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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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12 April 1985

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

COMBATING WESTERN 'MYTHS' ABOUT SOCIALIST ECONOMIES

Warsaw TRYBUNA LUDU in Polish 8 Mar 85 p 6

["Novosti" Press Agency (APN) special report for TRYBUNA LUDU]

[Text] A "round-table" meeting of scholars and specialists from the socialist states was held in the APN offices on the subject: "The World of Socialism: Myths and Realities." The meeting was conducted by the vice chairman of the APN board, Igor Medvedev.

Many problems of the real socialism were discussed at the round-table conference, including the place and role of today's socialist economy in the struggle for ideas.

Who Creates Inimical Stereotypes and Myths and Why?

Polish professor Wladyslaw Zastawny, senior scientist in the International Institute for Scientific Research of Management Problems, said that most of the myths and stereotypes are the product of the long-term, directional activity of bourgeois scientists, ideologues and propagandists concentrated in various anti-communist centers. In 1983 alone, official Washington instigated over 30 widely publicized propaganda campaigns. This pertains to history, politics, economy or society's spiritual life. The bourgeois propaganda creates and spreads myths and inimical stereotypes on the subject of socialism. We find here the famous thesis about the "Soviet military threat," the participation of the Soviet Union and its allies in "world terrorism," the myth about the "crisis in world socialism," the absence of "human rights" and "personal freedoms" in the states of the socialist community.

In expanding on this subject, academician Mark Mitin, chairman of the USSR Academy of Sciences' Scientific Council on Foreign Ideology, reminded of the florid statements made by the West German weekly DER SPIEGEL. "The existing balance of forces of the two different but rivalrous social systems," writes DER SPIEGEL, "can now be measured not only in atomic megawatts but also in the megawatts of their propaganda broadcasting stations."

The chairman of the round-table conference, Igor Medvedev, called attention to the fact that the anti-socialist, and especially the anti-Soviet propaganda, is being directed more and more at the production of materials. The myth about the permanent economic crisis in the Soviet economy and the crisis in the CEMA is near the head of the list.

#### The Thesis on the Crisis in the CEMA and the Reality

--I am sure that there is no reason why the problems and difficulties with which the USSR and other CEMA countries are contending should be called critical and why they should be compared with what we see in the West--said the secretary for the Council for Mutual Economic Assistance, Vyacheslav Sichev.

The development growth rate in the CEMA-member states during 1970-1983 was twice as high as in the developed capitalist countries. Mutual trade exchange rose greatly. In 1983 it increased five-fold compared with 1970 and amounted to 167 billions of rubles, i.e., over 58 percent of the total turnover in foreign trade. Thanks to mutual deliveries the socialist states are meeting 70 percent of their requirements for machines and equipment, 99 percent of their requirements for hard coal, 73 percent of their requirements for petroleum, natural gas 93 percent, iron ore 76 percent, rolled iron products 65 percent, and 94 percent of their requirements for sawn timber.

The European CEMA-member states also made great strides in their economic and social development. The non-European member countries who joined the CEMA later--Vietnam, Cuba and Mongolia--receive all kinds of assistance within the framework of the international division of labor.

At the same time, participants in the economic council at the highest level of the CEMA member states, which was held in 1984, said that a great deal can still be done in the area of expansion of mutual cooperation by their countries, in increased specialization and co-production, and in more trade exchange, so that the production and scientific-technical potential of all fraternal countries can be utilized more efficiently and the prosperity of their nations increased--V. Sichev emphasized.

#### Raw Materials, According to Bourgeois Propaganda

"We must drive a wedge of dissatisfaction and suspicion between the leaders of the individual states of the communist bloc." The chairman of the round-table discussion, I. Medvedev, called attention to this statement made by one of the ringleaders of "Voice of America." It is exactly for this reason, he said, that the bourgeois mass media are spreading the myth that the Soviet Union has imposed upon other states of the socialist community a solution to the raw materials-fuel problem which is advantageous only to it [the Soviet Union] and which strengthens its hegemony in the CEMA.

The raw materials-fuel problem has now taken on a global aspect. Not only are the economic activists interested in it, but also the "man in the street." This man is disturbed by the energy situation, and so he must be fed another batch of disinformation about the "underhanded intrigues of Moscow."

In the CEMA-member states and throughout the world, there really is a raw materials, fuel and energy problem, and a problem of utilization. Economic development requires increasingly larger amounts of "gifts from within the earth," and the old beds are being depleted while the new ones require ever larger investments. In short, there is a problem and no one denies it. But it is important how and in whose interest this problem is solved, said Vasiliu Kirstoch, specialist from Romania who heads the petroleum and gas commission in the CEMA Secretariat.

The growing requirements of the CEMA-member states for fuels, energy, and raw materials make this solution an international matter, Kirstoch said. The problem can be solved if all of the efforts of the individual CEMA-member states are combined, and if they are willing to make joint use of their natural and material wealth as well as their resources of labor both in their own national interest as well as the interest of all of them.

In the CEMA-member states, long-range, national programs have already been prepared for economical and efficient utilization of fuels, energy and raw materials to the year 1990. If the measures planned in them are implemented, it will be possible to save 260 to 280 millions of tons of standard fuel in about 1985, taking into account the production of electric energy in the hydroelectric and atomic power plants. This is a very important task, considering that in the CEMA states at the end of the 1970's the energy-intensiveness of a unit of national income exceeded, by approximately one-and-a-half-times, the actual energy-intensiveness of the national income in the Common Market countries.

The large industrial facilities built by the joint efforts of the CEMA countries on Soviet Union territory made a large contribution to solving the raw materials-fuel problem. They include the "Soyuz" gas pipeline, the Ust-Ilim Cellulose Works, and Kiyembayevski Asbestos Works, production outputs of raw materials containing iron and iron alloys, the Vinnitsa-Albertisha power transmission line, and others.

At present, in accordance with a long-range program for cooperation in the field of energy, fuels and raw materials, the CEMA-member states are jointly building atomic power plants and participate in the construction of the Khmel'nitsa and southern-Ukraine atomic power plant in the Soviet Union. These power plants will supply to the CEMA-member countries (Hungary, Poland, Czechoslovakia and Romania) 17 billions of kilowatt-hours annually, in proportion to these countries' share in their construction. To make this possible, 750 kilowatt transmission power lines are being installed between Khmel'nitsa-Rzeszow (Poland) and southern-Ukraine-Isakcha (Romania). Construction of the Mozyr Consumption Yeast Factory is drawing to a close. In Cuba production capacity is being created for the production of products containing nickel and cobalt.

Long-range ventures include 49 ventures dealing with economic cooperation (including 29 dealing with joint construction of facilities and geological exploration jobs).

To increase deliveries of natural gas from the USSR, the CEMA-member states entered into an agreement on the construction, after 1985, of a new gas pipe from the gas deposits in Jamburg to the western border of the Soviet Union. It is figured that it will bring 20 to 22 billion cubic meters of gas annually to the East European countries. In the near future the final conditions for joint work on this project will be established.

#### The Myth About the Unattainable Abundance

The bourgeois propagandists are spreading the myth that under capitalism the daily needs of the average person are being fully satisfied, while this is not so under socialism. They also say that this has always been so and always will be, I. Medvedev said.

As the distinguished Soviet scholar, Vadim Zagladin, remarked, some socialist countries have not yet been able to catch up with the highly developed capitalist countries from the standpoint of national income per one inhabitant and saturation of the market with consumer goods. But the solution to this problem is a matter of time.

The material basis for a growth in the standard of living in a socialist society is the planned development of social production and a steady growth of national income, to which the real income per one inhabitant is directly tied, said Belane Kadar, assistant secretary of the CEMA.

In the 1960's and 1970's the CEMA-member states satisfactorily fulfilled tasks dealing with fully satisfying the demands of the population for industrial goods.

Between 1971 and 1980 the production of consumer goods rose very greatly in all CEMA countries. In some it even doubled.

The branches which produce consumer goods were helped by enormous investment outlays, which in the 1970's in almost all socialist countries exceeded the combined investments for these branches during the entire preceding period of development. The expansion of production and the exchange of market goods within the framework of the CEMA plays an important role in this regard. This situation will be improved through implementation of measures included in a long-range program to meet the reasonable needs of the CEMA-member states for industrial consumer goods.

The characteristic feature of this program is its comprehensiveness, which makes it essentially different from other forms of cooperation. For the first time, detailed attention is given to the problems of supplying the branches in light industry with raw and other materials, machines and equipment, and to the implementation of accelerated development of scientific and technical progress in the production of consumer goods.

In the discussion the principal myths of western propaganda were presented. This does not mean that this subject has been exhausted. There are still many

other myths, and tomorrow some new ones may appear, as I. Medvedev, who summarized the round-table discussion, said. The best weapon against the myths created by the anti-communists and their propaganda machines is the truth of our socialist life, the indisputable achievements of socialism.

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INTERNATIONAL AFFAIRS

POLISH-SOVIET ECONOMIC TALKS, 'ECONOMIC EXPERIMENT' BRIEFING

Warsaw TRYBUNA LUDU in Polish 8 Mar 85 p 7

[Text] Moscow (C). PAP correspondent Leslav Koliyevich reports: As a result of agreements entered into by the deputy premier of the USSR and chairman of the USSR Council of Ministers State Planning Committee, Nikolay Baybakov, and the deputy premier of the Polish People's Republic and chairman of the Council of Ministers Planning Commission, Manfred Gorywoda, a Polish interministerial delegation visited Moscow to acquaint itself with the proceedings and results of an economic experiment being conducted in the Soviet Union. It is assumed that this experiment will strengthen the central management system of the economy and within the framework of this system will expand the independence and responsibility of enterprises for production figures.

The delegation, which was headed by the first vice chairman of the Planning Commission in the Council of Ministers, Franciszek Kubiczek, was comprised of representatives of the following ministries: metallurgy and machine industry; chemical and light industry; labor, wages and social affairs; and also of the Office of Materials Management.

The delegation met and talked with the leadership of the USSR Council of Ministers State Planning Committee, the State Committee for Labor and Social Affairs, the State Committee for Technical-Materials Supply, the State Committee on Prices, the Ministry of the Electro-engineering Industry, the Ministry of the Precision, Automation and Guidance Systems Industry, and also acquainted itself with the activities of the experimenting enterprises--the Kuibyshev and "Manometr" factories.

The chairman of the delegation, F. Kubiczek, met with the deputy director of the International Division of the Communist Party of the Soviet Union's Central Committee, Olimp Chukanov.

At the end of the stay the first vice chairman of the Planning Commission in Poland's Council of Ministers, Franciszek Kubiczek, was received by Nikolay Baybakov. Poland's ambassador to the USSR, Stanislaw Kociolek, and the vice chairman of the USSR Council of Ministers State Planning Committee, Stepan Sitanan, also took part in the talks.

INTERNATIONAL AFFAIRS

ROLE IN CEMA FOOD INDUSTRY COOPERATION NOTED

Budapest FIGYELO in Hungarian No 8, 21 Feb 85 p 11

[Article by Gyorgy Borok: "Hungarian Participation in the CEMA Food Industry Cooperation"]

[Text] The growth stages which characterized the CEMA as a whole can also be found in the food industry cooperation of the socialist countries. In the beginning the cooperation covered mostly such areas as scientific and technical research projects, standards proposals affecting products, packaging materials and equipment, development of product line technologies in the various food industry branches, and technical specifications for equipment. The work is coordinated by the food industry's permanent cooperation commission established in 1963.

The formats and methods of cooperation in the initial time period are determined by the economic and political circumstances of the times. But the rapid technical and economic growth and the economic competition with the capitalist countries made it necessary to increase the efficiency of cooperation and introduce new formats and methods.

The Complex Program approved in 1971 directed the main attention to questions of economic character. During the course of this the CEMA countries worked out the development prognosis of their main food industry branches until 1985, taking into consideration the directions of the physiological standards of nutrition, changes in the consumption structure, the rate of increase of the standard of living, etc.

Thus cooperation expanded with the coordination of the long range, 10-15 year ideas and plans.

The long-term cooperative goal program aimed at modernizing agricultural and food industry cooperation, adopted by the member states in 1978, served the further development of the Complex Program. This projected production and processing intensification in the main product groups of agricultural production (grains, vegetables-fruit, meat, etc.) and improvements in equipping the branches with material and technical necessities (machinery, chemicals, packaging materials, etc.) For this the emphasis was placed on

various forms of cooperation more modern also in their character, like for example direct agreements between the enterprises, research and distribution of labor done on the contractual basis, development of technology and techniques on the basis of the joint program of the food industry and machinery manufacturing enterprises, etc.

The organizational formats of cooperation were also continuously becoming more modern. In the initial time period the work was organized basically by the permanent task forces of functional character (mechanization, scientific-technical). Later this task was taken over for the most part by temporary and inter-branch task forces better adjusted to the nature of the task (packaging, cooling chain), and then an increasing role was given to the manufacturing specialization agreements, the so-called coordination centers operating within the framework of the technical and scientific inter-branch agreements, and the inter-enterprise contracts assuring implementation of the program of direct cooperative agreements between the economic organizations.

As a function of the nature of the branch the ratio of specialized products is smaller in the trade of goods among countries. At the same time the wine specialization agreement is important for Hungary. Within its framework each year we send an average of about 1.8 million hectoliters to Czechoslovakia, Poland, the GDR and the Soviet Union. Also on the basis of specialization Czechoslovakia sends more than 12 million meters of protein-based sausage casing per year to the Hungarian meat industry.

#### Standards in Packaging

Significant work was done in the area of standardization. Standards were successfully developed for several foods which play important roles primarily in export and import (wine, meat and meat products, conserved foods). The task force working on this approved standards for several packaging materials: the vegetable-fruit crate, the sack, the glass bottle (for Bordeaux-type red wine, for Rhine-type white wine, the Euro-beer bottle, etc). The introduction of these in CEMA's merchandise trade, the reuse of packaging materials and decreased weights resulted in significant savings (millions in case of Hungary, according to the calculations).

The program of the technical-scientific cooperation agreement concerned with the development and introduction of modern wrapping and packaging for the food industry is aimed at solving such questions as the introduction of low tin content and tin-free packaging materials made of metallic materials; introduction of good quality protective and decorative coatings for cans; increasing the durability of various glasses and development of new constructions and reduced weight bottles; development of packaging materials and equipment made of new polymers and combinations and their use in food packaging; and last but not least the development of technological parameters of machines and machinery lines to portion and fill semifinished and finished foods.

Within the framework of cooperation and with Hungary's coordination the member countries conducted a technological study based on coordinated technological requirements with experimental equipment used for portioning sterilized semifinished and finished foods into glass jars and metal cans, and the experimental results were used in starting up the mass production.

A technical-economic study was made of the white sheeting that can be used for canned baby foods, polyamide and materials based on aluminum sheet, lacquer-coated aluminum foil, lacquer coating for sheet packaging materials, combination materials based on polypropylene and polyethylene, materials based on paper and cardboard, and pastes to be used for sealing cans.

The scientific research program aimed at increasing the nutritional value of existing foods and creating new, excellent quality food types, in the implementation of which 54 scientific organizations of 8 countries participated in recent years, is aiming at performing a total of 135 scientific tasks in three main directions: creating sources of protein and developing ways to produce them and to use them in the food industry, methodological and biological evaluation of the produced protein preparations and products, development of new, special purpose foods (diets, special feeding according to age, occupation), the medical-biological requirements placed on these, the use of enzyme preparations in the food industry and development of intensive manufacturing technologies.

#### Meat Industry Program

From the Hungarian side the Central Food Industry Research Institute is taking part in the cooperation. They have developed technologies, recipes and scientific-technical documentation for various feeding methods, and 8 new types of fiber enriched products.

They improved the intensive liquid chromatography processes used for determining A, D3 and E vitamin contents.

As significant Hungarian success stories one may consider, for example, the preparation of milk protein concentrate which primarily enables the production of weight regaining-type of foods and nourishment; the research results of using meals made of soya and other seeds for human purposes, and the industrial production of protein sources made from the above products and their use in the meat, frozen food and canning industries.

Research was done in Hungary on the use of enzyme preparations in the production of fibrous fruit and vegetable juices and during the course of this the enzyme type produced in the KEKI [Central Food Industry Research Institute] was patented.

The program of the agreement concerning cooperation aimed at perfecting the complex processing technology and techniques of meat (including the meat preparations and also the frozen ready-to-eat meat dishes) runs until 1990. Twelve institutes and food industry and machine manufacturing organizations are cooperating in working out the topics in the program.

Among other things the meat industry cooperative program plans to modernize the technology of cattle processing and build complete, mechanized and automated lines with 80, 120 and 160 animals per hour capacities. They want to perfect the technology of hog processing and want to build mechanized and automated lines with 150-250 animals per hour capacities. This program also wants to improve transportation to the cattle and hog meat combines (including loading) as well as removal for the processing.

#### Hungarian Cucumber Processing Line

Developing the selection of the meat-containing ready-to-eat dishes and perfecting the production technology are also parts of the program, including freezing and packaging as well as creating the appropriate equipment with 1000 and 2000 kg/hr capacities. According to the plans equipment will be developed by the program's participants for the production of cooked--flexibly used--products and red meats as well as partially cooked stuffing products, with 5-10 tons per shift capacity, and improve the technology. And last but not least, scientific-technical cooperation will be developed in the meat industry to protect and improve the environment.

The cooperative agreement covering modernization of the canning industry techniques and technology includes 6 topics. The agreement is aimed at technical-scientific cooperation for comprehensive solution of the canning industry's improvement and at a topic which improves the quality of raw materials in the canning industry.

In interpreting the program which runs until 1990, 25 technological lines, equipment, machinery, equipment types will have to be developed and built, and technological requirements will have to be worked out for 13 different raw materials: concentrated tomato products, using machine-harvested tomatoes, for machine-harvested cucumbers, machine-harvested peaches, for use in producing preserves, for fruit juices, for the aseptic conservation of semifinished and finished vegetable and fruit products, for semifinished and ready-to-eat vegetable-based canned foods, and last but not least for improving the quality of raw materials for industrial processing from the viewpoint of increasing the nutritional value of the canned food products and continuous machine processing.

Within the framework of the agreement in Hungary among other things the line has been built for the mechanical harvesting of cucumbers, in Bulgaria they have developed the methodology for controlling cleaned fruits and built the spectrophotometer, the instrument to be used for this, and in the GDR and the Soviet Union they developed the enzyme-activated juice clarifying equipment for 100 and 500 liters-per-hour of continuous operation.

Cooperation in improving the vegetable oil industry's techniques and technology specifies scientific, research, development, design and experimental work in 4 areas; these are: processing of oil-containing seeds by direct extraction technology, and the production of protein products for

human feeding, of various food fats, and of surfactants for the food industry, from oil-bearing seeds.

Twelve food industry institutions and various organization, as well as 9 machinery manufacturing and instrument industry organizations of the CEMA countries are participating in the implementation of multilateral cooperation for the improvement of the technology and techniques of beet sugar production.

The agreement contains 4 topics, and within this 13 assignments. The assignments include development of automated production lines and instruments for the complex evaluation of beets, and within this the creation of prototypes of 31 new technological stations and equipment and of 23 measuring instruments, equipment and automating implements. These further project the creation of an automated system to handle collection, recording and computerized processing of preliminary information during the process of receiving the beets, creation of automated control systems for the various technological processes, as well as improvement of the thermal technology equipment in sugar refineries for the purpose of decreasing fuel consumption.

In several food industry branches the multilateral cooperative agreements were negotiated recently, thus in the case of these we can now talk only about the tasks and goals which were identified. In the dairy industry agreement measures have been projected for the rational utilization of secondary raw materials (whey, real buttermilk), in the beer industry for modernization of technological processes and equipment, more complete and more rational utilization of the wastes, in the wine industry for the modernization of the complex processing technology and techniques of grape pomace, for the utilization of secondary products, in the alcohol industry for the development of production technologies and techniques of making edible proteins and fodder yeast from alcohol pomace, in the starch industry and tobacco industry for modernization of the production technologies and techniques and for more rational utilization of the byproducts.

8584

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GERMAN DEMOCRATIC REPUBLIC

CONCERN OVER ROBOTICS' INABILITY TO MEET USERS' SPECIFIC NEEDS

Leipzig LEIPZIGER VOLKSZEITUNG in German 7 Dec 84 p 3

[Interview with Hans-Juergen Kleemann, branch manager in the automation factory of the farm machine combine by Wolfgang Tiedtke]

[Text] LEIPZIGER VOLKSZEITUNG: You attended a conference dealing with the bases of the dynamism and control of industrial robots. What was the main concern in Warnemuende?

Kleemann: The program of the 1-week exchange of experiences included lectures and specialized discussions on topical issues of the development of robotics, sensorics and the application of robotic systems in industry.

LEIPZIGER VOLKSZEITUNG: What did this conference do for you, the representative of an enterprise which actually develops industrial robotic equipment?

Kleemann: The conference also provided a survey of trends with respect to the use of robotic systems in industry. That is extremely important for us, because we intend with our articulated IR 10E and IR 60E robots as closely as possible to match the needs of our customers.

LEIPZIGER VOLKSZEITUNG: What exactly are these needs?

Kleemann: To begin with we now tend to meet a trend for fewer and fewer basic models of robots to be purchased. In other words, the customer expects us to also supply the special devices for the respective jobs (for example for welding).

LEIPZIGER VOLKSZEITUNG: What are the consequences arising therefrom?

Kleemann: First of all we need more research on the potential applications of our systems in industry and--subsequently--we will have to offer more to our partners.

LEIPZIGER VOLKSZEITUNG: What is stopping you?

Kleemann: If the use of robotics is to make sense in terms of economics, the user enterprises, too, will have to change their modes of thought. The foremost consideration is that of robot appropriate design. In other words, the parts to be moved around or processed by the robot in the respective enterprise must be so constituted as to be suitable for robotic handling.

LEIPZIGER VOLKSZEITUNG: Will it be necessary for the manufacturer and the customer to cooperate even more closely to achieve this goal?

Kleemann: Not only that. Robots may be used very flexible. Many now have five or more "free scopes," in other words levels of movement. However, not all of them are always needed. Consequently we need to think in terms of economy with regard to these expensive automatic machines.

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CSO: 2300/320

GERMAN DEMOCRATIC REPUBLIC

MODERNIZATION NOT NECESSARY FOR NEW PRODUCT LINE DEVELOPMENT

Neubrandenburg FREIE ERDE in German 6 Dec 84 p 5

[Article by Ulrich Hinkel, Academy for Social Sciences at the SED CC: "Top Quality Cheaply Produced"]

[Text] In the new stage of the implementation of our economic strategy, we are basically concerned with achieving greater efficiency by new technologies and new products. This will make it possible for intensification to assume a comprehensive and long-range nature. The Ninth SED CC Plenum consequently emphasized this aspect. A key issue in this context is the rapid renewal of manufactured products.

Why Do We Need Rapid Product Renewal?

The rising capacity of our national economy represents a vital prerequisite for the successful further pursuit of the tried and tested policy of the main task in its unity of economic and social policy. Capacity also means the ability to make available the latest products for the general public, industry and exports. For the accomplishment of these challenging tasks, it is important to mobilize scientific-technical progress, backed by our own material and intellectual potential. To make my meaning quite clear: Economic activity including new products is not an end in itself. Product renewal is necessary to respond to diverse growing needs and, at the same time, keep up with important trends in science, research and technology. At the same time it is the proper approach to cheap production or to aid the breakthrough of new and materials conserving-solutions.

Top Standards in the Briefest Delays

The national economy has been assigned the task to significantly raise the proportion of new products in total output. The average increase is to be 30 percent, that of the output of industrial consumer goods as much as 40 percent. In 1983, the proportion of new products in industrial output amounted to 17 percent. In the case of many important product headings, some combines--backed by the services of science and technology--realized a 30 percent and more renewal rate per annum. Decisive in this context has been the necessity for the innovation process to proceed with the aim of achieving the best possible quality and efficiency. New products are not only expected

to display attractive design, have the best possible function value and be produced cheaply. Far greater emphasis must also be assigned to such criteria as:

- new products to be based on the use of highly processed domestic raw materials;

- new products to actually incorporate top international standards and be salable at large profits on the international markets;

- new products to be developed in the briefest delays and transferred to production as well as manufactured in amounts responding to genuine demand.

Production technology must be perfected and the manufacturing equipment modernized at the same time as products are developed.

