the country's general development.

The value of the Romanian exportation of wood products represents a significant contribution to obtaining the valuta funds needed for paying for the importation of various raw materials and supplies, industrial installations, technology and so on, required by the socialist national economy, found at the height of progress.

Romania's entire exportation of wood products, except for furniture, scaffolding, sporting goods and musical instruments, is done through the Exportlemn Foreign Trade Enterprise, which, in fact, is the only Romanian enterprise specializing in the exportation of wood products. The Exportlemn ICE [Foreign Trade Enterprise] exports coniferous and beech lumber, plywood, blockboard, veneer, chipboard (PAL), fiberboard (PFL), as well as enhanced chipboard and fiberboard (plastic-faced, enameled, lined, veneered), wood for cellulose from beech and various deciduous species, logs for beams, wood for rural construction, wooden crates and wooden components for crates, pit charcoal and so on.

The Exportlemn ICE was founded 37 years ago, that is, in 1948, it being one of the first state foreign trade enterprises created after the nationalization of the main means of production. Throughout the period from its founding to the present, the enterprise has undergone continual development. Extensive and intensive growth of its activity has occurred, the organization of labor has been improved, and systematic action has been taken to consolidate and diversify the ties with foreign partners, the majority of them becoming regulars.

The qualitative changes that have occurred in the structure of production have also been reflected in the structure of the exports of wood products. Thus, in recent years one notes a big rise in the percentage of finished products in the total volume of exports to the detriment of products with less processing, thus providing better utilization of timber and scrap wood. In the 1965-1970 period, the percentage of fir and beech lumber represented 45 percent of the total value of the exports, but in 1984, this percentage fell below one-third, with a tendency to drop further. In contrast, the percentage of laminated wooden board rose from 3.7 percent in 1965 to over 20 percent in 1984.

These changes in the structure of the exports acquire an even clearer significance if we bear in mind that, in this interval of time, there was also a big absolute rise in production as well as a diversification of the exported products both from a material viewpoint and from the viewpoint of the geographical orientation of the exportation. Our country now exports new products--enhanced chipboard and fiberboard (plastic-faced, enameled, lined, veneered and so on)--to 60 countries, it having ties with over 900 firms.

Coniferous and beech lumber is exported particularly to the countries in North Africa and the Middle and Near East, on markets becoming traditional, such as Egypt, Lebanon, Saudi Arabia, Algeria, Morocco, Kuwait, Iraq, Greece and others.

The exportation of chipboard and fiberboard, which provide better and better utilization of timber, is done particularly to socialist countries (the GDR, the Czechoslovak Socialist Republic and the Hungarian People's Republic) as well as to other countries: England, the United States, the FRG, Austria, Algeria, Iran and so on. Within this group of products one notes, in recent years, the growth of the percentage of new, higher-quality assortments, such as plastic-faced, enameled, lined and veneered chipboard and fiberboard.

In order to increase the volume and efficiency of the exportation of these products, the producing units, together with Exportlemn, are devoting special attention to prospecting the foreign markets, to knowing the business trends as thoroughly as possible, to getting closer to the final users, and to attaining the products at physical, mechanical and functional parameters corresponding to the requirements.

In conformity with the orientations established by the party and state leadership, the producers and exporters of wood products are concerning themselves with the specialization of producing units according to assortments or outlets, for the purpose of providing higher labor productivity and improving the quality of the products and the regularity of the deliveries. In other words, it is a question of imparting to production as great an ability as possible to adapt to the new requirements of the market, a matter that also results in greater economic advantages.

The diversification of production, the modernization of the existing products and the assimilation of new products, in accordance with the newest achievements of science and technology, form permanent directions of activity. Indeed, in all the producing units one finds the concern for producing new

assortments, competitive on foreign markets, at physical, mechanical and functional parameters comparable to those of the best similar products achieved on a world level.

The actions for raising the percentage of products with a high degree of processing, which provide better utilization of lumber and scrap wood, occupy a central place in all the units. By following this orientation, besides the fact that higher economic efficiency is obtained, better protection of the forest resources is also achieved, in the sense that the volume of timber harvested is reduced; in other words, more products are made with the same amount of timber.

The systematic measures to lower production expenses, especially for materials and energy, also go in the same context of the concern for raising the economic efficiency of production. Aware of the importance of strictly economizing the resources that the country has, the staffs in the forestry and wood-processing units are acting firmly to comply with the consumption rates and reduce them, to lower the percentage of waste and rejects and to reintroduce all reusable materials, spare parts and subassemblies into the economic circuit.