#### Modernizing Existing Basic Assets

We are still told quite frequently that the great demands on products can be realized only by "new" plants something that usually means the reequipment of factories or departments. Such wrong attitudes obstruct the renewal process and do not perceive the actual connections between technical progress and economics.

For one thing, no highly developed country has the economic potential to produce new plant and retool at the same rate as the renewal processes. Nor would this be justifiable in terms of the economy, because early scrapping increases costs.

For the other, it is not even necessary to do this in many cases, because usually not all existing machines and equipment grows obsolete at the same time. Often only control or linkage systems need to be changed for a new production organization.

If, therefore, people call for "new technology" in connection with product renewal, this is valid only when this involves the utilization of the existing stock of machinery in the context of modernization and in conjunction with modern robot and computer technology.

The modernization of available basic assets is evidently the best approach to quickly and cheaply--in other words with little investment--lift our equipment to the highest scientific-technological standard. Modernization is based on the latest achievements of the scientific-technical revolution. This generates equipment and technologies suitable for linking up with existing equipment or even "insinuating themselves in it." To be mentioned in the first place is microelectronics and the automation technology arising from it.

The experiences of our national economy have taught us that it is precisely modernization which enables us to transfer new products to the factory floor within a few short weeks and, at the same time, achieve substantial cost savings. The Erfurt Conversion Equipment Combine VEB, for example, discovered

that half of the 18,500 presses operating in the GDR were suitable for modernization. Carrying out this modernization process achieved a median increase in productivity of 300-500 percent as well as about 50 percent energy savings. Overall it offered an opportunity to free 5,000 workers and save 30-70 percent of investments.

#### Greater Challenges to Rationalization Aid Construction

The combination of rapid product renewal and modernization requires the enterprises to focus on the internal enterprise construction of rationalization aids. Such construction helps provide the industry specific technical solutions required for the respective concrete products. Nobody can relieve the combines of this duty. It is evident that internal enterprise production of rationalization aids goes beyond the manufacture of some particular small mechanisms and increasingly assumes the nature of the production of special technical equipment. This provides a vital prerequisite for lifting the overall technological standard of enterprises and secures the crucial gain of time and efficiency for product renewal.

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## GERMAN DEMOCRATIC REPUBLIC

## PLANT REORGANIZATION, RETRAINING REQUIRES EXTENSIVE SHIFTS

East Berlin TRIBUENE in German 20 Feb 85 p 3

[Article by H. Howald: "An Entire Factory on the School Bench"]

[Text] A few weeks ago, Marlies Osterburg returned to her factory following 2 weeks in Bad Berka. You might think she went there for spa treatment, but you would be wrong.

The regular journeys to Bad Berka by Flechtinger workers have a very special reason. From March 1985 on, the former Flechtingen concrete works will produce insulation material. Preparation for the changeover required the entire enterprise collective to become apprentices once more, to be trained for altogether different occupations.

## Course of Instruction in Bad Berka

None of this came as a surprise for the (about) 350 concrete workers. Since 1982 the factory management and factory labor union management prepared every single individual for the coming change, discussed each one's future job, the time needed for training and the kind of instruction. Following earlier rationalization measures, Marlies Osterburg had risen from production worker in concrete reinforcement construction to administrative assistant. In future she will be a laboratory assistant and work shifts. The present clerk in the engineering section at the insulating materials works in Bad Berka therefore acquired basic practical and theoretical knowledge.

To affect the quality of the new product in her capacity as shift laboratory assistant also means that she will from now on have to work four shifts, including weekends and holidays. The living rhythm of the family of four will have to be radically changed. "Nevertheless my husband as well as the children advised me to take this step, because it is plainly necessary in the interest of the factory and the national economy," says Marlies Osterburg. Incidentally, as a member of the women's committee she is involved in making sure that other fellow workers are trained so that skilled laboratory assistants are available for all shifts.

Like Marlies Osterburg, many groups of 15-20 workers respectively traveled in the past 3 years for usually 4 weeks to Karsdorf or Bad Berka where expertise

in the production of this insulating material is available. Some went several times to familiarize themselves with the theory and practice of production organization, technologies and equipment--although these will be somewhat different in Flechtingen. Basalt rock, blast furnace slag and schist--the basic materials for this insulation--are smelted by an electric smelting process rather than in the customary manner in cupola furnaces and by coke.

"The conversion of the factory affects the lives of almost all concrete worker families, because training omits nobody, regardless whether he or she is a manager, repair worker, driver or skilled worker for transportation and warehousing processes, says Otto Klengler, the part-time BGL [plant labor union executive board] chairman. As an erstwhile brigade leader in the maintenance section, he joined another 18 fellow workers in Bad Berka for 5 weeks to offer socialist help in the major overhaul of the plant there. This enabled him at first hand to study the equipment and technologies of insulation materials production.

#### BGL Involved in the Discussions

Like all the BGL members, Otto Klengler is extremely busy now. More discussions about future jobs need to be conducted. Some workers needed to be talked with 3 or 4 times before their eventual jobs were settled. Otto Klengler or another BGL representative was present at every one of these talks. Minutes were kept of each of them. "Our BGL discussions now last much longer, because we have far more problems to deal with," the BGL chairman reports. Shift collectives have to be made up, and this results in many changes in the structure of the 23 labor union groups also. Moreover, they have to negotiate with the councils of the surrounding villages and the transport suppliers so that the operating hours of the child care facilities and commuter transport facilities should be geared to the new demands of round the clock working hours. Labor code issues must be settled, and the BLG must represent the interests of those of our fellow workers who, for family or health reasons, are unable to work four shifts or wish to work the same shift as their spouse.

#### All Remain in the Factory

Many of the former concrete workers are currently involved in the assembly of the plant and, at the side of experienced mechanics, are gradually growing into their new jobs. At the same time the people of Flechtingen are well aware that conditions will not be the same as in the preparatory stages once production actually starts. It says much about the conscientious work of the factory management and the BGL that all former concrete workers could be absorbed in the new structure of the plant and nobody needed to change employers.

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GERMAN DEMOCRATIC REPUBLIC

LOW-COST INCREASED TRUCK PRODUCTION MAY RESULT IN LOW QUALITY

Duesseldorf WIRTSCHAFTSWOCHE in German 21 Dec 84 pp 27, 30

[Text] Trucks represent an important export item for the GDR. However, lack of money hampers the efforts of the planners to raise product quality.

Lately the GDR media keep on reporting news from Ludwigsfelde, located in the former Mark Brandenburg. Back in April last, the Ifa Truck Combine announced that 400,000 trucks type W 50 had come off the assembly line.

Yet neither the technical equipment nor any external features of the truck are very impressive in the view of experts and planners. The sole reason for the renown of the vehicle--in production since 1965--is the fact that many of them are being exported. And GDR economic leaders have the utmost regard for export products.

The beginnings in Ludwigsfelde were quite modest. In 1952, the Ludwigsfelde automobile plant began operations on a former site of the Daimler-Benz Corporation. At first it produced mainly farm equipment and diesel engines. In 1963 the factory received an order for developing a 5-ton truck. The cornerstone for the assembly shop was laid in June 1964. The first type Ifa W 50 truck rolled off the assembly line in July 1965. The quantities produced have been consistently increased ever since. At the beginning of this year, the factory--employing roughly 4,000--turned out about 120 such trucks per day.

Exports were paramount from the very beginning. As long ago as 1970, 51 percent of all trucks constructed in the GDR went abroad, in 1980 as many as almost 74 percent. Last year the GDR exported 69 percent of the 39,557 trucks produced. By way of comparison, though Federal German truck manufacturers turned out about 266,000 units--a lot more than the GDR--, but, at 57 percent, their export rate was lower.

The strong export emphasis of East German truck constructors is also exemplified in the fact that output has continued to rise since 1981, though the stocks of trucks licensed in the GDR have declined. The GDR economic leaders have been pursuing rigorous energy conservation, in the course of which the consumption of diesel fuel was sharply cut. If transports cannot be

altogether saved, they must be carried out if at all possible by means of transportation requiring less energy, that is by rail or inland shipping. The GDR was thus able to substantially reduce the volume of freight carried on trucks and the distances covered. The GDR now manages with a truck stock which is only slightly above that of the mid-1970's: At the end of 1983, the GDR disposed of 223,186 licensed trucks.

The Ludwigsfelde W 50 is by far the mainstay of the Ifa Truck Combine's export program. This combine incorporates the entire GDR truck industry. The Ludwigsfelde factory is the parent plant of the combine which employs 50,000. In addition to the W 50, Ifa workers construct trucks of the types Ifa Robur and Ifa Multicar M 25. However, none of the other models can match the export rate of the W 50: According to GDR reports, more than 90 percent of current output are exported to 38 countries. Up to now the GDR supplied 39,000 such trucks to the Soviet Union.

The GDR also and increasingly exports its trucks to developing countries. The W 50 is in great demand especially in those Third World countries which are politically attuned to the GDR. It is therefore quite often to be seen in the streets of Angola or Nicaragua. No data are available as to the numbers of trucks supplied by the GDR to developing countries in recent years, nor whether foreign exchange or reciprocal deliveries could always be secured in payment, so as to make the transactions a commercial success also. Of course it makes little difference for the Ludwigsfelde truck workers whether exports are promoted for economic or political interests: They, in any case, must raise output. And that is far from easy.

Initially the 1985 plan provided for increasing the daily output in Ludwigsfelde by 10 trucks. However, within the framework of a special output campaign on the occasion of the GDR's 35th anniversary, this output increase occurred already last October. Since then a finished W 50 truck rolls off the assembly line every 7-8 minutes. This performance growth was made possible by the early commissioning of an assembly line (among others). This line is equipped with new machines enabling the workers to assemble 55,800 axles per annum instead of the former 50,400.

On the other hand, the situation of the workers in shop 1 of the plant is somewhat problematic. The axle beams and another about 600 parts for truck construction are cut in this shop where the air is foul and lighting poor, and some of the machines to be operated by the workers date back to the 1950's. The crane running along the shop roof, for example, displays 1953 as the year of its construction.

Nor is there any hope for new machines. This is the effect of the chronic lack of investment resources, which has been plaguing the GDR for years. The Ludwigsfelde managers were bluntly told that no large sums were going to be invested in shop 1 before 1990. The plant must therefore keep going until the end of this decade. Carefully drafted repair plans are to guarantee that it does not falter before. The incantation widely used in the GDR for some years past--"internal enterprise construction of rationalization aids"--is to come to the rescue here also and help accomplish the rising plan targets: In the

absence of new machinery, many devices and appliances needed to raise productivity are to be constructed in the factory itself.

The factory management has thought of many devices to encourage the workers to energetically but responsibly handle the equipment available. For example, the name of the respective user was engraved on expensive saw blades which need to be imported. Only he may use his saw blade and thereby affects the length of the blade's life and how often the machine must be switched off for the insertion of a new blade. Special bonuses were offered, and as a result the production section in shop 1 was able this year to reduce costs by M180,000 because tools subject to rapid wear and tear were used longer than otherwise customary. Materials savings to the value of M151,000 were reported by October. Admittedly, the GDR planners do not mention how these measures affected the quality of the truck parts produced.

Still, they insist on the output growth deemed achievable. In 1984, 30,300 W 50 trucks are set to roll off the assembly line, the target for 1985 has been set at 32,000 units.

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- GERMAN DEMOCRATIC REPUBLIC

#### STATISTICS PROVIDED ON RAILWAY SYSTEM SERVICES

East Berlin DDR-VERKEHR in German Vol 17, No 11, Nov 84 (signed to press 14 Sep 84) pp 322-324

[Article by Heinz Krueger, main director of the railway system: "The Services Offered by the German Railway System; Information for the Economy for Transportation Efficiency"]

##### [Text] 1. Preliminary Remarks

Much freight which in past years had still been carried in trucks over long distances by road today reaches its recipients by rail. Just in the period from 1981 to 1983 about 22 million tons was transported at much lower cost. This year, according to the national economic plan, an additional 6.5 million tons of freight will be shifted to rail and inland waterway. And over and above this amount the railroad people have committed themselves to taking over an additional million tons of freight from road to rail. The basic aim of this shift is the achievement of energy-optimal transport on an overall national economic basis. That is, the aim is to avoid savings in motorized transport which only result in an increased diesel fuel consumption on the part of the railway. In order to be able to handle the additional transport with existing capacities it is indispensable that there should be a reduction in transport cost and that there should be a further intensification of transport and transfer processes in the German Railway. In recent years the German Railway in cooperation with its clients has already created a multitude of prerequisites for the shift from road to rail. These range from the better utilization of transport facilities, from technological and organizational measures to modernization of the vehicle maintenance park. For example, in 1983 1,200 freight cars and 2,600 container cars were newly placed in service. Also of substantial importance was the expansion of access locations to the railway network because this for many clients materially shortens the trip by truck to the railway station. A significant contribution to this was the reopening of 33 freight-tariff railway stations in the years 1981 to 1983. In addition, there is the more extensive utilization of 38 freight-tariff stations.

Also many factories possessing railway spur tracks have made a major contribution to lowering the national economic transport cost. Moreover, they permitted numerous neighboring factories to share the use of their rail spur and

thus saved them much mileage by truck to the nearest freight terminal. Since these spurs have shown themselves to be very advantageous in terms of the national economy it may be expected that more will be introduced. Nevertheless, the efforts of the railroad people do not pay off for the national economy until they are well supported by their clients. Of central importance in this respect is the need to guarantee that freight cars can be loaded and unloaded on any day of the week. That applies in equal measure to the delivery and acceptance of container cars. The full utilization of every freight car, the avoidance of damage to the freight cars in the process of loading and unloading--these are the things which to a large degree determine the efficiency of the railway and whether it will be possible to transport freight efficiently.

We wish to describe in the following paragraphs the facilities offered by the German Railway for fast transport of freight--from express package to the sealed freight train.

These indications aim at helping to shift further transport to the energy-conserving and environmentally friendly railway carriers and to reduce road transport.

## 2. Transport Facilities for Express Freight

In the German Railway shipments up to a piece weight of 25 kg are accepted as express freight. These shipments may be carried in baggage freight cars or express freight cars depending upon dimensions and packaging. The railway terminals approved for these shipments and the opening times of these terminals are locally announced. In order to be able also to transport heavier and especially urgent small freight by railway a new form of transport has been introduced. By this means transport, without transshipment between two terminals, is accomplished in shortest time using passenger trains or baggage trains or express freight trains. The German Railway has prepared the following procedure for these small freight items:

### a) Conditions

The shipper must guarantee loading of the freight by him onto the baggage car or express freight car and unloading by the recipient at the destination terminal. The transportation must not necessitate any transshipments. The individual piece weight must not exceed 25 kg per piece. Shortly before shipment the shipments must be arranged with the appropriate railway supervision, with the operations management staff and with the transport preparation department.

### b) Dispatching

The freight must be cleared prior to loading at the baggage or express freight dispatcher. Shipment charges may not be forwarded.

### c) Transport

After clearance the freight is loaded on board by the shipper either in the baggage cars of the passenger trains or in specially routed express freight cars (local cars). Freight and accompanying papers are transported together. Initiation and control of the loading or unloading is accomplished by the on-board accompanying personnel or by the local freight personnel.

### d) Public Announcement

Announcements as to

- i. which trains can be used for this new type of transport and
  - ii. at which terminals loading or unloading is possible
- are made public at the terminals.

Additional information is given out by the railway administration, by the staff for operations management or by the transport preparation department.

### 3. Piece Goods Transport/Use of Pallets and Small Containers

In piece goods transport at the present time about 2 million tons are transported by the Railway and Motorized Transport (KV) Transport Association. In the case of such transport services as these one is dealing with house-to-house transport; that is, the freight is transported from the house of the sender to the house of the recipient without any need for the transport client to provide his own transport capacities for delivery to and from the piece goods dispatcher.

There has been a steady increase in this service in consequence of the shift of transport from road to rail and it has been thus possible to take over completely all the piece goods transport freight produced by industry. Within the framework of piece goods transport all localities in the GDR can be reached and the organization of the transport has been so designed that through the formation of "direct" cars (local cars) from the shipping terminal to the destination terminal it has been possible to achieve a reduction in transport times and also a reduction in transshipment operations--so as to avoid transport irregularities. The use of pallets contributes much to increasing the efficiency of transport, transshipment and storage processes. The interchange of pallets is the most efficient way of using our national economy's pallets for transport purposes. Through pallet interchange the circulation of pallets is accelerated and empty transport reduced. In order to be able to participate in pallet interchange the transport client must procure interchangeable pool flat pallets, pool box pallets or "B" box pallets.

The railway cooperates in the pallet interchange by taking back the empty pallets from the recipient and delivering pallet checks for these; it also optimizes, manages and handles the balance of empty pallets in addition to meeting the return claims of the consignors.

As of 1 January 1985 pallet interchange in car-loading transport and large container transport has also been possible in piece goods transport. Moreover, in piece goods transport there also exists the possibility of ordering pallets and small containers, within the framework of available inventories which are established by the German Railway jointly with the transport committees. The German Railway seeks to meet the existing demand by increasing the production of small containers. With the increasing shift of road transport to rail it has been necessary to find rapid means of transport for urgent shipments which themselves do not constitute a full carload. The miscellaneous consignment transport set up for this purpose today includes 150 interconnections with about 50 assembly points and distribution points. Trucks of the state motorized transport system fetch the freight from the consignors, carry it to the assembly points and from there it is brought by railway to the distribution points. At the latter it is again picked up by the state motorized transport and delivered to the recipient.

These new services based upon close cooperation between motorized transport and railway have in the meantime attracted a steadily growing circle of clients. By means of this direct house-to-house transport from the consignor to the recipient many factories have already been able to reduce their inefficient plant transport. The technology of this miscellaneous consignment transport for urgent freight is being further expanded in accordance with existing demand. This form of transportation presents the German Railway with the problem of rapidly and reliably transporting the cars delivered to them and of doing this with a defined transport technology using their existing locomotive facilities. The transport of the miscellaneous consignment cars by the railway takes place either

- i. in the standard technology of freight traffic in accordance with administrative specifications or
- ii. deviating from the standard technology, in freight trains or freight and passenger trains, or
- iii. in passenger trains.

The type of transport to be used in each case is agreed upon jointly with the motorized transport agencies on the basis of a number of criteria, on the basis of needs and on the basis of the given possibilities. For example, consideration would be given to the particular locations of the assembly points and distribution points in the track network, the existing locomotive links, the departure frequency and the capacity of the trains and the special conditions affecting the consignor and the recipient. Of special importance in choosing the technology of transport is the location of the points of access to the German Railway network since here the largest fraction of the total transport time is consumed.

Miscellaneous consignment cars which are transported by standard technology are specially designated and distinguished by means of an extra ticket marked "Dispatch goods." This serves to underscore the special importance which the German Railway attach to maintenance of the established technology.

#### 4. Large Container Transport

Within the context of efficient transport technology large container transport is steadily gaining in importance. Thus container loadings rose from about 455,000 pieces in 1980 to over 631,000 pieces in 1983. Large container transport is possible through 29 large container terminals in house-to-house transport on the basis of a continuous DR/KV (German Railway/motorized transport combined transport) freight agreement. An additional 170 railway stations are allowed for the delivery of large containers (GC) to the railroad; these include 11 transshipment points at which the delivery and pickup of the GC to the loading location of the transport client and back is organized in broken transport. The German Railway is striving in cooperation with the local national organizations and with motorized transport to steadily increase the number of access points and to expand the regions served by the large container terminals in order to be able to incorporate additional transport clients in the system of GC transport. In order to be permitted to deliver GC to the railway the transport clients must as a rule meet certain requirements. These include, for example, the delivery and removal of the GC to and from the freight cars, the full use of the cargo length of the freight cars, the formation of "direct" cars (local cars). For use unrestricted to any particular area the German Railway provides a growing number of closed GC's and flat GC's of the 20 group. It should be noted that the packing and loading of freight in the GC is subject to the same requirements as those which apply to car loading.

#### 5. The Transport of Car Loadings

The transport of car loadings in single runs is carried out by the German Railway in accordance with the destination point procedure. In this procedure all stations of importance in the transport of a car count as destination points.

Under the destination point procedure the routing of the freight cars is determined on the basis of results of the twice yearly evaluation of freight car flux, optimized in terms of various parameters such as running distance, transport time, changeover frequency and maximum possible axle loads. With the German Railway freight timetable it is possible to determine the transport times for car loadings on individual runs. The transport times for car loadings in international freight traffic may be found in the international freight timetable (LIM). Corresponding information is supplied by agencies and freight dispatching offices of the German Railway. The German Railway offers its transport clients--for example, in inland car-loading traffic--numerous methods of efficient dispatching. Basically, the sender must attach a bill of lading to each car loading. Car loadings with freight having the same position number and which are shipped from one center to one recipient and from one shipping station to one destination station and which are transported in closed trains or in closed groups can also be delivered with one bill of lading if constituting at least four freight cars. The bill of lading then need only be supplemented by a "voucher" in quintuplicate. In the case when closed groups are being dispatched the procedure requires the previous approval of the shipping railway office. In addition, a simplified

ticketing of closed trains is permissible with the advance approval of the shipping railway administration. In such case the sender needs to supply the first and the last freight cars with completely filled out main tickets on both sides and the remaining freight cars with main tickets on one side. These tickets must contain the minimum required data. Leased freight cars and private freight cars (first empty run, without or with superstructures or additional equipment) in closed trains or in closed groups trafficking regularly between specific shipping and destination terminals can receive "summary" dispatching, that is, dispatching with one bill of lading which is valid for the total number of freight cars assembled within a half month period. This must be arranged with the shipping railway administration. The most extensive simplifications are made possible through the use of "endless" bills of lading which are filled out by means of data processing facilities. Information regarding this may be obtained from the Ministry of Transport.

The German Railway is also making efforts in the area of inland car-loading traffic, especially in the movement of urgent freight, to achieve transport accelerations. Much of this urgent freight, in supplying the public or for necessary use in the production process, must reach the recipient on the day following shipment. In order to meet this need the German Railway in its annual schedule for 1985/86 is supplying this required rapid transport by means of a DGS train system ("through" freight trains for fast shipments) between selected shipping centers, receiving centers and handling centers. In this the rule holds that when a loaded car is taken from the shipping terminal before 1300 hours it must be ready for unloading at the recipient's terminal before 1200 hours of the next day. Such transport of freight cars takes place, in the current destination point procedure, using specially assigned DGS trains. The connections within the DGS train system between all shipping areas and reception areas are published in the freight timetable of the German Railway. There has already been some advance inclusion of the DGS train connections on some routes as of the end of 1984 and beginning of 1985.

#### 6. The Transport of Freight in Closed Trains

The formation of whole trains by the shipper is an integral constituent of the technology of freight transport. A shipper-complete train is a number of car loadings consigned by one shipper or by a single representative of several shipments and having a single scheduled net weight. These car loadings must be transported in closed condition from the shipping terminal or train formation terminal to the scheduled destination terminal or break-up terminal or frontier exit terminal. Or the car loadings must be transported from a frontier entrance terminal to the scheduled destination terminal or break-up terminal. This requires an agreement between the shipper and the shipping terminal. The formation of a complete train has advantages both for the client and also for the German Railway. The advantages appear in fast transport and thus in an acceleration of freight car circulation as a result of the possibility of detouring assembly yards and of avoiding car changeovers. This in turn has a favorable effect in reducing damage to cars and freight.

In order to make optimal use of transport capacities the shippers are basically obligated to form complete trains and put them into shipment with

- i. a monthly freight total of 15,000 tons or
- ii. a monthly shipment of 750 double axles.

(This in accordance with the first section of the Freight Trains Regulation Ordinance [GTVO?].) At the same time the requisite control of the shipment or of the freight reception is to be carried out by classifying shipment aggregates in terms of direction, or relation or date. Since 1980 it has been possible to increase the effective transportation mode in shipper-complete trains from 118 million tons annually to over 160 million tons in 1983. This results in substantial advantages for the shipper in the form of compensation provided in accordance with Section 32 of the TWE for delivery in closed trains.

For example, this compensation amounts to 9.00 marks per double axle of the shipper's train formation. As a function of transportation distance for a closed train on the German Railway routes this compensation amounts when the distance is over 300 km, for example, to 40.00 marks per double axle.

## 7. Concluding Remarks

This brief description has aimed at informing the reader about the services currently offered by the German Railway in inland freight transportation. Additional ways of shifting shipments from road transport to railway transport are now in prospect, especially through expansion of transport facilities for express freight and through the introduction of urgent car-loading transportation within the DGS train system.