In the activity of foreign trade in particular, the expenses for packaging and transportation have a significant percentage within the production expenses. Consequently, full attention is being devoted to this aspect. Of course, what is pursued is the reduction of the expenses, but by no means to the detriment of a suitable display of the goods or the proper preservation of them up to their destination.

The measures adopted to raise the quality of the products and to meet with maximum strictness the delivery dates put in the contracts with foreign partners stand out among the actions undertaken in the sphere of production. Such actions and concerns exist in all sectors of activity in the Exportlemn Enterprise. Among them there is the interest in orienting the exports toward new outlets and providing continuity to the presence of our products on the traditional outlets. To the same end, the matter of getting closer to the final consumers, through the organization of warehouses for products and the creation of joint companies with partners in various countries, is being pursued.

Continually improving the quality of their work by raising their professional and political level, the workers in the Exportlemn Enterprise are determined to consolidate and develop the prestige gained on the foreign markets and to make a bigger and bigger contribution to our country's economic and social progress.

12105

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16 July 1985

YUGOSLAVIA

REPUBLIC BREAKDOWN IN FOREIGN TRADE, JANUARY-MAY 1985

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12, 13, 14 Jun 85 pp 10,3,2 resp.

[Excerpts]

1. Ukupna razmena u periodu januar-maj 1985. godine

3. Republika -- pokrajina	2 u milionima dinara		6. Pokrivenost uvoza izvozom u %	7. učešća u deficitu
	4. Izvoz	5. Uvoz		
SFRJ	707.162	874.456	- 167.294	80,9
Bosna i Hercegovina	105.622	115.054	- 9.432	91,8
8 Crna Gora	12.540	14.326	- 1.786	87,5
9 Hrvatska	159.449	210.674	- 51.225	75,7
Makedonija	37.123	59.544	- 22.421	62,4
Slovenija	140.960	136.111	+ 4.849	103,5
10 Srbija van pokrajina	173.265	174.718	- 1.453	98,8
Kosovo	17.131	16.141	+ 990	106,2
Vojvodina	60.528	114.708	- 54.180	52,8
FEDERACIJA	543	33.181	- 32.638	1,6

Key:

1. Total Trade in the Period Jan-May 1985
2. in millions of dinars
3. Republics/Provinces
4. Exports
5. Imports
6. Coverage of Imports by Exports in %
7. Share in Deficit
8. Montenegro
9. Croatia
10. Serbia proper

1. Razmena Jugoslavije na konvertibilnom području u periodu januar-maj 1985.

Republika - pokrajina	u milionima dinara			Pokrivenost uvoza izvozom u %	% učešća u deficitu
	Izvoz	Uvoz	Deficit		
S F R J	437.538	564.066	126.528	77,6	100,0
- Bosna i Hercegovina	63.939	62.730	+ 1.209	101,9	+ 9,7
- Crna Gora	7.519	11.273	3.754	66,5	2,7
- Hrvatska	90.400	143.770	53.370	62,9	38,4
- Makedonija	22.500	36.016	13.516	62,5	9,8
- Slovenija	110.855	99.684	+11.171	111,2	+ 90,3
- Srbija bez pokrajina	98.531	116.726	18.195	84,5	13,1
- Kosovo	7.855	12.022	4.167	65,5	3,0
- Vojvodina	35.425	54.080	18.655	65,5	13,4
- FEDERACIJA	513	27.765	27.252	1,8	19,6

Key:

1. Trade with the Convertible-Currency Area, Jan-May 1985

1. RAZMENA NA KLIRINŠKOM PODRUČJU U PERIODU JANUAR-MAJ 1985.

Republika - pokrajina	u milionima dinara			Pokri- venost uvo- za izvo- zom u %	% učešća u defi- citu
	Izvoz	Uvoz	Deficit/ Sušicit		
S F R J	269.624	310.390	40.766	86,9	100,0
- Bosna i Hercegovina	41.683	52.324	10.641	79,7	15,9
- Crna Gora	5.021	3.053	+ 1.968	164,5	+ 7,5
- Hrvatska	69.049	66.904	+ 2.145	103,2	+ 8,2
- Makedonija	14.623	23.528	8.905	62,2	13,3
- Slovenija	30.105	36.427	6.322	82,7	9,5
- Srbija bez pokrajina	74.734	57.992	+ 16.742	128,9	+ 64,5
- Kosovo	9.276	4.119	+ 5.157	225,2	+ 19,8
- Vojvodina	25.103	60.628	35.525	41,4	53,2
- FEDERACIJA	30	5.416	5.386	0,6	8,1

Key:

1. Trade with the Clearing-Account Area, Jan-May 1985

CSO: 2800/359

YUGOSLAVIA

STATUS OF ROBOTIZATION DISCUSSED AT OPATIJA CONFERENCE

Zagreb DANAS in Serbo-Croatian 23 Apr 85 pp 11-13

[Article by Ratko Boskovic: "Robots Work Easily"]

[Text] "Why robotization?" Marko Bulc, the chairman of the Slovenian Chamber of Economy, asked rhetorically from the podium of the First Yugoslav Conference of Robotics, which was held in Opatija from 10 to 12 April. "Because," Bulc answered, "it (robotics) has a substantial effect on the productivity of labor, because it humanizes labor, since robots work easily even where it is difficult for a human being to work, and because it creates new material conditions for the development of socialist self-managing relations, for the liberation of labor. The slogan 'either automation and robotization or backwardness' is being repeated more and more in the world. More and more often, the degree of the material development of states is no longer measured by tons of steel, but rather by the extent to which they are equipped with computers and robots, and their synergetic result..."

At almost the same time, ELECTRONICS WEEK, the most influential electronics weekly in the world, published in the article "Computers Manage Factory" the opinion of an American market researcher: "In the near future there will only be two kinds of companies--the companies that are automated and the companies that are out of business." We hope that this American will not criticize us if we generalize his opinion a little: in the near future there will only be two kinds of states: those that have automated their factories and those that are "out of business."

Unfortunately, this rule can also be anticipated in the case of the Yugoslav republics and provinces. When a visitor entered the entrance hall of the Congressional Center of the Adriatic grand hotel in Opatija a few days ago, he could see at first glance the unevenness of the penetration of robotics in Yugoslavia (one should not have a great deal of hope that robotics will be spread by more general technological progress): in the entrance hall of the hotel, which was not exactly the most suitable place for an exhibit of machinery, 4 completely new robots, one robotized machine for machining metal, a few smaller devices, and one microcomputer system for computer-aided design (CAD) were displayed. All 4 robots were Slovene, and the smaller parts were from Bosnia-Hercegovina and Serbia.

The CAD system, produced by the American firm Computervision, was presented by Rade Koncar. Croatia thus demonstrated its already proverbial abilities at representing and servicing foreign producers (and moreover also demonstrated all the potential dangers of such a policy, since the display of the Computervision equipment coincided with a drastic drop in the value of Computervision's shares on the New York stock exchange, and with the dismissal of its 900 employees). As for the rest of the support for the development of robotics in Croatia, we can list the rather beautiful hall of the Adriatic grand hotel, the food, which was not the best, and the overall tourist facilities of the same hotel, the Zagreb-Rijeka train, on which Professor Adolf Dragicevic arrived late for the conference, the lead-gray reflection in the sea of the clouds that persistently anchored themselves in the Ucek, and the enthusiasm of the Rijeka engineers and technicians, the co-organizers of the conference.

On the national scale, the conference on robotics acquired the status of newspaper EINZEREN (one-column reports), and it was only assigned the presence of 2 or 3 black Mercedeses on whose license plates the 0's were the most prominent numbers. The place where there was a concrete discussion of technical and technological progress, and, for example, a concrete way to save energy while increasing industrial production, remained almost completely in the medium shadow of meetings that were held at almost the same time (the congress of engineers and technicians in Belgrade, or the action conference of communists in power engineering in Sarajevo). Such is the fate of the vanguard--but not in Slovenia. The conference on robotics was attended by Sergej Krajger, and from the way in which he listened to the presentations and examined the exhibit of robots, it was obvious that he was not in Opatija just to give the meeting the authority of his name as a matter of courtesy, and persuasive stories were heard in the corridors about how the Slovene state and party leaders frequently asked the head of the Slovene robotics project to report to them personally on what had been achieved.

Under such circumstances, Professor Adolf Dragicevic, the second guest lecturer after Marko Bulic, acted as an intellectual dissident, although his speech was actually a direct continuation of Marko Bulc's central idea about how the robotization of industry contributes to the "liberation of labor."