In this regard, both the transport plants and the carriers should keep in mind the following aims in the interest of energy-optimal transport and maximum conservation of fuel:

- i. avoidance of purely routine transfer of motorized transport technology to railway transport without giving attention to particular specific conditions;
- ii. integrated configuration of technological processes extending all the way from loading to unloading;
- iii. creation in the railway of nodes involving short transport times and the use of motorized transport in the area distribution of freight which is especially urgent or perishable (e.g., fruit, fish and the like);
- iv. maximum utilization of the freight cars and shipment packing which is appropriate for transport.

These examples show the necessity of a complex approach to the existing problems and the need to quickly overcome surviving ideological problems and "departmental" thinking. Numerous instances show that in this respect there yet remain many reserves to be opened up.

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HUNGARY

# MANAGERS' ROLE TO CHANGE RADICALLY UNDER NEW SYSTEM

Budapest MAGYAR HIRLAP in Hungarian 21 Jan 85 p 4

[Article by Karoly Ban: "New Forms of Enterprise Management: The Managers' Money"]

[Text] This year more than one third of industrial enterprises, about 140 of them, will switch to a new form of management. In the majority of the economic units concerned, the enterprise council will, in the future, act as the employer, while in the rest, this role will be assumed by the workers' general assembly or the workers' delegation. Under the new system the role of managers will undergo a basic change, since their hierarchial and existential subordination to the governing authorities will cease. The new employer will determine the conditions of the payment of their salaries and bonuses. Our article summarizes these changes.

Regarding determination of the managers' compensation, two different views have clashed in the Ministry of Industry. According to one view, the salary increase of managers in 1985 must be limited to the enterprise's average for the year; the other view holds that enterprise managers should be voted a salary increase in excess of the average. The reader is understandably puzzled: Why should the ministry be interfering in the managers' compensation if it no longer exercises the duties and responsibilities of employer in the economic units subject to the new forms of enterprise management?

The answer was given by Mihaly Hosszu, assistant head of the ministry's personnel division:

There is a very simple reason for the interference: it is only after the settlement of the matter of compensation that the enterprise councils are formed or the delegates are chosen, and this must not put the managers at a disadvantage. Of course, this predetermination of wage adjustment refers to the current year only; subsequently it will be the enterprise council or the workers' assembly that decides what the manager's salary should be.

The same guidelines will be followed in determining the managers' bonuses as well. (As we know, under the new directives for economic development, the complex premium is no longer in existence.) The enterprise councils, or the workers' assemblies or delegations themselves make the decision whether to

predicate the manager's bonus on his meeting the quotas, or on the general rules for bonus payments. This decision may, of course, be influenced also by the types of profit regulating system the given economic unit is operating under. If it so happens that it falls under the central profit regulation--in the case of enterprises where profit sharing would, even over an extended period of time, be impractical--then the manager's bonus may not exceed 60 percent of his base salary for the year.

In the event, however--explains Istvan Bokanyi, chief of the State Bureau of Wage and Labor Affairs--that the enterprise applies the system of wage level or wage increase regulation, then the bonus may be combined from two sources. The manager may receive a quota-based bonus of up to 20 percent of his base salary for the year and, in addition, he may, depending on the enterprise's profits relative to its assets, receive an unlimited bonus.

It is another matter--we might add--that it is in theory only that the sky is the limit for the bonus, since the multipliers for the profits relative to assets have been set in such a way that in practice the manager's bonus remains lower than his yearly base salary. Nonetheless it is true that under the new forms of enterprise management the employer has a free hand in determining the manager's bonus. This is so because the rules also permit that the enterprise council or the workers' assembly tie the total amount of the bonus--regardless of the form of income regulation--to the achievement of individual goals: In such a case, however, the total amount of the bonus may not exceed 60 percent of the manager's yearly salary.

The question may be asked: How can one pay a bonus to a manager who--let us say--"eliminated the deficit" of the enterprise, since that would be an achievement quite comparable to increasing the enterprise's profits relative to its assets. For such a case, the rule makers have left a loophole: The chief of the State Bureau of Wage and Labor Affairs may authorize elimination of the bonus limitation and permit judgment on the basis of individual evaluation. It is conceivable also that the manager may happen to disagree with the salary or bonus determined by the employer, and/or an argument may arise between them regarding the quota set for the bonus. A manager--who is supervised by the enterprise council--can no longer seek a remedy from the higher governing authorities, since they are no longer his employers. However, he may bring his case before the labor courts.

Mrs Jozsef Hamori, assistant chief justice of the Municipal Labor Court says that the rules and regulations for the settlement of disputes have not as yet been written in their final form by those in charge, although a clarification of the court's standpoint would be important, in view of the fact that the new forms of enterprise management are becoming crystallized and disputed matters may arise at the very beginning. According to prevailing opinions, a manager may turn to the labor court only in the event that his ability to discharge the duties of his office is under scrutiny. Does he have the same recourse in case he wants to amend his labor contract, and his employer doesn't agree to it? The legal course to be taken in such a case remains unresolved.

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HUNGARY

## STRUCTURAL REFORM OF HUNGARY'S FOREIGN TRADE DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 1, 27 Jan 85 pp 51, 52, 42

[Article by Chen Longzhu [7115 7893 3796]: "Reform of Hungary's Foreign Trade System"]

[Text] The reform of Hungary's foreign trade system has been proceeding simultaneously with the reform of the entire national economic system. The Hungarian government had begun its studies and deliberations already before 1968; within the Central Committee's economic reform team a group was set up for the reform of the foreign trade system, to study a reform program and to carry out experiments. In 1968, Hungary entered into a stage of comprehensive reforms. In the 10 years since then, Hungary has continuously worked, step by step in a planned way, in stages and with points of special emphasis, to perfect its foreign trade system.

The focal point in Hungary's reform of the foreign trade system was the extension of autonomy for enterprises engaged in foreign trade, in particular allowing enterprises which produce export goods to adapt most flexibly to the changes in the international market.

In the reform of its foreign trade system, Hungary transferred the authority for foreign trade business activities down to the production enterprises, the enterprises (including production as well as foreign trade enterprises) constituting economic entities that are to enjoy the following kinds of self-determination:

### Independent Business Autonomy of Enterprises

Any production enterprise which fulfilled the requirements and was approved on application, may enjoy business self-determination in its foreign trade activities. The term "requirements" means conforming to one of the following conditions: one-fifth of its gross output value has to be for export; one half or more of the raw materials or means of production must have been imported from abroad; the enterprise is occupying an important position in the national economy or in export trade, but also has cadres with foreign trade experience or has the capability of conducting foreign trade independently. Up to 1983, over 170 production enterprises have obtained the right to conduct foreign trade. Most of them obtained the right to do export business, while only 25 enterprises

obtained permission to do import business. The production enterprises that have obtained foreign trade rights are of various types. There are those who do business by themselves, but also those who form joint trading companies in association with specialized foreign trading companies, jointly raising capital, jointly assuming the risks and the responsibility for profits or losses. Besides, there are also certain production enterprises that have for the time being not the capability yet for complete and long-term independent business operations, or that have been able temporarily to transact business in one line of commodity at more favorable conditions than the authorized specialized enterprises; these may apply for a one-time temporary export business permit for one particular commodity.

#### Enterprises Can Draw Up Their Own Plans

The state and the enterprises draw up relatively independent but mutually related foreign trade plans on two separate levels. The state's foreign trade plans are basically directive and also of reference nature, but the compilation of the plan from beginning to end is carried out in close connection with the enterprises. In macroeconomic respects, the state sets forth the developmental orientation for the foreign trade during a certain period of time, the scale of exports, the growth rate, the trade balance objectives, the amounts of import and export trade per territory and country as well as the quantities of the main commodities. The foreign trade plans of the enterprises are drawn up by the production and foreign trade enterprises, starting out from their own business objectives, basing on the conditions in the domestic and international market for their products and with reference to the macroeconomic objectives of the state. The plans of the foreign trade enterprises are summaries established on the foundation of the supply and marketing contracts of the various production enterprises. The foreign trade plans of the production enterprises are a part of the marketing plans or procurement plans of the said enterprises.

The state uses economic levers to effect regulation and to guide the enterprises so that their foreign trade plans provide for developments that accord with the demands of the state's foreign trade plan and that will ensure that the state plan can be fulfilled, while the enterprises at the same time may gain the largest possible economic results.

#### Enterprises Authorized To Conduct Independent Accounting

Whether specialized foreign trade companies or production enterprises authorized to do foreign trade are concerned, all are conducting independent economic accounting. There is no more direct connection in financial matters between the enterprises and the ministry or commission to which they are subordinated. Each enterprise is itself responsible for its own profits and losses and is directly in contact with the Ministry of Finance. For their own operating funds the enterprises rely on bank loans or raise capital themselves; enterprises may also loan funds to each other. In case of profits, the enterprise must pay profit tax to the ministry of finance according to regulations. In case of losses, they may borrow from the bank to improve their business operations. If the bank refuses a loan, or their business cannot be restored, the enterprises are declared bankrupt. After an enterprise has paid all taxes to the state according to regulations and repaid its bank the capital and interests of any loans, the enterprise is free to dispose of its own profits and funds.

## Enterprises Have the Right of Independent Distribution

Out of the profits that the enterprise has created, it may allocate 30 percent for its own uses, such portion of the profits to go to the reserve fund, development fund and reward fund. The state may exert an influence on the distribution and use of enterprise income through an adjustment of tax rates or tax collections. The enterprises must adjust wages according to the annual average total amount of wages and the wage increase coefficient prescribed every year by the state. If an enterprise increases wages beyond the prescribed norms, a system of progressive wage taxation is applied. The enterprises are allocating one portion of profits at their own disposal to a reward fund. From its net profits the enterprise may also allocate one portion to a collective welfare fund, to serve as a kind of encouragement for its staff and workers, for instance, to go abroad for vacations or for medical treatment, to assist staff and workers when buying houses, to set up child-care centers, etc. Cadres with foreign language abilities may draw an extra 15 to 45 percent of their pay as foreign language allowance, according to the degree of proficiency and the number of languages mastered.

## Personnel Mobility System in the Enterprises

Enterprises are allowed comparative flexibility in determining their staff establishment in line with the actual condition of their business operations. With the exception of the general manager in production enterprises, who is appointed and dismissed by the government department in charge, and with the exception of the general manager of specialized foreign trade corporations directly under the Ministry of Foreign Trade, who is appointed and dismissed by the Ministry of Foreign Trade, every general manager of an enterprise is authorized to select and appoint the assistant manager and all other working personnel. The general manager of an enterprise has the right to award bonuses or rewards. With the approval from the trade union, the enterprise manager has the right to employ and dismiss staff and workers. Staff and workers can also of their own free will request resignation or a change of work place, and the leadership at the original unit must not hinder these moves. Retirement as well as resignation generally requires 6 months prior notice.

Even under these conditions where enterprises are authorized to engage in foreign trade and enjoy a large range of autonomy, the Hungarian foreign trade still remains a state monopoly. However, the business autonomy of the foreign trade enterprises and the foreign trade monopoly of the state are two things that form one united system, the two factors supplement one another and can both be implemented without coming into conflict with one another. The monopoly of the state is a monopoly in the guidance and control of foreign trade. The state monopoly is in the hands of the Hungarian council of ministers, and the council of ministers has authorized the ministry of foreign trade to exercise the monopoly. It is the duty of the ministry of foreign trade to exercise the centralized control and unified leadership, so that "authority is passed out through only one door." The following are the functions of the Hungarian Ministry of Foreign Trade:

1. The Ministry of Foreign Trade is authorized to approve and revoke the establishment of any foreign trade enterprise. The Ministry of Foreign Trade bestows

foreign trading rights on enterprises according to the provisions of the "Foreign Trade Law." The Ministry of Foreign Trade has at the same time the right to revoke foreign trading rights of enterprises which do not, or not sufficiently, fulfill requirements on which mishandle their trading rights. Every foreign trading enterprise must limit its activities to the business scope and methods approved by the ministry of foreign trade.

2. The Ministry of Foreign Trade controls the foreign trade policy and developmental orientation regarding the particular territories and countries as determined by the state in its relevant laws and regulations, and is responsible for the balancing of imports and exports as well as for the maintenance of the foreign exchange balance. To implement the state's policies toward particular countries and to ensure fulfillment of obligations from the state's trade agreements, the Ministry of Foreign Trade has the right to order all foreign trade enterprises to fulfill the agreements, and enterprises are obliged to act accordingly. If an enterprise suffers losses due to foreign trade directives of the state, the state treasury may pay a subsidy. The Ministry of Foreign Trade is therefore very careful in issuing such directives.

3. The Ministry of Foreign Trade organizes and supervises the implementation of the foreign trade plan. With regard to the state's foreign trade plan, the main responsibility of the ministry of foreign trade is to provide the planning commission and the enterprises with necessary data and materials needed for the compilation of the foreign trade plan and to coordinate the state plan with the plans of the enterprises. The Ministry of Foreign Trade divides the norms of the state plan into 11 categories and harmonizes and coordinates the plan with the plans of the enterprises concerned.

4. The Ministry of Foreign Trade exercises overall control over the examination, approval and issue of import and export licenses of all foreign trade enterprises. This is an important measure whereby Hungary strengthens its centralized control and unified guidance of foreign trade. It is by means of this system that the Ministry of Foreign Trade controls imports and coordinates exports. In the process of issuing licenses, it will register the enterprises and prepare statistics so as to be informed of the overall situation. Licenses are issued for the following range of activities: licenses for the import or export of merchandise; special trade licenses (e.g., for compensation trade and transit trade); licenses for contract business (including processing of imported materials, labor service and foreign engineering contracts); licenses for the purchase of rights (including patents, inventions, trademarks, transfer of production and use rights, transfer of purchasing rights, technological secrets, etc.); and licenses for cooperative production and trade. Every enterprise that is authorized to engage in foreign trade must apply for a license for every foreign trade transaction. Enterprises which intend to engage in import trade without being authorized for foreign trade, may entrust a specialized foreign trade company to apply for a license on their behalf.

5. The Ministry of Foreign Trade may join other departments concerned for a study and determination of various kinds of economic regulatory systems relevant to foreign trade, mainly to coordinate the relationships between foreign trade enterprises by means of prices, foreign exchange rates, credits, subsidies,

taxation, etc., also to make full use of the positive role of market mechanism to influence the business orientation of the enterprises, their growth rate and product composition, to ensure realization of the state's foreign exchange plan. If the economic regulatory measures are not sufficient to solve the foreign trade problem, or a problem arising in foreign exchange receipts, the Ministry of Foreign Trade may if necessary issue directives or prohibitions to all foreign trade enterprises.

6. Unified foreign exchange control of the country. Foreign exchange is a monopoly of the Hungarian state and placed under the centralized control of the state bank. All enterprises must buy their foreign exchange requirements from the state bank and must sell whatever foreign exchange they receive to the state bank. When in need of foreign exchange, the enterprises must first obtain a license from the ministry of foreign trade; the state bank will allow an enterprise to buy foreign exchange only on the basis of such a license.

7. The Ministry of Foreign Trade must examine and approve all cases of foreign trade enterprises establishing branches abroad or sending their agents abroad. The general managers of specialized foreign trade companies are appointed and dismissed by the Ministry of Foreign Trade. The general managers of production enterprises authorized to engage in foreign trade are appointed and dismissed by the departments concerned, but must obtain the consent of the Ministry of Foreign Trade for such appointments and dismissals.

9808

CSO: 4006/434

HUNGARY

BUSINESS POTENTIAL OF PERSONAL, SCHOOL COMPUTER DISCUSSED

Budapest MAGYAR HIRLAP in Hungarian 31 Jan 85 p 7

[Article by Kristof G. Kocsis: "Just a Matter of Prestige?--Experiences in the Production of School Computers--Plans of Telecommunications Cooperative"]

[Text] Recently the French Premier stirred up a storm with the statement that the personal computers necessary for the school computer technology program to be initiated in the following school year are to be purchased exclusively from French factories. Earlier, the news of a large order from the French government had made the hearts of many managers of Western European firms beat faster. Our program was announced in 1982. One may ask how the local winner assesses his success.

For the past three years 8 domestic and 6 foreign firms have been competing. The judging committee of the Telecommunications Cooperative chose the HT 1080Z type computer. At that time, this decision was criticized by many and from many points of view. Since then, all high schools in the country have installed an HT machine and there are even schools where eight are in use. Therefore, the cooperative has lived up to its promises. Even today, the former domestic competition cannot, for the most part, produce larger series. In the meanwhile, however, the prices of the foreign competitors sank lower than anticipated. A ZX 81, for example, can be obtained for as low as 700-800 schillings in Vienna.

With Lajos Koveskuti, the president of the Telecommunications Cooperative, we discussed the question of whether it is a matter of good business, or rather a question of prestige to become the official domestic supplier for educational purposes today.

"Rather the latter. So far, we have manufactured a total of 3000 of the HT 1080Z computers; we are planning to produce 2000 more this year. Of the nearly 1.5 billion production value per annum of the cooperative, only a total of 75 million forints are allocated for school computers. Furthermore, if it is further noted that the average profit on our products is around twenty percent, while our profit on school computers today is merely four to five percent, then it is obvious from the business point of view, we do not consider this a successful product."

## Reliable

"Among the original considerations at arriving at a decision was that students should be able to obtain inexpensive computers that were assembled from reliable, easily obtainable parts from socialist sources. Can we examine, one by one, how the HT 1080 Z met these requirements?"

"The price of the machine--which together with the built-in magnetic recording tape comes to 35,000 forints--is first of all not lower because we attempted to produce a sturdy machine not intended for standard usage, but for educational use. All of this primarily applies to the mechanical parts, the pushbuttons and the magnetic recording tape. The ZX 81 Sinclair machine, for example, is excellent for domestic use, but cannot sustain prolonged abuse in a school setting.

"On the other hand, the service records indicate that the HT 1080 Z is considered reliable even among life-long electronic equipment, with only a two to three percent breakdown rate. Since the majority of errors can be traced back to the magnetic tape, in our newest series we are building an improved electronically controlled deck. We are buying especially designed domestic technology for this purpose. Moreover, the assembly is continually being updated; for example, the 16 K memory has been boosted to 64 K in the machines."

## Liquidation

"In the first series perhaps only the screws were domestic products, all the rest was derived from capitalist imports..."

"Indeed. But the competition deadline allowed only a few months for the delivery of the first machines. We could only meet such a short deadline if, for all practical purposes, we ordered all the parts from our Western partners, and only the assembly was completed in the cooperative."

"However, the delivery company, the EACA, was recently liquidated. It is rumored that (in the pulling of the curtain) a significant interest in Hong Kong played a large part in this event. Furthermore, not too long ago, an agreement was reached in which this city-state is to join mainland China. There goes the source of parts..."

"But the EACA liquidation was more of an advantage for us. That is to say, we could obtain extraordinarily inexpensive manufacturing equipment. Moreover, we have been steadily reducing the percentage of parts for the school computers originating from capitalist sources for a long time. But our main concern is not the most numerous, but the most economical release of parts.

"The signs indicate that as the proportions of the elements of domestic and socialist origins grow, so our profits decrease because of the higher prices of these products. In terms of figures, in the first series, parts worth about 200 dollars were installed into each school computer. At that point,

the price of the parts made up only 50-55 percent of the purchase price. Today, while capitalist import has been reduced to 60-70 dollars, the cost of materials is 70 percent."

"This calculation makes the question seem illusory, which, according to foreign experiences, is quite obvious: why don't you try to introduce a less sturdy, but inexpensive and mass producible private computer on the market, in addition to the school computers?"

"This is just partially an illusion, because we have initiated cooperation with a Soviet partner in the recent past. In this agreement we would supply the internal mechanical and electromechanical parts, along with the delivery of the equipment casing, in exchange, we would obtain all the other electronic parts. In this way, tens of thousands of small machines could be introduced on the market in the Soviet Union, and 5,000-6,000 at home as a result of our cooperation. Although these machines have greater output than today's school computers, perhaps this cooperation could provide the opportunity for creating a somewhat cheaper personal computer, also."

#### Will It Stay Expensive?

At any rate, we cannot count on a radical domestic price decrease, like that characteristic of foreign hardware.

The cooperative would undoubtedly like to make good use of the experiences with the school computers in other fields, too. We would like to market the machine, that is, the further developed version of it in larger quantities, coupled with our more economical and traditional products, integrated with electronic measuring devices. This endeavour is apparent in the fact that we have sold 200 of a less known computer, the HT 680, exclusively as part of a complete system. The school computer was an educational experience for us because it promoted the adoption of up-to-date technology, i.e., digital electronics, in the cooperative.

12823

CSO: 2500/249

HUNGARY

BRIEFS

BAKONY WORKS ASSEMBLY LINES--The newly independent Computer Technology and Automation Factory of the Bakony Works has become specialized in production of programmable manipulators and automated assembly lines turned out in small series. It has undertaken an important role in the reconstruction of the automobile industry which has begun in the CEMA countries. The Soviet Union is the major customer. At the same time, the factory is delivering lines for assembling electrical fixture for automobiles factories in the GDR, and Czechoslovakia. Discussions are underway for similar shipments to factories in Poland and Bulgaria. [Text] [Budapest NEPSZABADSAG in Hungarian 20 Mar 85 p 5]

ALUMINUM INDUSTRY ACHIEVEMENTS--As compared to previous years, the Hungarian Aluminum Industry Trust increased capitalist exports by \$19 million while continuing to decrease the needs for imports. It succeeded in maintaining income and profits despite more adverse conditions. The anticipated upswing in the market for aluminum industry products failed to materialize. Nevertheless, the industry achieved unequivocal export success, and branch profits exceeded 2 billion forints. Results for the current year have been dealt a setback by production shortages in several places; these showed up in both fewer products and higher costs. They have reduced the income of the Trust by a considerable amount. The production shortfalls must be overcome by more rational management of energy, material and costs on the part of the enterprises. [Text] [Budapest NEPSZABADSAG in Hungarian 22 Mar 85 p 4]

CSO: 2500/310

POLAND

## VARIOUS OPINIONS EXPRESSED ON NEW AGRICULTURAL POLICY

### Opinions of Private Farmers

Warsaw WIES WSPOLCZESNA in Polish No 12, Dec 84 pp 52-61

[Article by Wanda Komar: "Agricultural Policy as Seen by the Private Farmers"]

[Text] Introduction

The state's agricultural policy envisages Poland's self-sufficiency in food. With conditions critical, both socially and economically, many obstacles stand in the way of complete achievement of this goal. Although a number of decisions were made during 1982 and 1983, including introduction of the principle that prices of means of production must be more relevant to costs of production, revision of farm-product prices in socialized procurement, equalization of social services to farmers and workers, and application of a nonprogressive tax, it is still not always obvious that the envisaged goals are being achieved. The Center for Public Opinion Studies, therefore, is currently making a study which attempts to investigate and explain those phenomena which may be the result of changes in agricultural policy.

The researchers have focused their interest primarily on two problems:

1. How do private farmers perceive the decisions which pertain to the private sector? In their opinion, will these decisions make any changes in this sector and in what direction?

The study was conducted in April and May of 1984 by addressing a questionnaire to a nationwide representative sample of 1,000 private farmers for whom farming is their only source of income. In constructing the sample, only the size of the farm was verified (in four groups: 0.5-2 hectares, 2.1-5 hectares, 5.1-10 hectares, and 10.1 hectares and above). The entire sample was divided proportionally according to the number of private farms in each province which were the farmer's only source of income. Next the sample per province was divided proportionally according to the number of farms per specified size and 169 gminas were selected at random. Specialized horticultural and fruit farms were excluded. Of the 967 questionnaires returned, 960 were entered into the statistical analysis, which constitutes a 96 percent coverage of the original, envisaged sample.

The representativeness of the sample was evaluated by comparing the agrarian structure of the farms studied with GUS (Main Statistical Office) data<sup>1</sup>. The differences are not large: our sample contained slightly more smaller farms<sup>2</sup>.

The questionnaire was addressed to one farmer on each farm. The average age of the respondent was 49.

The study, broken down by sex, shows that of those who responded 16.8 percent were women and 82.8 percent were men (0.4 percent did not indicate). Their education was as follows: 3.2 percent did not have an elementary education; 59.6 percent completed elementary school; 23.6 percent had an agricultural education (including 1 percent who had completed, or almost completed, advanced agricultural school); and 13.6 had a nonagricultural education.

Fourteen and a half percent of the respondents said that their farm was a specialized farm, 41.4 percent sometimes employ outside help, 45 percent said that members of their family also work outside the farm (that is why we show that many farms with a mixed source of income).

At the time of the study, 52.3 percent of the respondents said that they have a successor. For the large majority the successors are sons (79 percent); 17.2 percent give a daughter; and 3.8 percent give another family member. Of the successors, 12.5 percent have children of school or preschool age.

The living standard of 30 percent of the homes is similar to that of the city dwellers, because that is how many of the respondents said that their home is totally equipped (with water, sewage, electricity, kitchen range, bath, and central heating). Ninety-two percent had a television set, 95 percent had a radio, and 85.5 percent had a refrigerator. These data differ somewhat from those cited by GUS<sup>3</sup>.

In supplementing the basic information on those studied, it is worth mentioning that 52.2 percent of the farms are equipped with a tractor.

The crop yields obtained by those studied conform with national-average yields and are: four grains, 28 quintals per hectare; beets, 347 q/ha; and potatoes, 185 q/ha.

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<sup>1</sup>"Rural Population in Private Farming. A Representative Study. As of 8 December 1983." Warsaw, 1983, GUS, p 139, table 17.

<sup>2</sup>In the 0.5-2 ha group, 12.3 percent of the sample, compared with 9.2 percent according to GUS; in the 2.1-5 ha group, 28.2 and 24.6 percent, respectively; and in the 10.1 ha and above group, 22.6 percent in our sample, compared with 29.2 percent according to GUS. These differences are due to the fact that our sample contained only respondents above 19 years of age, while GUS data cover persons 15 years and older.

<sup>3</sup>Slawomir Mierzejewski: "Rural Living Conditions in the Light of GUS Statistical Research," WIES WSPOLCZESNA No 4, 1984.

## Results of the Study

The discussions taking place in the mass media by scientists, journalists and practicing farmers are not unanimous in their assessments of the decisions which are the subject of our interest. There are also large differences in opinions as to the effects of these decisions, and in the many arguments and controversies these differences are reflected in these problems: The profitability of farm production; chances for improvement in the agrarian structure as a result of the interest of private agriculture in land turnovers; the entrance of young people into farming; the rotation of generations; the role of farming within the framework of family peasant farming; and the definition of peasant awareness and orientation.

Answers to such questions as "who is better off" or "who is bearing the burden of the crisis," as many of the statements made by the extremist polemicists presented in POLITYKA (May 1984) would indicate, are not easy and should not be unequivocally for or against the rural community. Because the formation of a kind of agricultural and anti-agricultural lobby is becoming clearly evident, it becomes even more essential to call upon those who are directly involved for their opinion.

By subjectively assessing their own opportunities and production capabilities, their income potentials, their plans as to their own workplace and their future intentions in connection with the overall functioning of the social and economic infrastructure, mainly the agricultural infrastructure, in their area, they can indirectly furnish us with a great deal of valuable information on how the state's agricultural policy is being conducted. Following the above-stated goal of the study, we formulated the following question: "Were the recent decisions advantageous to you in your own farming?" A large number of the respondents (42 percent) were not able to express an unequivocal opinion; 22.2 percent said "yes," and 35.8 percent said "no." Slightly fewer than one-fourth of the respondents see some positive decisions, and mention the following:

--the Sejm law guaranteeing the ownership of land and the entry of a provision into the constitution guaranteeing the help of the state to private peasant farms, and making it easier to purchase and exchange land--55 percent of the group studied<sup>4</sup>;

--favorable prices for procurement of milk and grain--31.2 percent;

--slightly better prices for procurement of slaughter livestock in comparison with previous years--15.6 percent;

--the state's credit policy, assistance in the purchase of farm equipment--12.7 percent;

--granting of farm annuities and pensions--9.7 percent;

--extension of succession to farms to further members of the family--4.6 percent.

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<sup>4</sup>The percent figures in the answers do not add up to 100 because the respondent could choose more than one answer.

In order to fully illustrate the opinions held on the decisions which have been made we asked the respondents the following direct question: "If there were decisions that were disadvantageous to you in your farming, what were they?" Forty percent replied--all those who definitely said that there were no decisions which were favorable to them in their work plus a very small number of those who felt differently or who took no position on this matter. The following decisions, or effects of these decisions, were listed most often by the respondents in this group:

- decline in profitability of production (general opinions without citing reasons) - 42.3 percent;
- too-low procurement prices for slaughter livestock - 19.3 percent;
- high prices on machines, construction materials, and agricultural services - 18.8 percent;
- high tax and high interest on credits - 11.9 percent;
- allocating (rationing) of farm machinery) - 6.2 percent;
- increases in contributions for retirement and having to pay for everybody - 4.1 percent;
- provisions in the law on farm retirements (having to transfer ownership of the farm to the state in return for a pension or annuity when there is no heir) - 3.1 percent.

The negative aspects of the opinions on the decision or their effects mainly relate to the economic difficulties connected with private farming. All decisions are perceived and judged by those decisions which relate to the economic conditions of survival, and mainly to the ability to organize one's own work.

The fact that the decisions are so perceived would indicate that the changes which were supposed to be made in the social infrastructure of the countryside, including those which ensue from the functioning of the new law on farm retirements, have not been made. The newly introduced farm retirements and the package of other social benefits, as provided by the new law, should, in our opinion, have evoked greater repercussions. This did not happen, probably because most of those surveyed (55.1 percent) do not know what benefits, aside from retirement, they are entitled to, and the others knew very little on this subject. The vast majority of those surveyed, or their family members, have not taken advantage of these benefits; 94 percent have not received any allowance, and 8.2 percent have not received a family pension.

#### Farm Prices and Opinions on the Profitability of Production

One important economic decision in 1983 was the application of new prices on farm products in socialized procurement. The respondents were asked: "How do the farmers assess the profitability of production on their own farm and what, in their opinion, is the relationship of prices among groups of these

products." The distribution of replies was as follows: Production of potatoes was most profitable (65 percent); milk (53 percent); cattle (46 percent); rye and other grains (34.5 percent); 17 percent said that it pays to raise hogs.

The opinions on the price relationships of farm products in socialized procurement are unfavorable. Only the relationships milk-grain and potatoes-grain were said to be correct (50.8 and 47.2 percent of those surveyed, respectively). Other procurement-price and farm-product relationships are not established correctly, in their opinion. Generally speaking, preferences given to crop production are not well received. This is apparent especially when opinions are expressed on the comparison of prices among farm-product groups. The large majority of farmers (84.5 and 78.4 percent, respectively) said that the price of slaughter livestock in relation to grain and potatoes is too low.

Among the questions on prices of farm production from the standpoint of the subjectively perceived profitability of production, we included the following: "Is it possible on your farm to increase your income?" Fifty-five percent replied "yes," 31.9 percent said "no," and 12.1 percent had no opinion.

The answers on what methods they intend to use to achieve this growth in income were clearly divided into two groups:

- 1) those who perceived only the potential of the farm (55.7 percent),
- 2) those who cited specific changes in methods of farming (44.3 percent).

The first group said that the fulfillment of their plans depends mainly on: the prices of farm products in socialized procurement (11.6 percent); the ability to mechanize the farm (21.2 percent); and on the use of their own fodder (22.3 percent). If these conditions are fulfilled they can be persuaded to increase their livestock production.

Those surveyed who have taken steps to increase their income say that they have converted to dairy-cattle raising (12.8 percent), decided to enlarge their farm (13.2 percent), are making maximum use of their own labor reserves (15.2 percent), and are carrying out a reclamation of their land (31.5 percent).

Almost one-third of those surveyed who see no possibility of increasing their income from their own farming point to the following reasons:

- farm is poorly located, no money for modernization or enlargement (25.5 percent);
- poor government policy, unstable agricultural policy, taxes are too high (21.5 percent);
- labor shortage (17.9 percent);
- lack of an heir and unprofitability of investment (13.1 percent).

Of this group, 22 percent said that despite a maximum input of labor and money there were not able to achieve anything more.

Although they are critical of farm-product prices, particularly slaughter livestock prices, over half of those surveyed see a possibility that they can increase their farm income. This is a positive sign, but it probably pertains to the larger farms, those economically the strongest, best equipped, and located in areas where farming is a tradition and carried out by young people.

If this is so, then under present economic circumstances those whose farms are economically weaker, smaller, and where labor shortages exist, would be much less optimistic about adapting to the new conditions.

#### Future Planning as Related to the Farm

Regardless of whether they believe they can or cannot increase their income from farming, a large majority of those surveyed would like to stay on the farm and would also like to have their children stay on the farm and continue their work. In most cases this is a decision dictated by choice and not by necessity; 77 percent (regardless of whether or not they have children) would like their children to stay on the farm and take it over in the future; 14.3 percent is against this; and 8.2 percent do not yet have a well-defined opinion.

The reasons given by those who see their children's future in farming indicate that these are rational decisions, made in advance, attesting to the strong tradition and importance which farmers ascribe to family peasant farming. The alternative, the future transfer of farm ownership to the state, in the minds of the farmers is tantamount to seeing their entire life's work wasted. This was reflected in the answers of the 22.8 percent of those surveyed who want to have their children stay on the farm. Of those surveyed, 7.8 percent say that their children are interested in staying on the farm, 13.4 percent say that, in general, farming is profitable and that this is a vocation which, if done well, has as good a future as any other. A large percentage of respondents (46.3 percent) simply point to the family tradition through the generations, and only 1.2 percent say that their decision depends on changes in state policy toward agriculture and the possibility of creating a good working situation. An insignificant percentage (0.5 percent) says that this is the correct decision out of necessity (aside from farming, the children have no way of making a living).

Those who oppose the takeover of their farm by their children are a decided minority (14.3 percent). The following reasons are cited most frequently:

- heavy work (59.8 percent);
- lack of prospects for change for the better (pessimistic attitude) (21.2 percent);
- low self-evaluation of achievements and production capabilities (18.2 percent);

--children are not interested in staying on the farm (10.6 percent);

--an opinion that state policy is unstable (10.6 percent).

An analysis of these answers indicates that they may be the result of obstacles which prevented the achievement of full production potential, unfavorable comparisons with others as regards attained level of production, and subjectively perceived chances of raising the income level. We believe also that these opinions came from the group of farmers who are economically the weakest, those with small farms.

In our studies we assumed that, among others, intentions regarding changes in the size of the farm are a measure of vocational stability. But this is a weaker measure than the declaration of linking one's own future and that of the children to farming. If an enlargement (or a declaration that the farm will be enlarged) indicates a stronger tie to the farm, then where there is no definite opinion or there is no such declaration, the motivations do not always have to differ. Only a desire to dispose of the land, or discontinuance of farming, indicates a negative attitude toward the vocation, but here the reasons why the farmer is making such drastic decisions are of primary importance.

The study showed that there are tendencies to enlarge the farms. Such an intent was stated by 25.7 percent of the respondents<sup>5</sup>.

The reasons given by the farmers who plan to enlarge their farms fall into at least three groups:

1. Production reasons, connected with the development of their own farm:

--an increase in income, 45.8 percent of the respondents;

--an increase in production (overall), 17.8 percent;

--changes in the structure of livestock production (emphasis on hog-production), 15.8 percent;

--establishment of a specialized farm, 7.6 percent;

--efficient utilization of machines, 7.2 percent;

--mechanization of farming, 6.4 percent;

--changes in crop structure (increased production of grains), 3.4 percent.

2. Family reasons:

--for the children, so that they will have something to farm on, 11 percent;

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<sup>5</sup> Approximate figures obtained in studies. A. Szemberg, "Land Management, Agrarian Structure and Employment," ZAGADNIENIA EKONOMIKI ROLNEJ, No 1, 1983.

3. Vocational reasons and those connected with a favorable opinion on state policy:

- opportunities for agriculture and profitability of production, 4.4 percent;
- love of vocation, 3.4 percent.

We mentioned that the desire to dispose of part of the farm does not always point to a negative attitude toward the vocation and is a sign of unfavorable opinions of state policy, but this cannot be prejudged without analyzing the reasons for such individual decisions. The answers of 4.5 percent of the respondents who would dispose of part of the farm relate to:

- inability to cope with the work due to health and advanced age, 33.2 percent;
- lack of an heir, 27.8 percent;
- general opinions on unprofitability of production, 13 percent;
- intent to liquidate the farm, 11 percent;
- lack of money for production and ability to obtain it, 7.4 percent;
- a compulsory situation (expropriation for nonfarming purposes), 7.4 percent;
- unwillingness of children to engage in farming, 7.4 percent.

Opinions on expectations and the already observed tendencies of other farmers to enlarge their farms may indirectly illustrate this phenomenon on a large scale. Thus, 28.9 percent of the respondents believe that in the future farmers in their village will enlarge their farms and 43.8 percent see this already happening. The opinion on an increase in the number of young farmers is somewhat more optimistic: 47.1 percent say that this is already apparent and 41.5 percent believe that this tendency will continue.

Opinion on the Plan to Reform the Agricultural Tax

One important problem which interested us in our study was the reaction of the respondents to the proposed changes on the size of the agricultural tax. The lack of familiarity with the basic assumptions of the tax and the bases for its calculation is striking (47 percent are totally unfamiliar with them and the others say that they are more or less familiar). Nevertheless, we included a series of questions on:

- 1) the ultimate size of the tax warranted by one's own farm,
- 2) an opinion on the probable decisions of other farmers in connection with the tax,
- 3) one's own decision pertaining to the farm and the method of farming in connection with the new tax.

The largest percentage of those surveyed (60.9 percent) were willing to accept an ultimate amount of tax on their own farm equivalent to 1.5 quintals from each conversion hectare<sup>6</sup>; 15.4 percent were willing to accept 1.5 to 2 quintals; while 5.7 percent opted for over 2 quintals. Farmers who had no opinion on this subject constitute 13.9 percent.

Those surveyed, anticipating the actions of others after the ultimate size of the tax is established, give the following possible reactions:

--21 percent believe that others will give up farming;

--38.9 percent believe that others will make no changes either in the size of the farm or in methods of farming;

--23.9 percent believe that others can only increase production;

--8.8 percent believe that those who have small or average-size farms will tend to enlarge them and increase production.

As to their own position, the farmers surveyed said that they would do the following:

--45.3 percent would farm by the old methods and not change the size of the farm;

--25.5 percent would increase production without changing the size of the farm;

--12 percent would increase the size of the farm and the production;

--12.7 percent might give up farming;

--2.4 percent would limit production to their own needs.

The reactions resulting from lack of familiarity with the basic changes in effect in the new version of the tax may be accidental, since in asking questions about the expected actions of others and one's own decision, we gave the size of the tax proposed in the assumptions, thus provoking a problem. This must be understood so as to avoid any far-reaching generalizations.

In analyzing all of the farmers' answers in connection with the intent to apply a new farm tax, the following thought irresistibly occurs. If state agricultural policy decisions are to create the necessary economic incentives and rational behavior, they must be transmitted to the farmers without uncertainty and received by them correctly, i.e., in accordance with the intent of the legislature. If this is not done, a series of random actions may be caused which may not always conform to the line represented by the authorities. The credibility of the authorities may also be weakened to a large degree, and a misunderstanding of these decisions by the very persons involved may result.

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The plan envisages a tax equivalent to 2-2.5 quintals of rye according to the price in effect in socialized procurement; each conversion hectare of the farm is to be taxed.

Lack of familiarity with the basic assumptions of the new tax and the yardstick by which it is calculated proves the ineffectiveness of the information transmitted by all possible media (press, radio, television, the gmina agricultural service, rural organizations, the rural community, etc.).

#### Demands Pertaining to the State's Agricultural Policy

One of the assumptions of our study was that how the farmers articulate their expectations in regard to the state's agricultural policy as it has been implemented thus far will be an important measure of the opinion on this policy and how it is received. Therefore, we asked the farmers to tell us which of the matters pertaining to private agriculture are most important and should be the first to be resolved by the state. The most important problems, according to those surveyed, fall into the following groups:

- ensure the countryside all means for agricultural production, 39.6 percent;
- stabilize farm policy (to make it possible to plan and direct one's own production on the farm), 20.8 percent;
- improve the profitability of farm production (procurement prices and prices of means of production), 19.1 percent;
- raise the quality of machines and sell them on the open market, 12.9 percent;
- reduce prices on indispensable means of production and field services, 10.4 percent;
- settle the problems connected with the tax, 5.7 percent;
- install water pipelines to the countryside and develop the land, 5.6 percent;
- treat private farms on an equal-rights basis with others and make decisions on agriculture after consultation with the rural community, 5.3 percent;
- ensure farmers an adequate retirement (approximating that of the workers); change certain detailed regulations; mainly reduce the retirement age and where there is no heir do not make transfer of ownership of the farm to the state a condition for obtaining a retirement annuity, 4.6 percent;
- treat the peasant as a partner in institutions working in behalf of agriculture, 4 percent.

It is not hard to see that of the problems cited above the following had priority: Matters relating to organizing one's own work situation, the ability to equip the farm with all means of farm production, the expectation of a stable state farm policy, improvement in the profitability of production (demands that procurement prices, mainly on slaughter livestock, be increased and that the drastic disproportions of prices between procurement and means of farm production be eliminated). Culture in the countryside, the health service, education, housing, and a network of shops are important to a much

smaller percentage of those surveyed. This does not mean that these problems have been solved, but in comparison with those which pertain to the fundamentals of survival and vocational and economic stability, they are of secondary importance.

A classic example are the social decisions, which were noted, felt to be important and commented on by 4.6 percent of the respondents. Proposals for changes in the law mainly concern the amount of retirement benefit (bringing the farmer retirement more closely in line with that of the worker retirement), a reduction in the retirement entitlement age, and another solution to the question of transferring ownership of the farm where there is no heir.

It is demanded that the farmer be paid all or a large part of the amount due for a farm whose ownership has been transferred to the State Land Fund, and furthermore that a retirement annuity be awarded out of the retirement fund. This, the farmers feel, would show that those who obtain a retirement annuity after transferring the farm to an heir are being treated equally with those who do not have an heir.

The pressure to resolve those problems which mainly concern farming is understandable in a situation when everyone knows that there is a scarcity of means of production and that prices are high, but this pressure is also an indicator of the strong attachment to one's own place of livelihood, and all other problems are secondary.

The following general statements summarize the analysis which has been presented:

--the respondents are strongly attached to their place of livelihood and are trying to consolidate their own family farm, as revealed by their declared wish to leave the farm to one of their children;

--their plans to enlarge the farm (i.e., to improve the agrarian structure) may be disrupted by the application of the new agricultural tax, especially if the basic assumptions of this tax, its size and noneconomic goals continue to be unknown; there may be a further slowdown of the tendency to enlarge farms;

--those surveyed are cautious in their opinions on the new version of the retirement law covering farmers and their families; this is partly the result of lack of familiarity with the legal standards, and lack of interest and experience on the part of the majority of the respondents in taking advantage of the package of benefits which this law provides them.

The critical comments on agricultural policy reveal the following: a negative opinion on the availability and prices of means of production, lack of faith in the stability of agricultural policy, the danger of a breakdown in the adaptive processes, particularly in the small and economically weaker farms, with the result that decisions as to production will be unwise.

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Similar results were obtained in a study by the Polish Academy of Sciences Institute of Philosophy and Sociology, "Farmers Under Crisis," unpublished report edited by Prof. L. Beskid (problems connected with place of one's livelihood are of first priority to farmers).

Comments on Bajan Article

Warsaw ZIELONY SZTANDAR in Polish 16 Dec 84 pp 3, 4

[Article by Adam Orlowski: "An Agricultural Policy Without Controversy"]

[Text] The support of the peasants for the people's government became a fact more than 40 years ago thanks to their being recognized as the principal (aside from the working class) class of the Polish nation and thanks to the quickly and radically conducted farm reform. No one denies this today. This support was weakened and the peasants' confidence in the people's authority was undermined when the importance of the peasant class in the state was ignored so many times in the past and when the peasants' ownership of the land was weakened. And this, too, no one who knows how to perceive and evaluate can deny.

Agricultural policy is interwoven with the history of our people's state in a special way. And this is not at all surprising. In a people's state of workers and peasants, a state based on the alliance of these two main classes of people, the land must belong to those who work on it. That is what the socialist system in Poland decided.

After 1950 a change took place in this policy. This was shown primarily by the systematic weakening of peasant ownership, by forced collectivization which conflicted with the logic of social and political development. During 1950-1954 several thousand production cooperatives were organized, but most of them were formed by trampling on the principles of free will. Can anyone deny this?

Prof Konrad Bajan, director of the Academy of Social Sciences' Institute of Agricultural Policy, in referring to this period (POLITYKA No 48, 1 December 1984), regrets that:

"The policy of accelerated collectivization was short-lived, for it lasted only 3 to 4 years, from 1950 to 1954. The events of 1955 and 1956 brought about a change in the concept of agricultural policy, which in essence constituted a departure from socialized agriculture. In hindsight I believe that this decision was wrong. It sanctioned anachronistic conditions in the countryside and, above all, its backwardness."

I assume that this is the personal belief of the author of the article "Controversies Surrounding Agricultural Policy," and does not reflect the opinion of the institute which he directs, whose task, I think, is to conduct research work which supports the joint agricultural policy of the PZPR and the ZSL.

Thus, assuming only the above, I suggest that we recall what happened in our agriculture during the years of forced collectivization and how this agriculture recovered socially and economically after collectivization by force was discontinued. But we should not forget the resentment among the peasants which is still felt today. Let us recall, finally, how persistently recognition of the law of social subsumption was demanded, a law formulated by Karl Marx. True, this law applied to capitalism, but it can successfully be applied to our system also. I do not believe that Prof Konrad Bajan was unfamiliar with this law. In any case, I will remind him of it.

Karl Marx maintained that a peasant family economy and a peasant cooperative established on the basis of this economy under a capitalist system can be only and exclusively capitalistic.

I believe that under a socialist system too, a peasant family economy can only be--socialist. Peasant farms in a state in which socialist socioeconomic relations are mandatory have many forms of ties with this state. They sell over 80 percent of their products in state procurement centers and buy almost all of their means of production in socialized trade.

The private sector, in comparison with the cooperative or state sector, is efficient. Such principles as "whatever the work, that will be the income", and "the highest value is man and his labor" apply in that sector. Socialist principles, through and through. The peasant is the object of the socialist state and not the subject. The joint agricultural policy of the PZPR and the ZSL, in shaping the rational principles of the development and consolidation of agriculture as a whole, brought about a constitutional guarantee of the permanence of peasant farms.

This was done not in order to flatter the peasants, but for the simple reason that both parties recognized that peasant agriculture is a part of Polish agriculture as a whole, with full rights, and that it is inherent in the state's socialist system.

Peasant farms, therefore, are not capitalistic agriculture. And that, and only that, according to the author of the article "Controversies Surrounding Agricultural Policy," is what peasant farming in Poland is and it should be changed. Should it be turned into cooperatives? By the methods which were used during 1950-1954?

To ignore reality, to treat a social process--and that is what the development of cooperatives is--lightly, to violate the principles of agricultural policy, always carries with it the risk of incalculable effects. I should not have to remind anyone of this. Yet there are people who feel that it was a mistake to stop violating these principles and they reprimand those who stopped doing so. In defense of the principles they regret that they were not violated. Who needs this and for what?

"Poland continues to be in a stage of transition. The degree of development of socialist relations is different in different areas of life. In agriculture, socialist relations are the least developed and popularized," I read in the article "Controversies Surrounding Agricultural Policy."

After all, no one denies that changes in Polish agriculture are needed, but changes that would make it possible for the country to become self-sufficient in food. And it is not said that these changes can be made only through the creation of new organizational forms of farming.

Anyway, and agricultural policy wants this also, in view of the fact that three-fourths of Polish agriculture is peasant agriculture, the changes for the better must be achieved by improving the structure and size of the peasant farms, by

furnishing them with modern means of production. And not so as to make every peasant farm a fortress of engineering, as the author so ironically writes, but mainly so as to extract as much food as possible from the land and ensure the peasants adequate living and working conditions.

Speaking of this "transitional period," it is well to note that its results are not too apparent. The structure of industrial production is still not adapted to the structure of agriculture because industry has not produced the equipment and machinery for the "temporary sector." Because of a revision in the policy toward private peasant farming things are a little better, but the restructuring of industrial production to meet the needs of private farming has just begun. A lot of water will flow in the Vistula before the mistake about the temporariness of the peasant economy is corrected, and yet the professor, the director of an institute, regrets in the columns of POLITYKA that this was not carried farther. Why does he do this?