Adolf Dragicevic began his report (which he did not read) with a rather long quotation from Marx, about 120 years old, in which Marx, according to Dragicevic, anticipated the appearance of robotics: "Labor is no longer so much a part of the production process, and on the contrary, man's relation to the production process itself is as a guardian and a regulator. The worker is no longer the one who interpolates a modified natural object between the object and himself as an intermediate member; instead, he turns the natural process into an industrial one and drives it as an intermediary between himself and the inorganic nature that he masters. He marches next to the production process, instead of being its agent..."

"In these words," Professor Dragicevic says, "Karl Marx emphasized the most important joint final goal of the workers' and socialist movement, the fundamental meaning and interest of the revolutionary struggle of the working class for its complete disalienation and above all the important liberation of its human activities through the abolition of labor..." These assertions by Dragicevic are well known, but Marx's, it seems to us, are not. We are citing them here in order to give the discussion its necessary ideological foundations, and thus also so that we will not have to convince the readers later on that robots are particularly needed by Yugoslavia and the socialist revolution.

Ideals are so distant, however. Even if Marx's words became convincing to us, after an examination of the robots at the hotel and the hundredth walk along the Opatija "lungo mare," everyday political reality is something quite different: on the terrace of the hotel, covered with the yellow Saharan sand that fell that night with the rain, we asked Professor Dragicevic if any of his fellow Marxists were attending this conference. "Not one," and he waved his hand. A little later the reporter, in his photographic zeal, brought his lens too close to the GORO 102 robot, which simulated spraying an oven with enamel-lacquer at the exhibit. A technician ran up; "Watch out, it's dangerous," he shouted. "Doesn't this robot know Asimov's First Law of Robotics, that a robot must not harm a human being?" the reporter tried to make a joke... "The first law of what?" the technician asked...

Of the presentations at the conference, we will only mention in addition the vehement speech by Academician Miomir Vukobratovic of the Mihajlo Pupin Institute on the topic "The State of Scientific Research in the Area of Robotics in Yugoslavia and the World." Academician Vukobratovic spoke with fascinating expertise, almost without taking a breath. Thus, although an overall idea of the state of robotics in Yugoslavia could leave a nonprofessional visitor to the conference in Opatija with a bitter taste in his mouth, the appearance by Academician Vukobratovic nevertheless illuminated the meeting with the fundamental strength of science.

So much for the First Yugoslav Conference on Robotics in Opatija. Let us give our attention to the problem itself--Yugoslav robotics--and the outstanding points about it that could be of public interest and that have been presented in professional and news reports.

Hierarchy

"The state of industrial robotics in Yugoslavia is complex," emphasized Daniel Jurjevec of the Economic Chamber of Yugoslavia, who continued, "The situation in the area of computers in this country is somewhat similar... It can be said that Yugoslavia has already lost its chance to be included in this production during the phase when it was beginning to be applied in the world..." The beginning was actually back in the 1950's, when the automation of production by means of measuring and

controlling devices began, and when the use of computers and the improvement in industrial automated devices began. Automation began to spread quickly in the 1960's, when almost the entire processing industry was automated, when the first numerically controlled machines and the first industrial robots were created, and the optimization of industrial processes was introduced.

A significant improvement in robots and increased utilization of them in industry were caused by the beginning of the production of microprocessors in the middle of the 1970's. Today, industrial robots are only part of the concept of a computer-integrated factory (CIM, Computer-Integrated Manufacturing), which electronically unites design, analysis, production, testing, and production planning, distributed according to a hierarchy that extends from tools and machines (controlled in time measured in nanoseconds), through individual operations in the process (controlled in weeks), databases, communications networks... The designing of the product, control of the machines and the collection and processing of data are structured in hierarchical layers through which the data transfer links flow, in accordance with the idea that the production operations of a factory are nothing but data in motion, and actually production efficiency is thus essentially efficiency in controlling this flow of information between engineering and physical production.

It is not necessary to rattle on about the advantages of production organized in this manner, since a sea of literature has already been published on this. For our needs, it is only important to say that robots--although they are only one among many types of devices--are a fundamental executive part without which computer-integrated manufacturing could not exist. Not developing industrial robotics would mean abandoning the development of the basic production tool of the factory of the future.