Perhaps so as to again undermine the confidence of the peasants in the people's government and to cancel out the great achievement which our joint agricultural policy represents.

Not everyone likes this policy because, I read in the article mentioned, "some want changes and socialist building in the countryside also, while others want to preserve the old order, in a word to strengthen the private-capitalist relations."

I believe that we should once more read Marx and the documents of our party, the Polish United Workers Party, and those of the United Peasant Party, who at their joint plenary meeting, in assembly and congress resolutions stated definitely that they do not want the old order at all but neither do they want any rash agrarian policies.

#### PZPR-ZSL Resolutions

Warsaw RZECZPOSPOLITA in Polish 19 Feb 85 pp 3, 5

[Article by Dr (Asst Prof ) Eugeniusz Mazurkiewicz: "Still a Great Deal To Be Done"]

[Text] In January 1981 the PZPR Central Committee Politburo and the ZSL Supreme Committee Presidium issued guidelines on the crucial problems of farm policy, agriculture and the food economy. Two years later, in January 1983, they deliberated at a joint plenary meeting of the PZPR Central Committee and the ZSL Supreme Committee.

Among the decisions made at that time the following should be listed:

--unification of the economic conditions for the development of all sectors of agriculture;

--equal access for all farms to means of production, credits, investments, and state help for agriculture;

--participation of the agricultural self-government organization in deciding the forms and methods of using lands from the State Land Fund;

--assurance of the profitability of farm production at a level which would allow the farm population incomes to approximate those of the people working in the nonagricultural sectors of the national economy;

--creation of conditions which would make it possible to more rapidly narrow the gap between the standards of living in the countryside and in the cities.

The stability of the declared agricultural policy should also be stressed. This should make the utilization of funds and resources in the hands of the farmers and the food industry more efficient.

#### Support Is Needed

Conditions for the development of agriculture in the early 1980's underwent some basic changes. In particular, the flow of supplies necessary for production was reduced. This affected nutritive feeds from state stocks because sales of grain and high-protein feeds on credit by the United States stopped and there was also a problem in obtaining credits for this purpose from other capitalist countries. Amounts of pesticides, mineral fertilizers and other goods were also reduced.

By their greater effort, foresight and care in using available means efficiently, the farmers are restoring farm production to its previous level. In 1984 total farm production came close to the average achieved in the past 5-year period.

If the growth rate of agriculture is to be maintained over a long period, deliveries of means of production must be increased. But what is now being done in industry to produce these means for agriculture appears to be insufficient. Agriculture and farm-food processing cannot meet their targets without greater support from other sectors of the national economy. The same conditions prevailed in the food economy of other countries which solved their food problem successfully. From the public's viewpoint, there are two problems in Poland which make it necessary to expand the food economy, namely: the relatively large expenditures out of personal incomes for food (over 38 percent) and the steady population growth.

Demographic forecasts indicate that in the year 2000 the population will be approximately 41 million, i.e., an increase of 4 million. Considering the time it takes to build new processing facilities, it will be necessary to increase the share of the farm-food industry and agriculture in the total investments of the national economy. The fact that the food economy's share in investments is below that of the assumptions of the National Socioeconomic Plan for 1983-1985, i.e., 30 percent below, is disturbing. This means a large reduction in the planned modernization and construction of food processing facilities.

#### Invest With What?

During 1981-1984 approximately 60 factories in the machinery industry began to produce farm machinery. The decisions of the government presidium late in 1984

on the modernization and expansion of the farm-food industry by 1990 also were directed at the needs of agriculture. However, the important factor which limits investment possibilities for expansion of enterprises in the food economy and farms is the very low profitability of production in these enterprises. For example, profits in food-industry enterprises in 1983 were about 6.8 percent. Profits in the state farms were also low. This is mainly due to the fact that they sell their production at relatively low official prices and supply themselves with many industrial products at higher contractual prices.

The mechanisms of economic reform do not give sufficient consideration to this situation. As a consequence, there is not enough money for indispensable plant investments, mainly modernization, and the share of the plant's own money in turnovers is low. It is difficult to obtain credits and there is also the problem of the interest on the credits. (For example, in the past marketing year in the State Farms of the Ministry of Agriculture and Food Economy this interest amounted to 3,200 zlotys per 1 hectare of arable land.) Changes in the mechanisms of reform should in the years that follow improve the conditions under which enterprises in the food economy must operate.

#### Agriculture Must Be Profitable

To keep farmers interested in producing, the income obtained from farm production and its relationship to nonfarming incomes is of paramount importance.

For a number of years non-agricultural incomes (in terms of 1 working person) were higher than agricultural incomes. This was due, among other reasons, to the steady flight of a part of the population (especially the young people) from farming to nonfarming occupations. At the turn of the 1980's a decision was made to change these proportions by making farm incomes equal to those of nonfarm incomes. This was an extremely important decision. It should serve, over the long term, to make the population actively engaged in agriculture younger, and it should also serve to invest so as to improve living conditions of the peasant families and better equip their households with the generally available material goods. Up to now, only in 1981 and 1982 were farm incomes (in terms of one working person) higher than nonfarming incomes. In the last 2 years the growth in farm production costs again caused a drop in farm incomes in relation to nonfarming incomes. This drop is also apparent when we compute farm incomes as an average of the last 3 years. It is absolutely essential that a correction of procurement prices of farm production be discussed, since the differences between farm and nonfarm incomes may already be causing the farmers to lose interest in producing.

It is too bad that the matter of farm product procurement prices was not included in the consultation now taking place on food prices. Group 4, dealing with agriculture and food economy in the Commission for Economic Reform, which I head, has for a long time proposed that the question of prices of farm products, food and means of production for agriculture be investigated at a "round table" with representatives of the farmers' organization, trade unions and consumers' organization all taking part.

### Three "Achilles' Heels"

The problems connected with the incomplete fulfillment of investment tasks in the food economy are generally known.

Three matters are especially disturbing in this respect: land reclamation, piping of water to the countryside and to the farms, and reelectrification of the countryside. In the past 5 years there was a steady drop in the range of basic reclamation projects (control of rivers, canals, river embanking) and special projects (control of air-water relationships in the soil). It was not possible to reverse this unfavorable trend until 1982, despite the fact that in the last 6 years the reclamation of arable land did not keep up with the use of land-reclamation equipment. During the current 5-year period the range of the reclamation jobs will cover less than 500,000 hectares of arable land, i.e., below the tasks specified in the "program for the development of agriculture and the food economy to the year 1990," approved by the Sejm in mid-1983, and about one-third of the tasks defined in the "Guidelines" of the PZPR Central Committee Politburo and ZSL Supreme Committee Presidium early in 1981.

The completion of reclamation of those lands which require it is being postponed far beyond the year 2000. This will reduce the possibility of an increase in farm production and will reduce the effectiveness of material outlays.

An improvement in availability of piped-in water in the countryside is extremely critical for farm production and for the living conditions of the people in the rural areas. Approximately 40 percent of the rural houses already have water lines, but there are still villages where farmers must bring in water from long distances.

The needs of the countryside in the area of municipal equipment are enormous. An increase in this type of investment is included in the "program," but the main factor which will determine the extent of this equipment will be deliveries of water pipes, fittings and other equipment.

The third burning problem of the countryside is the reelectrification of the electrical network in the village areas. When a large program for electrifying the countryside was instituted in the early 1950's, the main concern was to install electric lighting. At that time the problem of electric energy as a source of power for agriculture was not considered. It is estimated that about 13,000 villages cannot install new electric receivers. Whether or not this problem is solved will also depend on the availability of electric conduits, transformers, and other materials.

If we frequently mention the alliance between the two basic social classes--the working class and the peasant class, then one of the most important planes of this alliance are matters relating to the production of means which constitute an object of exchange between the city and the countryside, i.e., an increase in the flow of food products to the city people and, conversely, the flow of means of production for agriculture and nonfood goods purchased by the farm population.

POLAND

## FEED SUPPLY, IMPACT ON MEAT PRODUCTION DISCUSSED

### Livestock Specialist Comments

Warsaw RZECZPOSPOLITA in Polish 9 Jan 85 p 4

[Interview with Prof Dr Maria Kotarbinska, Institute of Animal Physiology and Nutrition, Polish Academy of Sciences, by Ludwig Staszynski: "How Can We Exploit the Good Feed Harvest?"]

[Text] [Question] Will the good harvest of grains, potatoes and other feed help improve the situation in the meat market? Especially, is there a chance of increasing pork production, where shortages are the greatest at present?

[Answer] We cannot increase pork production immediately beyond the number of young pigs that we have. Everything, therefore, depends on whether the production of young pigs increases.

[Question] Is this possible, and should we exploit the possibility?

[Answer] During any crisis the number of pigs always drops since their requirement for grain is great. Therefore the present low number of pigs is not an accident. In order to answer the question as to how quickly we will be able to increase pork production, to the extent that we overcome the crisis, we must first know all the factors, and I cannot make a judgment about it. I can say, however, that at present the relations of prices of live animals, young pigs and grain are not encouraging for that production. Only the relation of prices of live animals to rye is more advantageous, but we will not be able to produce the needed 20 million hogs on rye alone.

If we compare the present price of barley, a typical feed grain, with the price of live animals, the improvement in profitability is not so large as to motivate an increase in this production. The production of pigs is always at the edge of profitability.

To this we should add that the crisis also affected the production of commercial feeds and, although the producers of herds receive quite a bit of help from the state, this still continues to be more in quantity than in quality, which is not so effective as to improve the efficiency of using farm feed.

[Question] What you have said thus far does not sound promising. Do good harvests really not promise anything better for the consumer?

[Answer] Poland is a large producer of potatoes and always, in years of good potato harvest, the number of pigs increased, and when harvests were poor, it decreased. We may assume then that this year this regular pattern will also be reflected to a certain extent in an increase in production of pigs, although the continuing weak interest in the materials of pig production (boars, gilts) does not support these hopes.

[Question] In your opinion, should we, at the present time, stimulate the production of young pigs by additional joint-stock activities?

[Answer] Such possibilities obviously exist, specifically they pertain to economic instruments. In past years production of young pigs was stimulated especially by exploiting single-litter gilts selected from the fattening animals. In my opinion we should not undertake such action.

[Question] Why?

[Answer] The grain harvests are good. I do not believe that we will have more problems with managing them. There will be something of a problem only with rye. This year the problem of managing feeds pertains mainly to potatoes.

Let us imagine what would happen if we should at present use various additional stimuli that we have at our disposal in order to increase production of young pigs by joint-stock activities. Gilts will be producing litters in four months /in April/. These will be added to the fattening herd during the next two months, therefore in the May-June period, when there will be either no potatoes or moldy potatoes that are of little value as feed or may even be harmful to pigs. What will then become of the large number of young pigs in the interval before the new harvests? Their price might drop and this would lead to slaughtering the gilts.

In animal husbandry, the most important factor is stabilizing the conditions of production and a systematic increase in production. All actions in animal production are shortsighted and can very easily lead to regression in subsequent years.

[Question] Does this mean that we do not have to take advantage of this year's good harvests?

[Answer] We must, first of all, return to old traditions of massive conservation of potatoes by steaming and fermenting them. Fermenting potatoes limits losses, ensures a low-weight energy feed for the summer period, which also makes a rational exploitation of green feeds possible in fattening pigs.

Fermented potatoes can be stored for a relatively long time. It follows then that if a farmer has them, sooner or later he will begin to raise pigs. We must then bring all steam columns out of storage as quickly as possible, repair them, and begin to ferment as many potatoes as possible. This is the

only way to use the large supply of potatoes that we have this year properly and to increase pork production next year.

[Question] And what should we do with the good grain harvest?

[Answer] This should be used primarily for improving the presently exceptionally poor quality of commercial mixtures and concentrates for pigs. The good quality of these feeds will increase the effective use of farm feeds and this will decrease the cost of production and improve profitability of pig fattening.

[Question] How do you evaluate the quality of high-protein concentrates presently being supplied to pig farms?

[Answer] First of all, these are feeds of very unequal quality, from good to very bad. This year because of the relatively good harvests of rapeseed I am afraid that in the feed concentrates for pigs, there is a somewhat large proportion of post-extraction rapeseed mash, particularly in the fourth quarter of 1984 and the first quarter of 1985. With an excess of this mash, pigs do not eat all of the feed, and this means a waste of leftover feed in the feed ration. Besides, post-extraction rapeseed mash is very dangerous for pigs used for breeding.

[Question] What do you think about a source of protein such as skim milk and other dairy by-products?

[Answer] The use of skim milk in feeding pigs has good prospects here due to the large production of milk and a limited possibility of converting it. Proper management of surplus skim milk in feeding pigs may decrease expenditures of hard currency for import of high-protein feed to a perceptible degree. I would like to emphasize that a return to using skim milk for feeding pigs has been observed in many European countries richer than Poland, for example, Great Britain, France, West Germany, and Finland. Under our conditions, fermented potatoes and skim milk should be used more extensively than they have been thus far as natural factors stimulating pork production.

Returning to the good grain harvests, in passing, it is worth adding that they may inspire an excessive increase in the production of broilers. This is a quick, convenient and profitable production. But we must remember that in competition for feed poultry always wins out over pigs. Therefore, if we want to increase pork production, we must exercise very great restraint in determining the scale of broiler production.

#### Results of January Inventory

Warsaw RZECZPOSPOLITA in Polish 28 Jan 85 p 5

[Article by LS: "Stabilization in Cattle Production; Slow Process of Rebuilding the Pig Herd"]

[Text] The sampling census of farm animals made by the Central Office of Statistics (GUS) in the first 10 days of January 1985 indicates a stabilization in cattle production and a very slow process of rebuilding the pig herd.

The harvest of grains, potatoes, hay and other feed in 1984 was not fully reflected in the January animal census. Other factors were decisive here, specifically the significantly limited basic herds of pigs and cattle.

In comparison with the average in the fourth quarters of the years 1977-1979, the number of animals was lower: cattle by 1.4 million (more than 11 percent); cows by 300,000 (approximately 5 percent); pigs by 3.7 million (approximately 18 percent); gilts by more than 400,000 (approximately 20 percent). A certain encouraging result of the January census is the lower seasonal drop in number of pigs during the fourth quarter of 1984; in comparison with analogous periods in 1977-79, it is about 50 percent less.

Compared with a year ago, the number of cattle and cows on socialized farms is lower by about 6.3 percent. On private farms, this decrease was slight (0.5 and 1.2 percent). At the same time the number of pigs is greater by 8.4 percent; it increased both on private farms (8.8 percent) and on socialized farms (7.5 percent). The number of gilts increased somewhat more rapidly (by 8.5 percent) than the total number of pigs; there are also more farrowing sows (10.4 percent).

GUS also indicates a 12 percent increase in the market supply of fattened animals in the fourth quarter, although at the end of the third quarter of 1984 it was only about 2 percent greater than the year before. This was affected by the July increase in prices and the preference, promoted by prices, for animals weighing 120 kg. Also, GUS interprets the drop in sales of calves as their being reserved for further fattening due to the new higher prices for young steers since July 1984.

In the fourth quarter of 1984, there was a drop in numbers of cattle in 34 provinces. The greatest (by more than 5 percent) occurred in the Elblag, Jelenia Gora, Katowice, Koszalin, Legnica, Walbrzych and Wloclawek provinces. An increase in number of heads of cattle by more than 3 percent was noted only in the Biala Podlaska, Lomza and Ostroleka provinces. The number of pigs increased in 46 provinces and this increase exceeded 10 percent in the following provinces: Bielsko-Biala, Ciechanow, Elblag, Gdansk, Katowice, Leszno, Lublin, Lomza, Lodz, Nowy Sacz, Ostroleka, Piotrkow Trybunalski, Przemysl, Radom, Siedlce, Sieradz, Skierniewice, Tarnow and Zielona Gora. In the Jelenia Gora, Szczecin and Wroclaw provinces, there are fewer pigs than there were a year ago.

#### Increased Feed Imports

Warsaw RZECZPOSPOLITA in Polish 9-10 Feb 85 pp 1, 5

[Article by B.: "Greater Import of High-Protein Feeds: Mash from India and Brazil; Too Little Corn and Barley; Difficult Rye Export"]

[Text] In the past year the import supply of high-protein feed improved significantly (especially soy and peanut mash). A total of approximately one million tons was imported, which cost the hard-currency state treasury approximately \$2 million.

This year this import is scheduled to increase by another 200,000 tons. As J. Giedwicz, chief director of Rodimpex, the foreign commerce enterprise, told a reporter, in the first quarter of this year 300,000 tons of such feeds has been contracted for, mainly from India and Brazil. Increased purchases are made despite the hard currency difficulties of the country. The situation in animal husbandry, and resulting meat production, depends on the feed supply.

If the import of protein components satisfied the needs of feed producers, the situation in so-called supplements is somewhat worse. There is a shortage of corn and barley particularly. During 1984, after deducting the income of hard currency from rye export, we paid approximately \$300 million for the import of 2.2 million tons of grain. Of this 2/3 was for wheat for flour needed for making bread and macaroni. To cover feed requirements fully, these proportions would have to be reversed. Whether we will be able to do this this year depends on the grain harvest in our country.

The grain balance in foreign trade is salvaged to some extent by the export of rye. As is known, an exchange contract was drawn up with the USSR in 1984: 400,000 tons of rye for 350,000 tons of wheat. Finally, we exported 80,000 tons of rye to West Germany, and imported, in exchange, 10,000 tons of pork. At present, as Mr Giedwicz said, talks are going on in Warsaw on the sale of more rye to Asian markets.

Rye is a grain that is exceptional difficult to export. The countries that traditionally consume rye baked goods (specifically, Sweden and West Germany) are self-sufficient. In this situation, most of the rye in importing countries is used for feed. Unfortunately, the market is limited and prices are dictated by the largest exporter, Canada, which also had unusually good harvests during the past season and, therefore, a large amount for export.

2950  
CSO: 2600/697

ROMANIA

ACTIVITY OF SAVINGS AND LOAN BANK

Bucharest ERA SOCIALISTA in Romanian No 1, 10 Jan 85 pp 46-48

/Article by Maria Chirita: "Greater Prosperity Through Productive Work and the Economic Spirit"/

/Text/ Formation of the new man as a purposeful and dedicated builder of the new order is one of the main great objectives of building the fully developed socialist society in Romania, which objectives were emphatically reaffirmed by the 13th Party Congress. And it is an inseparable component of the party's and state's effort to form such a man to indoctrinate the citizens in the spirit of economy and of rational and efficient management and expenditure of the material and financial resources available to society as a whole and to every collective, family or individual. It is actually a matter of implementing the high principles of the Communists' Code and of socialist ethics and justice consistently on this level too, because prudent and careful expenditure of every leu, rational and more efficient management and use of raw materials, maintenance and protection of all public property, and an optimal correlation between resources and consumption are always of great importance to every individual and family as well as to society as a whole.

Moderation, good management and the art of knowing how to save what you acquire are qualities with many potentials from which life can gain not only in material wealth but in moral wealth as well. As Ion Ghica said on this subject, "Thrift is a source of prosperity, freedom and independence," and that is a truth not only for individuals but also for communities, peoples and states."

It is a little over 120 years since the CDC /Savings and Loan Bank/ was founded in Romania by a decree of Prince Alexandru Ioan Cuza on 24 November 1864. The idea of founding an institution of that kind had interested quite a few progressive people in Romania in those years. The first plan to found a savings bank had been advanced in Wallachia in 1845 by Costache Balcescu, brother of the democratic revolutionary Nicolae Balcescu and a participant in the 1848 Revolution.

In a pamphlet entitled "Plan for a Savings and Loan Bank" and in a series of articles published in CURIER ROMANESC, Costache Balcescu fully explained the basic principles of the institution he planned and the benefits to both the depositors

and the nation. He urged holders of cash to deposit it in the Savings and Loan Bank. He wrote, "Keeping even the smallest savings to oneself or at home is not only unprofitable but may often do great harm... That capital, lying idle without bringing any benefit to its owners other than the enjoyment of looking at it, would do more harm to society because society could not enjoy its use when it is withdrawn from circulation."

Proposals to found a savings bank were also made by other progressives of the time, such as Mihail Kogalniceanu, Ion Ionescu de la Brad et al. Meanwhile a number of mutual benefit organizations, or "provision funds," sprang up in Romania whereby the workers tried to arrange mutual aid in case of various needs. For instance, mutual benefit funds for the printers in Brasov and Timisoara were organized in 1846, and those for the metal workers in Resita were organized in 1862.

The CDC, founded in Alexandru Ioan Cuza's reign and intended to serve as a financial institution centralizing the public's cash savings and sums from other sources, was established because of the state's growing financial needs. For the respective period, the institution performed a more or less progressive role, helping to eliminate the backward forms of usurious credit and to finance construction of railroads, telegraph networks, etc.

Over the years the CDC underwent a number of changes in name and structure and expanded its activity. It received its present name of CEC /Savings and Loan Bank/ when it was reorganized on a new, socialist basis according to Decree No 387 of 1949, concentrating on developing the spirit of economy among the public, preserving their deposits, and making them profitable. This provides both for an effective aid to the public and for their active participation in national economic development through use of their cash savings for Romania's continued prosperity.

During the years of socialist construction, especially in the last two decades, the Romanian savings program has made great progress because the public, thanks to the work they have done themselves and the RCP's consistent policy of regularly improving the living standard, has obtained increasingly high incomes that have covered the normal current necessities of a civilized life and also enabled them to "put aside" some cash resources to provide for an increasingly high quality of life in the future for every family and every citizen.

The steady rise of the entire Romanian people's standard of living and civilization and of the quality of life as a whole, especially in the period inaugurated by the Ninth Party Congress, is based upon the brilliant progress in development of the productive forces, intensification of the qualitative aspects of economic growth, and harmonious expansion and improvement of all socioeconomic activities. These are realities graphically reflected in the very fact that all workers are realizing higher and higher incomes in socialist Romania, which has an industrial output today 100 times greater and an agricultural output 7 times greater than those obtained 40 years ago, and an increasingly modern and efficient economic structure. And they are manifested in the increase in workers' average net wage by about 9 times in the last 40 years, in one by about 17 times in the public's incomes out of the social consumption funds, and in the constantly growing sales of food and nonfood products to meet the requirements of a modern civilization and a rational consumption.

The outstanding results obtained in national economic development during the current five-year plan made it possible to take new measures to raise the living standard. After the program to raise the wages of all categories of workers, Their average nominal wage was up 30.7 percent in 1984 from 1980 and the real wage was increased by 6 percent compared with the planned 5 percent. Pensions were increased by about 5 percent.

Both the amount of the public's savings deposited in an organized fashion and the extent to which the spirit of economy has spread among the citizens are among the indicators of a country's socioeconomic development and consequently of the degree and quality of the public's welfare as well as the range of future options to meet personal requirements. The fact is relevant here that in Romania the general balance of the public's savings deposited in the CEC (the most telling indicator of the development of the savings program) was 14.3 times greater at the end of 1983 than it was in 1965, and as of 1 October 1984 the balance was up 8.4 percent from the same period of the previous year. The average per capita balance of savings deposited in the CEC showed an equally steady gain, being 12.1 times greater as of 1 January 1984 than it was in 1965.

Organized saving in the CEC also showed noteworthy annual gains from the qualitative standpoint. The sums deposited in various savings instruments are kept in the CEC for a longer time, the average duration of a deposit being much longer now than in the preceding periods. For example, while at the start of the current five-year plan the average duration of deposit of 1 leu in the CEC was 789 days, it reached 985 days by the end of 1983, and there is a trend toward steady growth of deposits in time passbooks and passbooks at interest and earnings for passenger cars and private current accounts.

The few summary data presented here are very significant because they demonstrate that the process of saving developed steadily once the public's cash incomes increased and their general living standard improved, and that organized saving, while no end in itself, is emerging as an efficient way for the public to proportion its use of its cash incomes in order to diversify consumption and secure an ever higher living standard over the longest possible period of time.

Furthering relations with the public is one of the main concerns of the workers in the CEC units. It is vividly illustrated by the scope of the savings program, in other words by the number of the public's active passbooks at a given time. The figures show that the spirit of economy has indeed spread deeply and permanently into the ranks of the population of all ages and all walks of life. There are now over 22.5 million active passbooks compared with only 5 million in 1965, or an average of one passbook per capita. But the public is also saving by means of instruments other than passbooks, such as CEC bonds, and preschool children and pupils are saving through savings sheets with stamps, school savings circles, and passbooks for pupils.

Development of the savings program has been and is also stimulated by improvement in the organization and performance of the CEC units and in the ways and means of saving and service, especially by developing the method of deposit in the CEC on the basis of written consent to a transfer, which has many advantages for depositors such as avoiding a trip to a CEC unit every time a deposit is made, since they are made directly at the depositor's place of work, in the same

socioeconomic unit that employs him, as well as continuity and regularity in the individual savings effort, while the depositor enjoys all the benefits and general advantages of saving in the CEC as well as those peculiar to the savings instrument used.

This activity has and will have a special place among the efforts of the CEC units operating in enterprises and institutions or of those to be founded in the future, thus meeting the workers' need of a CEC unit at their own places of work. The 405,000 workers who are saving monthly on the basis of written consent to a transfer are fully convinced of the advantages of this method of saving, and their number is growing constantly. Its development will prepare the public for the time when most of the operations in connection with their incomes and outlays will be performed by transfer through the services of the CEC.

Developing deposits in private current accounts is another priority effort of the CEC's. In the last period especially, there has been an increase in cashless transactions in private current accounts, which are modern means of saving and payments with the advantages that they not only maintain cash savings, with all the well-known advantages thereof, but also pay annual interest while the CEC makes periodic and occasional payments to meet current obligations. These accounts are opened at any branch of the CEC in Romania. Deposits and refunds are made in cash or by transfer. Cash deposits may be made in any CEC unit in Romania. For deposits by transfer, the holders of accounts may request the units where they work, in writing, to transfer all or part of the wages they are to receive to their accounts. Moreover pensioners holding private current accounts may request their pension and social insurance officers to transfer their pensions to their accounts. But they are required to make out or sign the statements of account monthly.

As another important advantage of private current accounts, the CEC units make periodic payments by transfer, free of charge and at the account holder's request, for radio and TV subscriptions, electric power and natural gas consumption, rent, taxes and fees, as well as other payments for the account holder. And finally, holders of private current accounts, upon their request, may be issued checkbooks for a limited sum that may be used to buy goods from trade organizations authorized for the purpose, to pay for services, or to pay socialist organizations or individuals.

The process of saving in the CEC and its further development heavily depend upon the way the operations are performed at the CEC units' pay windows. Therefore the CEC administrative council and the managements and workers of the regional units have made and are still making it a major aim to give the public the best service.

One of the ways of definitely improving the service and one that is constantly emphasized is to expand and consolidate the network of CEC units in order to bring them closer to the depositors' homes or places of work. Just from the beginning of the current five-year plan to the present time 886 more new CEC units have been founded, and they now number about 11,000 units. The network will be further developed in keeping with the growing number of depositors and their requirements for rapid and efficient service.

At the workers' requests, the CEC gave priority to installing pay offices and service stations in all units with more than 500 workers. This action is also going on in other socioeconomic units and organizations requesting such offices. Moreover emphasis has been and is placed on founding units in the new districts in municipalities and cities, modernizing the existing units, and operating at least one CEC unit in every commune.

As in any other field, all-around professional, political, civic, cultural and other training of personnel is of great importance in CEC activity. Accordingly the CEC has been attaching due importance to improvement of the training of all personnel in all respects, both on the job and by exchanges of experience among units, for purposes of constantly increasing the efficiency of work at the pay windows, expediting the operations, introducing mechanized means in the performance and recording of the operations, adapting the units' operating programs to the public's needs, and exercising regular control to prevent and promptly remedy any defect in good service to the public.

By virtue of its equipment with its own electronic computer center and an information unit with modern automated data processing equipment, the CEC is better able to improve its service in the next period by computer processing of operations to attract the public's cash savings.

For nearly 15 years the CEC has also been asserting itself as an authentic public bank. By granting loans it helps citizens who wish to build their own privately owned homes on contract or under state supervision or to purchase out of the state housing fund the dwellings that they are renting. In the 14 years since the CEC took over this activity about 1.1 million loans have been granted to the total value of about 50 billion lei. The balance of loans to the public is now 25.7 billion lei.

In keeping with the goals set by the 13th Party Congress for new housing construction in the 1986-1990 Five-Year Plan and up to the year 2000, the CEC will continue to play an outstanding role by granting loans to those who wish to build their own privately owned homes.

The benefits and advantages enjoyed by all depositors in the CEC are also greatly encouraging the process of saving in Romania. The state guarantee of deposits is one of the important advantages granted to all depositors regardless of the instrument or method of saving used. This means that the depositors may request the CEC units to refund all or part of their deposits at any time. The units are required to refund the deposits in passbooks, private current accounts, CEC bonds at interest, and other savings instruments immediately upon request of the persons entitled to collect the respective sums. Depositors in the CEC are entitled to enjoy as they see fit and for an unlimited time not only the sums deposited but also the interest and earnings granted, and the law guarantees their inalienability.

The Law of Finance, the CEC Charter and other regulatory acts require the workers in the CEC and other units performing operations for the CEC to keep names of depositors or holders of deposits secret, as well as the operations performed. They are subject to penal sanctions if they divulge these operations.

The same regulatory acts stipulate that information about the sums kept in the CEC is given by the CEC organs only in writing, upon a written request or communication, provided that the passbook is presented or its number indicated, and only to the following persons: holders of passbooks; persons indicated by the authorization clause entered in the passbook but only for operations performed by them; depositors only for sums deposited by them in the names of other persons; persons authorized by holders by proxy or another form of legal authorization, within the limits set by the authorization; parents and guardians for deposits belonging to minor holders; persons entered in the will only after the holder's demise and only for the balance as of the date of his demise; and the legal or testamentary heirs if that capacity is attested by the notary organs or the courts and only for the balance as of the date of the holder's demise. According to law, no one other than the persons indicated above has the right to request information about holders, depositors or the operations performed by them in the CEC.

Depositors in the CEC are also granted other benefits and advantages such as the fact that all services rendered are free of charge, and the sums saved and the interest and earnings acquired are exempt from taxes or any other fees; the right to authorize other persons to enjoy the sums kept in the CEC; and the right to have sums deposited in the names of other persons refunded. Of course all these general benefits and advantages are in addition to those peculiar to each savings instrument.

The steady growth of the number of depositors and of the volume of savings kept by them in various savings instruments demonstrates the confidence of the great mass of Romanian citizens in the state's financial policy, the stability of the national currency, and the CEC. The provisions of the documents of the 13th RCP Congress on growth of the public's incomes form the optimal background for further development of the savings process in Romania. This requires the CEC and all workers in CEC units to keep improving the quality of their service to the citizens in both crediting and savings operations through better organization of the flow of operations and of information of the public and through further improvement of the professional, political and ethical training of the working personnel in this important socioeconomic activity.

5186

CSO: 2700/110

ROMANIA

## IMPORTANCE OF PRICES IN UTILIZATION OF RESOURCES

Bucharest REVISTA ECONOMICA in Romanian No 3, 18 Jan 85 pp 17-18

[Article by Viorel Beju, Cluj-Napoca]

[Text] As results from the documents of the 13th party congress, among the major goals of the current period in the forefront are development of our own base of raw materials, the saving and superior utilization of material and energy resources and reduction in costs throughout the economy. The national party conference in December 1982 established a mobilizing program for the additional reduction in material costs and expenses in the 1983-1985 period and for improvement in the system for the planning, record-keeping and computing of production costs and for establishing prices.

We feel that in this favorable framework, in light of the guidelines included in the documents of the party congress, opportunities are being created to continue improving the calculation of prices and costs--an important element in price structure--with a view to increasing their role in fulfilling the priority goals in the economy.

Should Delivery Prices Be Differentiated Depending on the Purpose of the Products?

One of the opportunities for more efficient use of prices in providing an incentive for saving and for superior utilization of material resources, in our opinion, is differentiating delivery prices depending on the purpose of these resources. We know that a certain value may be obtained from one ton of crude oil or metal or from 1,000 cubic meters of natural gas if they are subject to a certain degree of processing, while if the degree of processing increases, then there is also a corresponding rise in the value of the products, even by tens of times. Currently a differentiation exists among delivery prices but, generally, only according to the big purposes of the products: production consumption, investments, export, repairs, formation of state reserves and so forth on one hand and nonproduction consumption on the other.

As we know, our price system was conceived of with two categories: prices for the socialist units and production prices and delivery prices. We should stress that the production price is one price for the producer and it is not also one price for the beneficiary. At the same time, neither the interests nor the goals are always the same for producer and beneficiary. For example, in the

case of energy resources and scarce materials, the problem for the producers is that of increasing their production, while the problem for the beneficiaries is the most economical utilization and superior utilization of them. The production price is intended to ensure that the producer recovers costs and obtains a normal profit while establishing and changing it must be placed mainly depending on the level and evolution of costs. The delivery price is the price with which the socialist units are supplied and in exchange for which they receive a good representing a value of specific usage; as a result, its level and evolution must be linked not only with the level and evolution of costs but also with the size and changes which appear in the products' value of usage, with the domestic and foreign possibilities for the economy to satisfy various needs as well as with the size and evolution of prices on the foreign market.

Differentiating the delivery prices for material and energy resources depending on their purpose would create a fertile field for magnifying the role of tax on the circulation of goods as an economic lever of regulating the rate of profitability per product, a problem discussed a lot in other socialist countries but one which is a current one in our economy, too. In Romania, following the general resetting of prices in 1974-1976, the area of application of the tax on circulation of goods became relatively restricted, with a tax on profit being introduced in 1977 and, then, in its place the taking of it for society starting with 1979. It is just that the tax on profit and taking it for society have been and are tools for regulating profitability by branches, subbranches and industrial enterprises and not tools for regulating profitability by product. In order to ensure providing incentives for the units to save and have superior utilization of resources and to reduce costs, we feel that the problem should be analyzed and resolved correctly at the product level and not just in a general way for the branch, subbranch and enterprise as a whole. It is true that the takeover is also being used to regulate product profitability (when it exceeds average enterprise profitability by more than 5 percent) but the solution is being used in isolated cases and generally just when prices are set for new products and when actually profitabilities are accepted which are not much greater than average enterprise profitability. Exaggerated profitabilities may appear during manufacture of the product, when the production costs are reduced while the production prices remain unchanged. In these situations methods must be used on a priority basis for regulating product profitability (the taking over for society or tax on circulation of goods, depending on the price policy adopted).

With regard to the tax on circulation of goods, it could pick up in all cases the difference between the delivery price and the production price. However, we do not feel that it should be differentiated in an exaggerated way by products from the same group and should not be established as the difference between prices but rather as a standardizing percentage amount with a longer validity. In this way its role would grow in price formation, becoming an active tool for price policy and not just a tool of financial technique or a passive difference of price.

We also stress that the improved methods for planning and record-keeping of costs permit a separate reflecting of various forms of consumption (as direct raw material, fuel and so forth) from the same material resource. The enterprises will be given incentives to reduce consumption by including the same raw materials in the costs at various prices, depending on the nature of the consumption, primarily at those material positions at which the price for evaluating the raw material is higher. Actually in Romania's economy we encounter this kind of differentiation of prices for some products. For example, the

taxes for electric energy are differentiated by periods of consumption during the day (the peak hours, the rest of the hours). The differentiation of delivery prices for raw materials inversely proportional to the degree of processing for which they are intended as well as directly proportional to the way in which this consumption is obtained (by fitting into the standard consumption or by exceeding it) is a problem which should be analyzed, in our opinion.

#### Net Income Elements Included in Costs. How? How Much?

With regard to costs--an important component in determining the size of prices--one of the possibilities for improvement we feel to be connected with the structure of costs, with the elements on whose basis the level of production costs is established. Specifically we are referring to the elements of net income which are included in costs. It should be mentioned that throughout the years a number of economists came out for "cleansing" the costs of net income elements, while starting in 1977 costs were relieved of several such elements; they were the tax on production capital by cancellation; tax for use of lands which are state property and monetary contribution in conformity with Law 20/1971, which is based directly on financial results. Despite this, there still are elements of net income "placed" in costs and in the actual structure of grouping expenses, particularly in the position of "other expenses for live labor" (contributions to the fund for new technology, bank interest, taxes and so forth). Added to these elements of net income are the contributions for social security and tax on total salary fund, included in costs together with salaries.

In our opinion, keeping elements of net income in costs changes the level of economic-financial indicators and, primarily, the absolute and relative size of the costs and the net income per product, per total unity, per subbranch, branch and the economy as a whole. For example, calculating the rate of net income in two versions for two economic units: one in which costs with elements of net income which they include are taken into account and the second on the basis of costs relieved of elements of net income, we get a difference of between 3-7 percent in the rate of net income calculated in the two versions. So the real ratio between net income and costs appears reduced by 3-7 percent, having implications on the terminology used (costs, production expenses and, years ago, cost price).

Relieving the costs of net income elements, in our opinion, would have many advantages. They are ensuring synonymy of cost-production expenses, providing a more adequate base for establishing the level of prices and a real ratio between costs and net income.

Also connected with net income, another problem which can be analyzed is that of the criteria for distributing it by product. In conformity with the law on the price and tax system, profit (gross) is distributed in the price of new products on the basis of total production cost. The law, however, provides another possibility and that is: "In the case of branches and subbranches for which the expenses for raw materials and materials represent a high percentage of costs, the profit may be established in proportion to the processing expenses." The use of production cost as a base for determining profit sometimes causes the trend to make it too big while renewing production and it leads to obtaining high material consumption per product. Also, in this way it is precisely the

enterprises with high production expenses which could be given the advantage, sometimes providing through the price a net income which is disproportional to its own effort to create the new value.

At the same time, in our opinion, it is not always capable of stimulating the units to save and have superior utilization of material resources. To eliminate this shortcoming we feel it is necessary for the branches and subbranches which are big consumers of energy and material resources to use "processing expenses" to establish profit (gross) which is included in the products' final prices. So we feel that increasing the enterprises' concern is ensured to save and raise the degree of utilization of these resources, while the net income which they will obtain will be more closely dependent on the activity creating new values and not so much on the quantity of material values obtained from outside--the result of the work of other units.

The transition from the criterion of total costs to the criterion of processing expenses may be made relatively simply. Average net income, calculated by groups of products at the level of the subbranch or branch, according to the case, is related to the average processing expenses by groups of products at the level of the subbranch or branch and the rate of net income calculated in accordance with the processing expenses is obtained (which clearly will be greater than the one established depending on total costs). This rate then may be applied to the processing expenses belonging to each product and the net income which should be included in the price of the particular product is obtained, obtaining a redistribution of net income by products in the limit of the same total quantity of net income. In the event that it is felt that the rate of net income is too high, the competent organs may reduce it, also changing other tangential economic-financial indicators with this change.

By including net income in the products' prices on the basis of processing expenses we have a distribution depending on two factors (salaries and paying-off) and it could be a form of transition from distribution of net income by product depending on total costs to its distribution depending on the salary for work and the production capital.

8071

CSO: 2700/124

YUGOSLAVIA

CHANGES IN 1984 FEDERAL BUDGET

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 70, 28 Dec 84 p 1549

[Text] Changes in the Budget of the Federation for 1984

Article 1.

In the Budget of the Federation for 1984 (SLUZHBI LIST SFRJ no. 70/83 and 55/84), in article 1 paragraph 1 the amount 256,137,000,000 is replaced with the amount 260,357,000,000, and in paragraph 2 the amount 386,772,800,000 is replaced with the amount 390,942,800,000.

Article 2.

In Article 3 in the Balance of Income and Expenditures of the Budget of the Federation for 1984, in section I. Income the following is changed:

- 1) in Category 03, Taxes on Turnover of Products and on Compensation for the Performance of Services, in form of income 03-1 Tax on Turnover of Products, the amount 157,000,000,000 is replaced by the amount 161,220,000,000, in subform of income 03-1-1 Part of the Basic Turnover Tax, the amount 157,000,000,000 is replaced by the amount 161,220,000,000, and in the item Total Category 03, the amount 157,000,000,000 is replaced by the amount 161,220,000,000;
- 2) in the item Total Income for Distribution (categories 01 to 08), the amount 384,772,800,000 is replaced by the amount 390,942,800,000.

In section II. Distribution of Income the following is changed:

- 1) in Basic Purpose 01 -- Funds for the Work of Administrative Organs, to distribution group 01-3 Funds for Special Purposes, the amount 16,248,120,000 is replaced by the amount 17,767,397,400, in distribution subgroup 01-3-2 Other Special Purposes, the amount 6,531,453,000 is replaced by the amount 8,050,730,400, and in the item Total Basic Purpose 01, the amount 27,730,500,000 is replaced by the amount 29,249,777,400;
- 2) in Basic Purpose 04 -- Transfer Funds for Other Sociopolitical Communities, in distribution group 04-2 Additional Funds, the amount 33,599,320,000

is replaced by the amount 35,300,042,600, in distribution subgroup 04-2-1 Additional Funds for the Budgets of the Republics and Autonomous Provinces, the amount 32,599,320,000 is replaced by the amount 35,300,042,600, and in the item Total Basic Purpose 04, the amount 32,599,320,000 is replaced by the amount 35,300,042,600;

3) in the item Total Distributed and Undistributed Income, the amount 386,722,800,000 is replaced by the amount 390,942,800,000.

#### Article 3.

In article 4, the amount 386,722,800,000 is replaced by the amount 390,942,800,000.

In Section 14 -- Federal Secretariat for Finance, Chapter 1. Secretariat, Basic Purpose 01 -- Funds for the Work of Administrative Organs, in item 251 01-3-2 Funds for the Coordination of Personal Incomes in the Organs of the Federation, the amount 920,730,000 is replaced by the amount 2,440,007,400, and in item Total Basic Purpose 01, the amount 1,732,761,000 is replaced by the amount 3,252,038,400.

In Basic Purpose 04 -- Transfer Funds for Other Sociopolitical Communities, in item 257 Additional Funds for the Socialist Republic of Bosnia-Herzegovina, the amount 9,112,475,000 is replaced by the amount 9,876,521,000, in item 258 04-2 -- Additional Funds for the Socialist Republic of Macedonia, the amount 4,153,407,000 is replaced by the amount 4,501,654,000, in item 259 04-2 Additional Funds for the Socialist Republic of Montenegro, the amount 3,427,024,000 is replaced by the amount 3,714,366,000, in item 260 04-2 Additional Funds for the Socialist Autonomous Province of Kosovo, the amount 14,856,414,000 is replaced by the amount 16,157,501,600, in the item Total Basic Purpose 04, the amount 32,599,320,000 is replaced by the amount 35,300,042,600, in the item Total Chapter 1, the amount 61,535,361,000 is replaced by the amount 65,755,361,000, and in the item Total Section 14 (items 239 to 290), the amount 61,669,095,000 is replaced by the amount 65,889,095,000.

#### Article 4.

These changes go into effect on the day following the day of their publication in SLUZBENI LIST SFRJ.

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YUGOSLAVIA

REPUBLIC, PROVINCIAL FOREIGN TRADE BREAKDOWN, 1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 23, 24, 25 Jan 85 pp 10, 3, 2  
resp.

[Article by Milorad Urosevic: "Yugoslav Economy's Foreign Trade in 1984"]

[Text] The results of the Yugoslav economy's foreign trade this past year were awaited with great interest, since what was achieved this year can, to a considerable extent, serve as experience--even though the plans for this year were only designated in general terms, or at least without final coordination--so that what was done well could be applied to a greater extent and what was shown to be negative could be eliminated and not repeated any more. It is understandable that there is a considerable amount of both. Part of it is a consequence, as businessmen in the Economic Chamber of Yugoslavia have been continually stressing for several years now, of the defects in the foreign trade and foreign exchange system, which will be eliminated during the first months of this year, but one should also not overlook subjective behavior. Foreign trade has been overemphasized in Yugoslavia, and as a result of this situation there has been an impermissibly large number of representations in the great world centers, which compete more among themselves than they do--or than is done for them--with the firms of other countries; the consequences of this are very unfavorable and the damage hard to compensate for.

All of this, however, requires separate consideration, which will not be possible on this occasion, nor necessary, since it is sufficient to dwell on the substantive relations of the sociopolitical communities in this sensitive situation.

Table I

## Foreign Trade in 1984

## Overall Results

|                | in millions of dinars |                |                | percent of participation in: |                |                |                |
|----------------|-----------------------|----------------|----------------|------------------------------|----------------|----------------|----------------|
|                | <u>exports</u>        | <u>imports</u> | <u>deficit</u> | percent of                   | <u>exports</u> | <u>imports</u> | <u>deficit</u> |
|                |                       |                |                | <u>exports in:</u>           |                |                |                |
| SFRJ           | 1.281.474             | 1.502.605      | 221.131        | 85,3                         | 100,0          | 100,0          | 100,0          |
| Bosnia-        |                       |                |                |                              |                |                |                |
| Hercegovina    | 187.868               | 209.150        | 21.282         | 89,8                         | 14,7           | 13,9           | 8,6            |
| Montenegro     | 24.206                | 25.194         | 988            | 96,1                         | 1,9            | 1,7            | 0,4            |
| Croatia        | 298.409               | 351.686        | 53.277         | 84,8                         | 23,3           | 23,4           | 21,6           |
| Macedonia      | 66.759                | 109.191        | 42.432         | 61,1                         | 5,2            | 7,3            | 17,2           |
| Slovenia       | 262.411               | 253.567        | + 8.844        | 103,5                        | 20,5           | 16,9           | +34,1          |
| Serbia proper  | 304.987               | 287.968        | +17.019        | 105,9                        | 23,8           | 19,1           | +65,8          |
| Kosovo         | 25.565                | 26.862         | 1.297          | 96,0                         | 2,0            | 1,8            | 0,5            |
| Vojvodina      | 109.752               | 195.644        | 85.892         | 56,1                         | 8,5            | 13,0           | 34,8           |
| The Federation | 1.516                 | 43.343         | 41.827         | 3,5                          | 0,1            | 2,9            | 16,9           |

The fact is that there is a visible difference in the degree of development of the individual republics and provinces, and accordingly in their possibilities for exports, when this has already become a sort of burden. For this reason, the lag in exports and the greater share in the deficit on the part of the less developed areas could be understood, but when the developed ones behave like that, continuing even now to take the foreign exchange from others, then this is intolerable, to put it mildly. But what is indicated in this regard by the facts, based on the latest data of the Federal Institute for Statistics?

The total exports, valued at 1,281.5 million dinars, exceeded the previous year's by 6 percent, while the imports, at 1.5 billion dinars, were 2 percent larger than a year before, which means that for 100 dinars of imports we exported 85.30 dinars. The negative difference of 221 billion dinars was 17 percent or 45 billion dinars less than in 1984, which can be considered somewhat of a success, but quite certainly insufficient.

The results would be much more favorable if the involvement in all the republics and provinces had been at least close to that in Serbia, where for 100 dinars of imports, goods worth 105.90 dinars were exported, in addition to 103.50 dinars in Slovenia. They are followed by the undeveloped Montenegro and Kosovo, which were closest to this coverage of imports by exports, and approximately by Bosnia-Hercegovina. This cannot be said at all of Croatia, not to mention Macedonia, or finally of developed Vojvodina, with only 56.10 dinars of exports for 100 dinars of imports. These relations are particularly manifested in the structure of exports and imports, as well as in the share of the deficit. It should be recalled here that the republics and province with the negative balance registered a total of 247 billion dinars; Vojvodina's share in this was 34.8 percent, and Croatia's

21.6 percent, while the contribution by Macedonia and the Federation should not be underestimated. In the final result, the negative difference was alleviated by the positive balance of Serbia proper and Slovenia, with 28.6 billion dinars; the former accounted for a little less than two-thirds of this, and the latter for a little more than a third.

According to the plan for 1984, expressed in "green currency," exports were supposed to reach \$11.451 billion, while \$10.268 billion were achieved. This is a reduction of \$1.183 billion, just a little less than 10 percent, while imports were planned to be \$13.1 billion and reached \$12 billion. This is a shortfall of \$1.65 billion, from which this negative difference resulted. Instead of the planned deficit of \$1.654 billion, at the end of the year \$1.772 billion was registered--\$118 million or 7 percent more than was planned as the maximum under which other ratios could be achieved, both in the process of continuing production and in fulfilling international obligations.