The number of robots in the world is growing at a rapid pace, in the same way that computers have multiplied. In the case of computers, it has been observed that sometimes their proliferation has also been caused by a sort of fashion (especially in the area of home microcomputers). Naturally, in the case of industrial robots, equipment intended exclusively for a factory, there can be no question of fashion, and also because of the very high costs of the acquisition and installation of robotized facilities.

Robotization in Yugoslavia has so far been developed at three main sites: one is the combined Slovenian project (Gorenje and Iskra, supported by the knowledge of Jozef Stefan), and the second and third are comprised of two nuclei in Serbia, one formed around the Pneumatika RO [work organization] of the Prva Petoletka SOUR [composite organization of associated labor] in Trstenik (with its scientific research and development base at the Mihailo Pupin Institute, in cooperation with Teleoptika in Zemun and 14 Oktobar in Krusevac. The other nucleus is gathered around the Tool Machine Factory of the Ivo Lola Ribar Works in Zeleznik, which is cooperating with the Machine Faculty in Belgrade in the development of robots. Some initial experience has also been acquired at Energoinvest's

Institute for Automation and Computer Science (IRCA). Furthermore, there are 5-6 producers of robot subassemblies while all the rest can be described in very few words, "It is being planned..." which is particularly characteristic of Croatia.

Let us also list the first stars in Yugoslav robotics: these are the UMS-2 manipulator (1979, Mihailo Pupin in cooperation with Stefan, installed at Teleoptika), GORO 101 (Pupin, Stefan, and Gorenje, 1981, installed at Gorenje), GORO 80 (Stefan, 1981, intended for working in a forge), GORO 102 (which has been enamelling ovens since January 1981 in double shifts at Gorenje), and GORO 103. In Serbia, in addition to the above-mentioned UMS-2, there are also the UMS-1 and -3, electromotor and electrohydraulic industrial robots. One should also mention Mihailo Pupin's active ORTOZE, which have been sold to Americans. Also being manufactured are the large electrohydraulic robot UMS-4 (which can carry 100 kg), and the UMS-61 PORTALNI robot. Ivo Lola Ribar's pride is the Vilot 5z electromotor robot controlled by its own microcomputer control system, Lola 80...

Goal

Marko Bulc's question, "Why robotics?", could be answered best with the question, "Why robotics in Slovenia?"

"The goal of the plan for the 1986-1990 medium-term period in Slovenia is the production of new products by means of robotized assembly lines, as part of the program for carrying out key investments. The aim of this program is to carry out part of the technological restructuring necessary for increasing the competitiveness of Slovenian products in the demanding markets of the developed world (...). This was the reason for the establishment of the RRE (research and development unit) for robotization within the framework of the Special Research Community for the Electro-metallurgical Industry. The RRE was established by 26 members, of which 15 are carrying out research programs and 11 are users or producers of robots and robot subassemblies. The research and development are aimed at achieving new products by means of robotized and computer-controlled assembly lines for electrical appliances, steelworks, welding processes, the electronic and electromechanical industries, and the wood, leather, and textiles industries. The advantage of such an approach is the synthesis of the existing production technology and robot technology... in realizing concrete new products whose adoption is being planned by Slovenian work organizations..." (Uros Stanic, *Pristop k robotizaciji v SR Sloveniji* [The Approach to Robotization in the Slovenian SR]).

It is realized in Slovenia that robotization, linked with cybernetization and informatization, is a strategic goal in raising the quality of life over the next 20 years... Currently 10 robots are operating in Slovenia, and a growth rate of 50 units per year until 1990 is planned, so that in 1990 at least 300 robots would be in operation. The main goal of the medium-term plan is robotized and computer-controlled assembly lines,

which will make it possible to produce better or completely new products that will be competitive on the world market. Implementation of these plans is the core of the technological restructuring of the Slovenian economy on the basis of international criteria. Robotization constitutes a reversal in the policy of the extensive employment of an unskilled labor force, with the aim of creating new jobs for highly educated youth. The technology acquired for robotized lines, robots, and robot sub-assemblies will be competitive in price and quality with imported ones, and it will be available to the smaller industrial producers, which will easily achieve greater flexibility in adapting to the market and thus greater economic results... The introduction of robotized lines will make more efficient use of energy and raw materials...

The pooling of labor and funds on this basis is proceeding smoothly in Slovenia; and this is perhaps the most important message from the First Yugoslav Conference on Robotics.