Exports to the convertible area, as was stressed very often and still is, will represent a matter of life or death for the Yugoslav economy for a long time to come. This is also asserted by businessmen, who talk less and subordinate their work and conduct much more concretely to the needs that arise, in which the existing conditions do not favor them very much. In fact, the foreign exchange and foreign trade system in effect has for several years now put extreme exporters in a privileged position, enabling them to take all the foreign exchange they obtain regardless of who participated to what extent in the production and preparation of the goods for export, and it has hurt the producers of raw materials and semifinished products, leading them virtually to "poverty." Those who look at these exports and force them from the standpoint of securing foreign exchange to repay debts that have come due also have an opportunity, and both a right and obligation, to change the existing regulations and coordinate them with the interests of the majority, especially the social communities, but thus far there has been no good will for all of this--if no more concrete reason is to be used. Whatever the case, last year's results are very indicative.

#### Only Slovenia Has a Surplus

Exports to this currency area last year were supposed to be increased by a fifth, but they were only increased by 9 percent, which should by no means be considered a maximum but with different conditions and behavior. This is also indicated by the data in the following table.

Table II

## Foreign Trade in 1984

## Convertible Area

|                | in millions of dinars |                |                | percent of participation in: |                |                |                |
|----------------|-----------------------|----------------|----------------|------------------------------|----------------|----------------|----------------|
|                | <u>exports</u>        | <u>imports</u> | <u>deficit</u> | percent of                   | <u>exports</u> | <u>imports</u> | <u>deficit</u> |
|                |                       |                |                | <u>exports in:</u>           |                |                |                |
| SFRJ           | 823.120               | 973.268        | 150.148        | 84,6                         | 100,0          | 100,0          | 100,0          |
| Bosnia-        |                       |                |                |                              |                |                |                |
| Hercegovina    | 114.597               | 118.924        | 4.327          | 96,4                         | 13,9           | 12,2           | 2,6            |
| Montenegro     | 13.302                | 19.501         | 6.199          | 68,2                         | 1,6            | 2,0            | 3,8            |
| Croatia        | 181.013               | 225.983        | 44.970         | 80,1                         | 22,0           | 23,2           | 27,3           |
| Macedonia      | 40.852                | 58.754         | 17.902         | 69,6                         | 5,0            | 6,0            | 10,9           |
| Slovenia       | 206.997               | 192.191        | +14.806        | 107,7                        | 25,1           | 19,7           | +100,0         |
| Serbia proper  | 184.695               | 199.595        | 14.900         | 92,5                         | 22,5           | 20,5           | 9,0            |
| Kosovo         | 10.888                | 19.396         | 8.508          | 56,1                         | 1,3            | 2,0            | 5,1            |
| Vojvodina      | 69.355                | 95.925         | 26.570         | 72,3                         | 8,4            | 10,0           | 16,1           |
| The Federation | 1,421                 | 42.999         | 41.578         | 3,3                          | 0,2            | 4,4            | 25,2           |

The exports, valued at 823 billion dinars, exceeded what was achieved a year before by 6 percent, which means less than a third of the planned growth, but imports were also increased by only 2 percent, while 9 percent had been planned. This ratio gave rise to the negative balance of 150 billion dinars, compared to 210 billion dinars the year before, which is a decrease of 61 billion or 29 percent, and which can be considered satisfactory, if one ignores the low basis for comparison.

Nevertheless, although the planned exports of \$7.384 billion were \$789 million less, which means about 10 percent, and the imports planned for \$8.785 billion were \$986 million lower, or a little more than 11 percent, the planned negative balance of \$1.4 billion was \$198 million less, while in comparison with 1983 this is a reduction of \$487 million--nearly three tenths. Some conclusions follow quite realistically from this: the reserves in associated labor are still very great, particularly with respect to imported semifinished products but also what is needed from domestic sources for export-oriented production. There are numerous reasons for this that are worth discussing at greater length.

The fact that in this area Slovenia has a positive balance, but that the other developed sociopolitical communities have more favorable import and export ratios here than with respect to their overall results, deserves more detailed consideration and explanation.

#### It Could Have Been Much Better

It is well known that the cost of this improvement in trade with the developed world was too high. One can start with the statement that we can be satisfied, since it could have been worse, but this would be a very harmful indulgence in self-satisfaction. This is because the existing foreign exchange

system forced individual organizations of associated labor to neglect the popular saying "don't take to church what you need at home," in order to obtain foreign exchange for purchasing the most essential semifinished products, parts, and other things necessary to maintain the production process. This did enormous harm to the community, but at the given time it was still more bearable for these organizations than buying foreign exchange "on the black market" from the so-called "final exporters," who are allowed by the existing system to engage in usury, in the true sense of the word.

If this had not taken place, the community would not have lost \$7.7 million, in the first 6 months of last year alone, because of simultaneous exports at lower prices and imports at higher prices of unalloyed wire and [STURCNI] for sheet metal, \$9.8 million because of exports and imports of alloyed steel ingots, \$6 million because of natron cardboard, \$4 million because of polyethylene, and \$3.3 million because of cellulose, along with \$3.6 million because of exports and imports of the same type of nitrogen fertilizer, \$1.1 million because of barley, and to conclude this list, the loss of \$3.9 million because of simultaneous exports of very high-quality scrap iron and imports of what can scarcely be called "scrap iron." There are countless examples of this type, and there are also data, if one were only to arrange them and make them available to the public. The good will of those who can decide on this is needed for that, however, and at least for the time being, this situation suits them. And they are not bothered by the fact that the deficit in the convertible area could have been reduced by at least another half million dinars.

Trade with the countries of the clearing currency area, especially with respect to the countries of Eastern Europe, differs a great deal from trade with partners in the convertible area, for two substantial reasons. The first is, in fact, objective in nature, and one that domestic organizations of associated labor cannot influence or change: the establishment of commodity lists of products that are subject to trade, the quality, deadlines, and prices represent known quantities a year in advance, and at the same time a significant advantage for those whose obligation is to fulfill them.

The other reason is of a subjective, internal nature, and has to do with the different treatment of the foreign exchange earned, and the distribution of the products and goods obtained in trade. While convertible foreign exchange is considered the property of the final users, and they handle it as they see fit, often selling it on the so-called "black market" at a price several times higher than the official exchange rate, this is not possible with receipts from the clearing area.

#### Burden of Obligations on the Undeveloped

The structure of trade with these partners is such that the bulk of the obligations falls on the less developed sociopolitical communities, as can be seen from the export and import ratios contained in the following table.

Table III

## Foreign Trade in 1984

## Clearing Area

|                | in millions of dinars |                |                | percent of<br>percent of<br>exports in: | percent of<br>participation in: |                |                |
|----------------|-----------------------|----------------|----------------|-----------------------------------------|---------------------------------|----------------|----------------|
|                | <u>exports</u>        | <u>imports</u> | <u>deficit</u> |                                         | <u>exports</u>                  | <u>imports</u> | <u>deficit</u> |
| SFRJ           | 458.354               | 529.337        | 70.983         | 86,6                                    | 100,0                           | 100,0          | 100,0          |
| Bosnia-        |                       |                |                |                                         |                                 |                |                |
| Hercegovina    | 73.271                | 98.226         | 16.955         | 81,2                                    | 16,0                            | 17,0           | 14,7           |
| Montenegro     | 10.904                | 5.693          | + 5.211        | 191,5                                   | 2,3                             | 1,1            | + 11,7         |
| Croatia        | 117.396               | 125.703        | 8.307          | 93,4                                    | 25,6                            | 23,7           | 7,2            |
| Macedonia      | 25.907                | 50.437         | 24.530         | 51,4                                    | 5,7                             | 9,5            | 21,3           |
| Slovenia       | 55.414                | 61.376         | 5.962          | 90,3                                    | 12,1                            | 11,7           | 5,2            |
| Serbia proper  | 120.292               | 88.373         | +31.919        | 136,1                                   | 26,3                            | 16,7           | + 72,0         |
| Kosovo         | 14.677                | 7.466          | + 7.210        | 196,6                                   | 3,2                             | 1,4            | + 16,3         |
| Vojvodina      | 40.397                | 99.719         | 59.322         | 40,5                                    | 8,8                             | 18,8           | 51,4           |
| The Federation | 95                    | 344            | 249            | 0,3                                     | 0,0                             | 0,1            | 0,2            |

Overall, a third of Yugoslav exports are to this market, and two thirds to the convertible market, and the ration is only negligibly different with respect to imports, as well as the negative difference. In comparison with 1983, however, this is a definite regression, since the results then were considerably more favorable. In comparison with that period, exports last year were increased by only 1 percent and imports by 4 percent, which was enough to increase the deficit from 55.2 to 71 million dinars, and reduce the coverage of imports by exports from 94.1 to only 86.6 percent. In fact, from the standpoint of the net accounts among the sociopolitical communities in Yugoslavia, the deficit reached 115.3 billion dinars, and was created by four republics and Vojvodina, in such a way that the "portion" of more than half of this sum falls to the latter, more than a fifth to Macedonia, about a sixth to Bosnia-Hercegovina, 7 percent to Croatia, and 5 percent to Slovenia.

This negative balance was reduced by the surpluses of Serbia proper (31.9 billion dinars), Kosovo (7.2 billion), and Montenegro (5.2 billion), which at the same time bore most of the burden, helping to keep the results from being even more unfavorable.

## Plan in a "Corner"

In this part of the article it is necessary above all to recall that trade with the countries with the clearing method of settling accounts does not bring "marbles," but rather extremely valuable raw materials, semifinished products, and machinery, to which insufficient attention is paid. If this were not the case, the planned volume of trade would not be so unfavorable, which may have very negative consequences this year.

As the minimum that should be achieved in order to ensure, on the whole, a normal or increased process of production in Yugoslavia, the plan for 1984 provided for exports worth \$4.67 billion, 8 percent more than the previous year, imports worth \$4.320 billion, i.e. 6 percent more, and a negative balance of \$253 million, or 16 percent less than in 1983. What was achieved showed that these plans were a "bill without an innkeeper." Exports fell \$394 million or 9.7 percent short of the plan, and imports were increased by \$402 million or 9.3 percent, so that the deficit reached \$569 million, \$316 million more, which means an index of 225 in relation to the plan.

Exports fell short because all the republics and provinces did not take care to fulfill what was contracted for, while imports were visibly increased for the very reason mentioned at the beginning. There was an attempt to increase exports of energy fuels at any cost, particularly on the part of the areas where refineries are located. Oil was obtained in accordance with established rights, and this was the reason why it was possible for the coverage of imports by exports to reach barely two fifths, as in Vojvodina, half in Macedonia, and four fifths in Bosnia-Herzegovina. Croatia had a greater degree of coverage than in the convertible area--understandably in addition to Serbia proper, Kosovo, and Montenegro. Even Slovenia, with a surplus in the convertible area, considered it permissible not to ensure equal imports and exports in this area, since by all indications, this is more profitable for it.

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CSO: 2800/183

YUGOSLAVIA

LAW ON FOREIGN INVESTMENTS IN DOMESTIC ENTERPRISES

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 5, 8 Feb 85 pp 177-184

[Revised text approved by the Legislative and Legal Commission of the Chamber of Republics and Provinces of the SFRY Assembly in a session on 24 January 1985: "Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor"]

[Text] On the basis of Article 37 of the Law on Amendments and Supplements to the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 64, 1984), the Legislative and Legal Commission of the Chamber of Republics and Provinces of the SFRY Assembly, in a session on 24 January 1985, has approved the revised text of the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor..

The revised text of the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor encompasses the following: the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 18, 1978) and the Law on Amendments and Supplements to the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 64, 1984) in which the date when those laws take effect is stated.

Belgrade, 24 January 1985

Petar Bucu (signed)  
Chairman of the Legislative and Legal  
Commission of the Chamber of Republics  
and Provinces of the SFRY Assembly

LAW ON INVESTMENT OF CAPITAL OF FOREIGN PERSONS  
IN DOMESTIC ORGANIZATIONS OF ASSOCIATED LABOR  
(Revised Text)

I. Basic Provisions

Article 1

In the interest of broader and longer-range inclusion in the international division of labor and in order to obtain up-to-date technology, to augment exports and improve supply of the domestic market, to reduce imports and to advance the operation and business performance of domestic organizations of associated labor this law regulates the investment of capital by foreign persons in domestic organizations of associated labor.

Article 2

A foreign person may invest capital in a domestic organization of associated labor in order to pursue at their joint risk business goals and interests which they have in common, thereby becoming entitled to a share in the income realized in the joint conduct of business (hereafter referred to as "joint venture").

The foreign person shall exercise his right to recover the value of capital investment and the right to compensation for employment of that capital within the limits of his share in the income realized in the joint venture.

Article 3

As a rule the investment of a foreign person's capital in a domestic organization of associated labor shall be for a long term.

The relations which come about through investment of the capital of a foreign person shall be regulated by a contract covering the time necessary to achieve the joint business goals for which the capital is being invested.

Article 4

The mutual relations of the parties to the contract in a joint venture shall be regulated by a contract on investment of the capital of a foreign person in a domestic organization of associated labor (hereafter referred to as an "investment contract"), which must be concluded in writing.

The investment contract shall be subject to approval of the federal administrative agency for energy and industry.

An investment contract which has not been concluded in writing and which has not been concluded in writing and which has not been approved by the federal administrative agency for energy and industry shall be null and void.

## Article 5

The rights of a foreign person with respect to capital which he has invested in a domestic organization of associated labor shall enjoy the protection accorded by this law.

The rights of a foreign person accorded by a contract, by this law or by other enactments with respect to capital which he has invested in a domestic organization of associated labor may not be diminished by law or other enactment if the contract according those rights has become valid.

## Article 6

If after the day when an investment contract has become valid an enactment is amended or current economic policy measures are set forth governing that investment, the provisions of that contract and the regulations which were in effect on the date when the investment contract became valid shall apply to the rights of the foreign person with respect to the capital which he has invested in the domestic organization of associated labor if that is more favorable for the foreign person unless the parties to the contract settle certain matters differently by agreement, pursuant to the provisions of the amended statute.

The provision of Paragraph 1 of this article shall not apply to tax obligations and other charges which organizations of associated labor pay to socio-political communities nor to contributions paid to self-managing communities of interest.

## Article 7

The investment contract shall specifically regulate the following:

- 1) the goals of the investment of capital and the purpose, conditions and manner of use of that capital;
- 2) the total amount of capital being invested in the joint venture and the amounts of that total being invested by the domestic organization of associated labor and by the foreign person;
- 3) the procedure for determining the portion of the income of the domestic organization of associated labor in which the foreign person is to share;
- 4) the bases and scales to be applied in determining the foreign person's share in the income of the domestic organization of associated labor;
- 5) the conditions, manner and dates of payment of the foreign person's share in the income of the domestic organization of associated labor;
- 6) the conditions, manner and dates of return of the value of the capital invested;

- 7) the mutual obligations of the parties to the contract should a loss be incurred in the venture and other obligations pertaining to the bearing of risk;
- 8) the composition and powers of the joint management body and the manner in which that body shall be chosen;
- 9) procedure for resolving disputes between the parties;
- 10) the manner in which foreign exchange and other funds are to be furnished for payment to the foreign person by virtue of his share in income and return of the value of capital invested.

The domestic organization of associated labor and foreign person may set forth standards of material costs and criteria for determination of the rate of depreciation, and also standard inputs of current labor in creating the product and in rendering services involved in the joint venture (number of operatives performing jobs and their specialized qualifications, time coefficients and other standard allowances in performance of tasks involved in the joint venture).

#### Article 8

The investment contract may provide that the domestic organization of associated labor and foreign person shall obtain a portion of the capital to finance the joint venture through credit or a loan.

The amount of the credit or loan referred to in Paragraph 1 of this article may not be greater than the amount which the parties to the contract have invested.

The credit or loan referred to in Paragraph 1 of this article shall be paid off out of the income realized in the joint venture before it is distributed to the parties to the contract.

If the income from the joint venture is not sufficient to pay off the credit or loan referred to in Paragraph 1 of this article the parties to the contract are required to furnish funds for the repayment in proportion to the risk in the joint venture as stipulated in the contract.

#### Article 9

An investment contract shall be concluded by a basic organization of associated labor.

An investment contract may also be concluded by a work organization and by a complex organization of associated labor in conformity with the self-management accord on entry into association [to form that work organization or complex organization--translator's note].

If in conformity with the self-management accord concerning entry into association an investment contract has been concluded with a foreign person by a

work organization or complex organization of associated labor, that contract shall specify the one or more basic organizations of associated labor which shall exercise the rights and discharge the obligations contained in the contract, which shall also define the rights and obligations of the work organization or complex organization of associated labor which concluded the contract.

#### Article 10

Other foreign persons and other domestic organizations of associated labor may also enter into an investment contract even if they perform only one part of the investment contract, under conditions which are accepted by the parties to the contract which are carrying out the joint venture.

#### Article 11

Investment contracts may not be concluded in the fields of insurance, trade and the social services, except for health-recreation services.

The provision of Paragraph 1 of this article shall not apply to the field of scientific research.

In exceptional cases the Federal Executive Council, on the basis of consent of the competent bodies of the republics and provinces, may prescribe that a domestic organization of associated labor may conclude an investment contract in certain social services if this will contribute to the development of the activity in question.

Investment of the capital of foreign persons in the field of banking shall be regulated by federal law.

#### Article 12

A foreign person may invest foreign exchange in a domestic organization of associated labor, but also things and rights which constitute machines and equipment and processing materials.

Up to the value of the capital invested as set forth in the investment contract the foreign person may invest in the domestic organization of associated labor, pursuant to regulations, equipment, production supplies or raw materials only if they are not produced in appropriate quality or quantities and at appropriate prices in Yugoslavia.

A foreign person may also invest in a domestic organization of associated labor the rights to a patent, the right to an industrial design or model, the right to a trademark, the right to technical manufacturing documentation and knowledge and experience, in conformity with the federal statute.

#### Article 13

The investment contract may be dissolved before the time stated in the contract if losses have been incurred over several years of the joint venture or if the joint goals set forth in that contract are not being realized, when one party to the contract fails to discharge essential obligations of the contract, or in a case when there has been an essential change in the circumstances which obtained at the moment when it was concluded.

#### Article 14

The basic organization of associated labor in which the capital has been invested shall dispose of the capital for the joint venture in the manner established by legislation and the investment contract.

### II. The Joint Management Body

#### Article 15

A domestic organization of associated labor and a foreign person may establish a joint management body within which they shall make decisions on current matters that arise in the joint venture by agreement.

The investment contract shall set forth the makeup and authority of the joint management body referred to in Paragraph 1 of this article and the manner in which its members shall be chosen.

#### Article 16

The basic organization of associated labor which is in possession of the capital invested and is conducting the joint venture must be represented on the joint management body.

The joint management body shall be established in the basic organization of associated labor which is in possession of the capital that has been invested and which is conducting the joint venture.

If the capital invested is in the possession of more than one basic organization of associated labor, those organizations shall by agreement among themselves designate representatives on the joint management body and shall determine in which basic organization the joint management body shall be established.

If capital is being invested in a domestic organization of associated labor by both a foreign person and another domestic organization of associated labor in order to conduct the same joint venture, that other organization must also be represented on the joint management body.

Foreign persons may not have a greater number of representatives on the joint management body than the number of representatives of domestic organizations of associated labor. The contract shall state those issues which are to be

resolved by agreement regardless of the number of representatives on the joint management body.

#### Article 17

The joint management body shall make decisions on all matters pertaining to the joint venture.

The representatives of the domestic organization of associated labor on the joint management body are required to obtain the views of the body of self-management of the domestic organization of associated labor which has the invested capital at its disposition before making the decisions referred to in Paragraph 1 of this article.

### III. Rights and Obligations of the Parties to the Contract on the Basis of Capital Invested and Participation in Income

#### Article 18

A foreign person shall participate in the income of a joint venture in proportion to the contribution which he has made to the realization of that income on the basis of the capital invested.

The foreign person's right to participate in the income of the joint venture terminates when the value of capital invested has been returned to the foreign person along with compensation for employment of the capital he has become entitled to before the value of the investment was returned or when the period stated in the investment contract expires, regardless of the amount of the value of invested capital which has been returned.

The investment contract may not provide for the foreign person to participate perpetually in the income of the domestic organization of associated labor realized in the joint venture.

#### Article 19

A domestic organization of associated labor in which the capital of a foreign person has been invested is required to indicate the income from the joint venture with the foreign person separately in its business books.

#### Article 20

The basic organization of associated labor shall obtain income from the joint venture with the foreign person when material costs and the costs of depreciation, aside from the material costs which are expensed according to the provisions of law or are charged to working capital on the basis of inventories, have been reimbursed out of the gross income realized in the joint venture.

If the basic organization of associated labor and foreign person have established standard material costs and criteria for determination of the rates of depreciation which are to be applied in the basic organization of associated

labor which is carrying out the investment contract, those costs shall be reimbursed from the gross income realized in the joint venture in accordance with those standards or criteria.

#### Article 21

The obligations prescribed by law and expenditures charged to the income of the basic organization of associated labor and which are related to performance of the joint venture shall be met from the income from the joint venture with the foreign person.

The basic organization of associated labor shall not charge the following obligations and expenditures to the income referred to in Paragraph 1 of this article which belongs to the foreign person:

- 1) for nationwide defense and social self-protection;
- 2) for depreciation over and above the amounts established in law unless otherwise stipulated in the contract;
- 3) for fines for economic violations and misdemeanors and court fees unless the liability of the foreign person has been established;
- 4) for insurance premiums pertaining to social resources and material rights which are not used in the joint venture.

#### Article 22

The workers in the basic organization of associated labor shall distribute the net income from the joint venture with the foreign person into personal incomes and into social services on the basis of the general self-management act regulating the bases and scales by which the net income of the basic organization of associated labor is distributed in conformity with law, self-management accord and social compact.

The workers in the basic organization of associated labor shall distribute the remainder of net income from the joint venture with the foreign person, depending on contribution and the results achieved, on the basis of current and past labor:

- 1) into the portion of the remainder of net income from the joint venture which belongs to the domestic organization of associated labor;
- 2) the share of the remainder of the net income from the joint venture which belongs to the foreign person (profit), in proportion to the capital invested or other criteria as set forth by the parties to the contract.

#### Article 23

The portion of the remainder of net income from the joint venture which belongs to the foreign person shall represent its share in the income by way of

compensation for economic employment of the capital invested in the year for which the net income from the joint venture is established.

#### Article 24

The workers in the basic organization of associated labor shall distribute the portion of the remainder of the net income from the joint venture which belongs to the basic organization of associated labor into advancement and expansion of the material basis of operation and into the creation and renewal of reserves on the basis of the general self-management act which sets forth the bases and scales by which the net income of the basic organization of associated labor is to be distributed in conformity with law, self-management accord and social compact.

#### Article 25

A basic organization of associated labor in which the capital of a foreign person has been invested shall discharge obligations to the foreign person with respect to repayment of the value of the capital invested in the stipulated amounts and by the stipulated dates, in conformity with the contract on the joint venture.

#### Article 26

The claims of the foreign person arising out of the joint venture (compensation for economic employment of the capital invested) and recovery of the capital investment may also be stated in a special evidentiary account of the resources of the organization of associated labor in which the capital of the foreign person has been invested.

#### Article 27

No investment contract shall be lawful unless it provides for termination of the foreign person's participation in the income of the domestic organization of associated labor when the capital it invested has been returned to it as part of that participation, along with the appropriate compensation for employment of the capital invested, nor shall any investment contract which has been concluded solely for the sake of financial transactions and involves no risk in the conduct of business.

#### Article 28

The organization of associated labor and the foreign person shall jointly bear the risk in the joint venture according to their share in the income of that venture under the conditions and in the manner provided for in the investment contract.

#### Article 29

In the context of this law it shall be assumed that a loss has been incurred in the joint venture of the domestic organization of associated labor employing

the capital of a foreign person if the income realized in the joint venture, as determined in the year-end statement, is smaller than the sum of the amounts of advances paid against the personal incomes of workers for their work in that venture up to the amount set by a general self-management act, the amount of personal income guaranteed by law for the period when they have not been paid, and the amount of obligations which by law are charged to income and are related to that venture.

A loss incurred in a joint venture shall be made up by the domestic organization of associated labor and foreign person within the period specified by law for making up the losses of an organization of associated labor according to their mutual liability as set forth in the investment contract. If the foreign person does not make up the loss by providing other capital, the capital invested shall be reduced by the amount of the losses.