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YUGOSLAVIA

KOSOVO POPULATION, OTHER TRENDS ANTICIPATED TO YEAR 2000

Pristina JEDINSTVO (DELEGATSKE NOVINE supplement) in Serbo-Croatian 9 May 85
pp 6, 11, 18 May 85 p 4

Draft of development program for Kosovo for the period 1986-2000

Excerpts It is expected that by 2000 the population of Kosovo will be 2,491,000, with an average annual increase of 2.3 percent, without considering migration. The population density will be 228 per square kilometer, or twice as much as the country average. During this period the population of working age will increase at a rate of 2.8 percent, growing from 55 percent to 58.7 percent of the total population as a result of changes in the age structure. The proportion of the population which is employed will increase to 32.6 percent in 2000, or from 459,000 in 1985 to 812,000 in the year 2000. This is expected in view of the measures planned for economic development, as well as modernization of agriculture, and introduction of social insurance for farmers which will help to keep people working longer.

In the year 2000 about 80,000 persons will be employed in the private sector (outside agriculture), while about 50,000 are expected to be employed in other areas outside the province. By 2000, with an average annual employment rate of 6 percent, the number of persons employed in the socialized sector will amount to 507,303.

	Population		Rate of growth
	1985	2000	1986-2000
Total population	1,753	2,491	2,3
Pre-school (0-6)	377	422	1,5
Compulsory schooling (7-14)	356	441	1,4
Age 60-65 and over	96	165	3,7
Population of working age (15-65)	964	1,463	2,8
Secondary school	88	169	4,4
Full-time students	22	35	3,1
Others	50	65	1,8

Able-bodied population	804	1,194	2,7
Employed population	459	812	3,9
employed in the social sector	213	507	6,0
employed in the private and artisan sector	14	80	12,3
employed in agriculture	180	150	81,2
working temporarily abroad	22	25	0,9
working in other areas of the country	30	50	3,4

The share in total industrial production in the following branches is expected to change in this period as indicated below:

	Rate of Growth		Structure
	<u>1986-2000</u>	<u>1985</u>	<u>2000</u>
Total Industry	8,8	100,0	100,0
Energy	7,3	30,4	24,5
Nonferrous metallurgy	5,9	12,3	8,2
Chemical industry	11,0	4,4	5,9
Nonmetals and construction	9,2	5,8	6,1
Metal processing industry	11,4	8,7	12,3
Electrical machines, equipment	10,6	5,4	6,7
Textiles, leather, shoes	8,0	13,7	12,2
Food industry	11,6	7,2	10,4
Other industries	9,6	12,1	13,4

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YUGOSLAVIA

DANGERS OF INCREASING BIRTHRATE IN KOSOVO DISCUSSED

Pristina JEDINSTVO in Serbo-Croatian 25 May 85 p 6

[Article by Nikola Sarić]

[Excerpts] According to the 1981 census the national increase in the population in Kosovo amounted to 25.6 percent and the birthrate was 32 percent. In comparison, the natural population increase in Vojvodina was 1.8 percent, in Serbia proper 4.6 percent, and in Yugoslavia as a whole 7.8 percent. Of course, this cannot be seen apart from inherited traditions and customs, but it is difficult to find valid reasons for the fact that significant moves have not been made in this field in the overall socialist transformation of Kosovo. Between the 1971 and 1981 censuses the number of people per square kilometer increased from 114 to 145 [In Kosovo] which is also a European record. The only positive tendencies noted in demographic trends is the reduction in the mortality rate which fell from 15.1 percent in 1962 to 6 percent in 1981 and is the lowest in Yugoslavia (Croatia has the highest with 11.3 percent).

In 1981 52 percent of the Kosovo population was able-bodied but only 22 percent of them were employed, while today the province has 112,000 unemployed and in 15 years this will be more than doubled, while the population will increase to 2.5 million. One can easily see the social problems arising from this.... It could be said that the question of the birth rate has been a taboo subject up to now in Kosovo, probably out of fear of mistaken interpretations, intentional or not. But it is certain that even the Albanian nationalists and irredentists have not remained on the side in all this; supporting...as high a birthrate as possible. It is also certain that all other nationalists and enemies of our society, if the solution of this or any other problem were left to them, would try to "channel the water to their own water wheel" and profit as much as they can. The [problem of the] high population increase in our republic cannot be by-passed; on the contrary, it will have to become a subject of attention by the LC, the SAWP, especially the conference for the social action of women, and also by youth, education, health, and other institutions.

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