In a year in which a loss as defined in Paragraph 1 of this article has occurred the foreign person shall not participate in the income of the joint venture.

#### Article 30

A foreign person shall have the right to transfer abroad funds which he realizes in a joint venture on the basis of his share in income in conformity with the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries and with this law.

A foreign person may use the funds he is entitled to transfer abroad to augment his share in the capital of the joint venture or may conclude a contract to invest those funds in another domestic organization of associated labor, or may dispose of those funds in some other manner in Yugoslavia, in accordance with regulations.

#### Article 31

The funds which a foreign person has realized in a joint venture through participation in income as compensation for employment of the capital invested may be credited or paid to that person in dinars if the investment contract has so provided or if the foreign person has subsequently consented to this. The foreign person shall dispose of those dinar funds in conformity with the provisions of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries and of this law.

The foreign person may use the dinar funds referred to in Paragraph 1 of this article to purchase products on the Yugoslav market, to pay for services, to make investments in Yugoslavia, or he may take them from Yugoslavia or convey them to another foreign person if they have been realized in a joint venture involving the production of products or the rendering of services whose export has by federal enactment been prohibited or restricted or if by their nature these products may not be exported (municipal services, the services of maintaining bridges and highways, services of bus terminals, etc.).

The foreign person may export products and services paid for in dinars (Paragraph 2) through an organization of associated labor registered as an exporter in accordance with the provisions that apply to exports from Yugoslavia.

#### Article 32

The investment contract may provide that the obligation of the domestic organization of associated labor to the foreign person on the basis of the latter's participation in net income may also be discharged by delivering a portion of the products manufactured in the joint venture:

- 1) if such products have been produced on the basis of an investment contract in the field of exploration, exploitation and primary refining or processing of petroleum, gas, ores or other minerals;
- 2) if such products have been produced on the basis of a contract concerning investment in the production and processing of agricultural products, in the raising and fattening of livestock, in the raising and catching of fish, in the processing of meat and fish and other livestock products, in the cultivation of tree farms and other perennial plantations, or in the processing of such products.

The Federal Executive Council may prescribe that an investment contract may envisage the obligation on the part of the domestic organization of associated labor to deliver to the foreign person, on the basis of the latter's share in income, a portion of the products manufactured in the joint venture even in economic activities which have not been enumerated in Paragraph 1 of this article if it feels that this will contribute to more rapid development of the relevant activity.

#### Article 33

The investment contract may provide that the obligation of the domestic organization of associated labor to the foreign person on the basis of the latter's share in the remainder of net income from the joint venture be discharged by rendering the services which are the subject matter of the contract.

#### Article 34

Things and rights which are invested in a joint venture must be realistically assessed, in accordance with regulations.

#### Article 35

A foreign person has the right to examine the business books of a basic organization of associated labor in which the income of the joint venture is indicated.

#### Article 36

With consent of the domestic organization of associated labor in which he has invested capital in a joint venture and the other parties to the contract, a foreign person may transfer rights and obligations under the investment contract to another foreign person or other domestic organization of associated labor, unless the investment contract provides otherwise, in conformity with law.

#### Article 37

If a foreign person intends to transfer the rights and obligations arising out of an investment contract to another foreign person or other domestic organization of associated labor, it must first make an offer in writing to transfer the rights and obligations arising out of that contract to the domestic organization of associated labor in which it has invested the capital.

Within 60 days from the date of receipt of the offer the domestic organization of associated labor, unless the investment contract provides otherwise, must deliver to the foreign person a declaration either accepting or rejecting the offer.

If contrary to the provision of Paragraph 1 of this article the foreign person transfers the rights and obligations arising out of the investment contract without a prior offer to the domestic organization of associated labor or if it transfers the rights and obligations arising out of the investment contract on terms which are more favorable for the person or organization to which the transfer was made than the terms offered the domestic organization of associated labor, the domestic organization of associated labor in which the capital has been invested by the foreign person may file a complaint with the competent court demanding that the transfer of the rights and obligations arising out of the contract be transferred on those same terms to the domestic organization of associated labor.

The complaint based on violation of the right to first refusal of the transfer of rights and obligations arising out of an investment contract may be filed by the domestic organization of associated labor within 30 days from the date when it learned of that transfer or of the more favorable terms of the transfer.

A transfer of the rights and obligations of a foreign person to another foreign person or to a domestic organization of associated labor shall be entered in the register referred to in Article 51 of this law. Notice of the transfer of rights and obligations arising out of an investment contract must be filed by the foreign person making that transfer within 30 days from the date when the contract concerning the transfer was concluded.

Approval of the federal administrative agency for energy and industry is required for the transfer of rights and obligations arising out of an investment contract to another foreign person.

#### Article 38

An investment contract may entitle the foreign person to recovery of the value of capital or recovery of certain property which he has invested in the domestic organization of associated labor

If the investment contract provides that the foreign person has the right to recover certain property which he has invested in the domestic organization of associated labor, the foreign person may also export that property.

#### Article 39

In case of the dissolution of an investment contract or termination of a domestic organization of associated labor a foreign person has the right to recover the value of the amount of the claims outstanding in the special evidentiary account if such an account is kept pursuant to Article 26 of this law.

The value of funds referred to in Paragraph 1 of this article shall be reduced in proportion to the amount of uncovered losses borne by the foreign person.

If the claims of the foreign person arising out of the joint venture are not indicated in a separate evidentiary account pursuant to Article 26 of this law, in a case of dissolution of the investment contract and termination of the organization of associated labor the foreign person is entitled to recovery of the capital invested in the amount which remains if a portion of the value has been repaid, or in a greater or lesser amount depending on the income realized in the joint venture and through exports.

#### Article 40

A foreign person shall have the right to transfer capital invested or the remainder of capital invested if the investment contract has ceased to be valid because the business goals have been attained or the period covered by the contract has expired or if the investment contract has been dissolved for the reasons provided for in this law, or if the investment contract provided that the foreign person could withdraw part of the capital investment even during the life of the contract.

A foreign person shall also have the right to transfer capital invested or the remainder of capital invested if the domestic organization of associated labor in which the capital was invested has ceased to exist.

The transfer of funds referred to in Paragraphs 1 and 2 of this article shall be made with the funds referred to in Article 122 of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries.

#### Article 41

A foreign person may also be paid funds which he has invested in a domestic organization of associated labor in dinars if the investment contract has so provided.

The foreign person may use the dinar funds referred to in Paragraph 1 of this article to purchase products on the Yugoslav market, to pay for services or to make an investment in Yugoslavia, or he may take them out of Yugoslavia, in conformity with regulations, or convey them to another person.

The foreign person may export the products and services paid for in dinars as referred to in Paragraph 2 of this article through an organization of associated labor registered as an exporter in accordance with the regulations that apply to exports from Yugoslavia.

#### Article 42

If a foreign person has invested capital in the activities enumerated in Article 32 of this law, the investment contract may provide as an exception that the domestic organization of associated labor shall reimburse the foreign person the value of capital invested by delivering a portion of the products produced in the joint venture.

The investment contract may envisage the right of the foreign person to recovery of the capital investment in the form of the rendering of services which are the subject of the contract concerning the joint venture.

#### Article 43

If real property which has been partly or entirely purchased with capital which a foreign person has invested in a domestic organization of associated labor has been confiscated in the public interest under a decision of the competent body which has become final, that decision shall also provide for compensation of the domestic organization of associated labor in the amount of the obligation which it has assumed toward the foreign person on the basis of the investment contract.

The compensation referred to in Paragraph 1 of this article shall be paid by the organization or person receiving the confiscated real property (the user) within 60 days of the date when the decision to confiscate the real property becomes final.

The foreign person has the right to transfer the funds referred to in Paragraph 1 of this article.

#### Article 44

If an investment contract has been concluded by a work organization, the basic organizations of associated labor making it up shall be liable for obligations arising out of the joint venture as provided for in the self-management accord whereby they entered in association to form the work organization.

If the capital of a foreign person has been invested in a basic organization of associated labor on the basis of an investment contract, that basic organization shall be liable for obligations arising out of the joint venture up to the limit of the assets which it possesses unless the investment contract, to

which the other basic organizations of associated labor making up the same work organization have granted their consent, provided that those basic organizations shall also be liable for those obligations above the value of the assets of the basic organization of associated labor in which the capital was invested for the sake of the joint venture.

The liability referred to in Paragraphs 1 and 2 of this article shall be entered in the court register.

#### Article 45

Liability as set forth in an investment contract may not be amended by amending a self-management accord concerning entry into association unless the domestic organization of associated labor and foreign person who concluded such contract consent to that amendment.

#### IV. Approval and Registration of Investment Contracts

#### Article 46

An investment contract, its amendments and supplements, and extension of its life shall be subject to approval of the federal administrative agency for energy and industry.

A domestic organization of associated labor must submit the following along with its application for approval of an investment contract:

- 1) an original of the investment contract drawn up in one of the languages of the nationalities of Yugoslavia;
- 2) a technical-and-economic study from which the soundness of the investment can be seen.

#### Article 47

The federal administrative agency competent for energy and industry shall keep a record of amendments and supplements to an investment contract which call for additional investments or reinvestment of the capital of the foreign person in production of products of the same kind, under a contract already approved between the same contracting parties in a special register along with the contract that has already been approved.

The domestic organization of associated labor is required to file an application for recording a contract in the special register in the context of Paragraph 1 of this article with the federal administrative agency competent for energy and industry within 30 days from the date of concluding the contract on the additional investments or reinvestment of capital.

#### Article 48

The technical-and-economic study referred to in Article 46, Paragraph 2, Sub-paragraph 2, of this law shall specifically contain the following:

- 1) data on sources of capital which the domestic organization of associated labor is investing;
- 2) data on the engineering and technological schemes necessary to production of the products in the joint venture;
- 3) data on the type, amount and value of equipment which must be imported in order to build or add to the facilities in which the parties to the contract are investing their capital;
- 4) data on the type, amount and value of raw materials and intermediate products which must be imported during the life of the investment contract;
- 5) data on the status of trained personnel and the program for training personnel to perform the obligations undertaken in the investment contract;
- 6) data concerning assurance that energy and raw materials will be effectively utilized and data on environmental protection;
- 7) data on the basic raw materials which will be used in the process of producing the products which are the object of the investment, making it evident that the use of the raw materials is in conformity with Yugoslavia's development policy;
- 8) data on the opportunities for selling the products which will be produced in the joint venture on foreign and domestic markets;
- 9) other data concerning the economic expediency of investing the capital of foreign persons in domestic organizations of associated labor.

#### Article 49

An investment contract which has been concluded shall not be approved in the following cases:

- 1) if relations are thereby established between the domestic organization of associated labor and the foreign person whereby the equality between the domestic organization of associated labor and the foreign person is essentially violated;
- 2) if it restricts export of the products of the domestic organization of associated labor which are the subject of the investment contract when such restriction is not in conformity with the policy governing Yugoslavia's economic relations with foreign countries and the system of those relations;

- 3) if the provisions of that contract run counter to the interests of the country's defense or security;
- 4) if the provisions of that contract are contrary to the social plan of Yugoslavia;
- 5) if the provisions of that contract are contrary to the strategy of technological developments set forth in the Socialist Federal Republic of Yugoslavia.

#### Article 50

The federal administrative agency for energy and industry must rule on an application for approval of an investment contract within 60 days from the date of the application's receipt.

Before making a decision on approval of an investment contract the federal administrative agency for energy and industry must obtain an opinion from the competent federal administrative agencies as to whether the provisions of the investment contract are contrary to the interests of the country's defense or security. A decision to approve an investment contract may not be issued contrary to that opinion. A decision which rejects an application for approval of an investment contract because the provisions of the contract run counter to the interests of the country's defense or security shall be discretionary and need not be substantiated in that respect.

A decision of the federal administrative agency for energy and industry made concerning an application for approval of an investment contract may be appealed to the Federal Executive Council within 15 days from the date of delivery of the decision.

An administrative dispute may not be conducted against a final decision on an application for approval of an investment contract.

#### Article 51

Once approved, an investment contract shall be entered in the register kept by the federal administrative agency for energy and industry. Entry in the register shall be made automatically within 15 days from the date when the decision approving the investment contract became final.

The trade name and name and address of the parties to the contract, the total amount of capital being invested in the joint venture and the shares of the various contracting parties in that capital, the time for which the contract is being concluded, the date of the contract's conclusion, the date of filing of the application for approval of the investment contract, the number and date of the decision approving the investment contract, and the number and date of the decision concerning entry in the register shall be entered in the register.

The federal administrative agency for energy and industry shall inform the parties to the contract and the competent body of the republic or autonomous province of the entry of the investment contract in the register.

Upon entry in the register the investment contract takes effect as of the date of its conclusion.

Data contained in the investment contract and data appended to the application for approval of the contract shall constitute official secrets.

#### Article 52

An abstract from the register referred to in Article 51 of this law may be issued only if the organization or person seeking such an abstract has a warranted interest.

An organization or person who wishes to obtain an abstract from the register shall submit in writing a substantiated request to the federal administrative agency for energy and industry.

The official who heads the federal administrative agency for energy and industry shall issue more detailed regulations as needed concerning the manner and procedure for issuance of abstracts from the register.

#### Article 53

If a foreign person invests in a domestic organization of associated labor equipment whose importation is regulated or if the investment contract provides that such equipment is to be purchased with the capital invested by the foreign person, the domestic organization of associated labor may import that equipment on the basis of consent granted by the federal administrative agency for energy and industry in agreement with the federal administrative agency for foreign trade, in conformity with regulations.

If a foreign person invests in a domestic organization of associated labor intermediate products and raw materials whose import is regulated, the domestic organization of associated labor may import such materials on the basis of consent granted by the federal administrative agency for foreign trade in agreement with the federal administrative agency for energy and industry, in accordance with regulations.

The consent referred to in Paragraphs 1 and 2 of this article shall be issued simultaneously with the decision approving the investment contract and shall extend over the entire period of the foreign person's investment of capital as provided for in the investment contract.

The domestic organization of associated labor may use the equipment, intermediate products and raw materials imported on the basis of the consent referred to in Paragraphs 1 and 2 of this article only for the purposes envisaged in the investment contract.

#### Article 54

Goods whose export is regulated and which are produced on the basis of an investment contract shall be exported on the basis of consent granted by the

federal administrative agency for foreign trade on the recommendation of the federal administrative agency for energy and industry, in accordance with regulations.

The consent referred to in Paragraph 1 of this article shall be issued simultaneously with the decision approving the investment contract and shall be valid during the contract's entire life.

#### Article 55

A domestic organization of associated labor which in conformity with a federal statute is producing arms and military equipment may not negotiate to conclude an investment contract before obtaining permission of the federal administrative agency for national defense to conduct those negotiations.

Before it obtains the permission referred to in Paragraph 1 of this article the organization of associated labor referred to in that paragraph may not divulge to a foreign person any data whatsoever concerning the production of military equipment and arms, nor permit any photography or recording.

#### Article 56

A domestic organization of associated labor whose investment contract has been approved and entered in the register must file with the federal administrative agency for energy and industry, the Yugoslav Economic Chamber and the competent body of the republic or autonomous province annual reports concerning performance of that contract with respect to success in the venture, imports and exports, the adequacy of equipment, the technology applied, the organization of production, and other significant data of relevance to the investment.

The report referred to in Paragraph 1 of this article shall be filed before 30 April of each year for the year which has passed.

The federal administrative agency for energy and industry, in agreement with the Social Accounting Service, shall issue more detailed regulations concerning the content and filing of the reports referred to in Paragraph 1 of this article.

### V. Resolution of Disputes

#### Article 57

Disputes arising out of an investment contract between a domestic organization of associated labor and a foreign person shall be resolved by the competent court in Yugoslavia unless the investment contract provides that such disputes are to be resolved by the foreign trade arbitration commission of the Yugoslav Economic Chamber or some other domestic or foreign arbitration commission.

## VI. Punitive Provisions

### Article 58

A domestic organization of associated labor shall be fined no less than 50,000 and no more than 1 million dinars for an economic violation in the following cases:

- 1) if it uses equipment, intermediate products and raw materials imported on the basis of an investment contract for purposes not provided for in that contract (Article 53, Paragraph 4);
- 2) if it imports equipment on the basis of an investment contract and dissolves that contract before expiration of the period contracted for, but has not met the conditions for dissolution of a contract as provided for in Article 13 of this law.

The person responsible in the domestic organization of associated labor shall also be fined no less than 3,000 and no more than 30,000 dinars for an economic violation as described in Paragraph 1 of this article.

### Article 59

A domestic organization of associated labor producing arms and military equipment shall be fined no less than 50,000 and no more than 1 million dinars for an economic violation if before obtaining the permission to conduct negotiations with a foreign person it conducts negotiations concerning conclusion of an investment contract, or if it divulges to a foreign person information concerning production of military equipment and arms, or if it allows a foreign person to take pictures or make recordings (Article 55).

The person responsible in the domestic organization of associated labor shall also be fined no less than 3,000 and no more than 30,000 dinars for an economic violation as described in Paragraph 1 of this article.

### Article 60

The domestic organization of associated labor shall be fined no less than 30,000 and no more than 300,000 dinars for an economic violation if it does not file an annual report before 30 April of the current year for the previous year (Article 56).

The person responsible in the domestic organization of associated labor shall be fined no less than 2,000 and no more than 20,000 dinars for an economic violation as described in Paragraph 1 of this article.

### Article 61

A foreign person shall be fined no less than 20,000 and no more than 200,000 dinars for an economic violation if he does not file a declaration of transfer of rights and obligations arising out of an investment contract within 30 days

from the date of conclusion of the contract concerning the transfer (Article 37, Paragraph 5).

## VII. Final Provisions

### Article 62

On the day when the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 18, 1978) becomes valid, the following shall cease to be valid: the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 12, 1973), except the provision of Article 12, Paragraph 4, Subparagraph 7, of that law until the Federal Executive Council enacts the regulation on the basis of the authorization contained in Article 11, Paragraph 3, of the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 18, 1978) and the Decree on Detailed Conditions for Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 26, 1976), except for the provision of Article 7 of that decree, which shall remain in effect until the Federal Executive Council adopts an enactment establishing the special commission referred to in that article on the basis of the authorization contained in Article 43 of the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZBENI LIST SFRJ, No 18, 1978).

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CSO: 2800/239

YUGOSLAVIA

REPUBLIC BREAKDOWN IN FOREIGN TRADE DEFICIT, 1980-1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20 Feb 85 p 10

/Article by Milorad Urosevic: "Foreign Trade Balance Sheet for 1980-1984:  
Unequal Distribution of the Burden"/

/Text/ In the 5-year period under consideration, Croatia "contributed" 26.7 percent to the total national foreign trade deficit, Vojvodina 20.3 percent, Macedonia 11.8 percent and Serbia proper a total of 6 percent, although the debts are being paid by taking funds from those who have them.

There is an increasingly pronounced and, unfortunately, increasingly drastic discrepancy in the behavior of the most responsible officials, both in the republics and autonomous provinces and in the Federation, with respect to various areas of activity and to indicating the differences in them. All it takes is an inoffensive verbal pretext, or a written word, concerning the alleged danger which certain sociopolitical communities are in or that, perish the thought, some official from another republic or province be designated by name as the cause of something negative, for a hue and cry to be raised against all who dare do such a thing. On the other hand, the distinct lack of material coordination is not only not eliminated--at least to the extent that good will is shown even if it is impossible to do so in the short term--but it is deepening from year to year, and this is a little disturbing. Yet although some venture to respond by pointing to the untenability of the specific situation in view of valid and indisputable facts, more often than not various labels are attached to it, and they subsequently repeat themselves until things again return to a routine that suits those who as a rule live to a considerable extent at the expense of others.

Futile Attempt to Coordinate

This short introduction was necessary in order to call attention to the following: to the results of foreign trade in the Yugoslav economy over the past 5 years, and likewise to the most essential part, the negative trade balance and the role of the individual republics and autonomous provinces in shaping this liability. Attention is paid here to the constitutional responsibility of the republics and autonomous provinces for foreign trade which representatives of

some of them stress quite often whenever there is a profit, but which they forget entirely when it is necessary to suffer the consequences of such practices and conduct. More about this after some statistics.

The negative foreign trade balance over the years has, in addition to contributing to direct financial indebtedness, promoted the accumulation of debts to foreign creditors, which succeeding generations will have to pay off for a long time. This negative balance has been increased by all the republics and autonomous provinces, although to very different degrees. While some have made an effort, as much as possible, to live according to their means, others have acted in the vein of "incur as many debts as possible, and someone will pay them."

Attempts have been made in some previous years to reconcile the "right to indebtedness"--and thus the right to a foreign trade deficit--with the objective possibilities in the sociopolitical communities, based on their effective participation in creating the social product and on certain additional indicators. However, nothing has usually resulted from this, because any results have been overwhelmed by the attempt to start from the "situation in which they find themselves" or the acquired right /to indebtedness/, at the beginning of each year. This is the only way to explain how, for example, in 1980 Croatia's share in the total national foreign trade deficit was 31.3 percent, while its share in the formation of the social product was less than 26 percent. Vojvodina was second in the negative balance with 15.1 percent, followed by Bosnia-Hercegovina and Slovenia; Serbia proper was only in fifth place, with a 10 percent share in the deficit, although its share in the national social product was only one-six thousandth less than one-fourth; and this proportion was maintained, with little change, until last year.

#### Umbrella for Differences

In fact, in 1983, Montenegro showed exports slightly greater than imports, amounting to 138 million dinars, or less than one percent. But in 1984 qualitatively significant changes were achieved. Four republics and the two autonomous provinces together registered a negative balance of 247 billion dinars, to which the largest "contribution" was made by Vojvodina with 34.8 percent, Croatia with 21.6 percent, Macedonia with 17.2 percent, while the remaining part was credited to Bosnia-Hercegovina, Montenegro, Kosovo and the Federation. At the same time, Serbia proper realized a favorable balance of 18.0 billion dinars and Slovenia one of 8.8 billion, which in relative terms breaks down to 65.8 percent against 34.2 percent. The total negative balance was thus reduced to 221.1 billion dinars, as noted in table 1.

(1) UČEŠĆE U SPOLJNOTRGOVINSKOM DEFICITU U PERIODU 1980-1984.

|      |                      | (2) Spoljnotrgovinski deficit po godinama (1) |       |             |       |             |       |             |       |             |       |
|------|----------------------|-----------------------------------------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
|      |                      | 1980.                                         |       | 1981.       |       | 1982.       |       | 1983.       |       | 1984.       |       |
|      |                      | mil. dinara                                   | %     | mil. dinara | %     | mil. dinara | %     | mil. dinara | %     | mil. dinara | %     |
| (3)  | SFRJ                 | 166.171                                       | 100,0 | 131.806     | 100,0 | 129.282     | 100,0 | 142.337     | 100,0 | 221.131     | 100,0 |
|      | Bosna i Hercegovina  | 17.238                                        | 10,4  | 14.730      | 11,2  | 13.749      | 10,8  | 13.656      | 9,6   | 21.282      | 8,6   |
| (4)  | Crna Gora            | 3.901                                         | 2,3   | 6.200       | 4,7   | 4.324       | 3,3   | +138        | -     | 988         | 0,4   |
| (5)  | Hrvatska             | 52.050                                        | 31,3  | 42.540      | 32,3  | 36.656      | 28,4  | 23.866      | 16,8  | 53.272      | 21,6  |
| (6)  | Makedonija           | 10.071                                        | 6,1   | 10.715      | 8,1   | 11.864      | 9,2   | 18.499      | 13,0  | 42.432      | 17,2  |
| (7)  | Slovenija            | 17.103                                        | 10,3  | 10.892      | 8,3   | 5.223       | 4,1   | 10.245      | 7,2   | +8.544      | +34,2 |
| (8)  | Srbija bez pokrajina | 16.633                                        | 10,0  | 16.063      | 12,2  | 23.442      | 18,1  | 8.936       | 8,2   | +17.019     | +65,8 |
| (9)  | Kosovo               | 4.782                                         | 2,9   | 6.366       | 4,8   | 2.022       | 1,6   | 3.140       | 2,2   | 1.297       | 0,5   |
| (10) | Vojvodina            | 26.059                                        | 15,1  | 12.318      | 9,3   | 9.858       | 7,6   | 26.396      | 18,5  | 85.892      | 34,8  |
| (11) | FEDERA-CIA           | 19.334                                        | 11,6  | 11.982      | 9,1   | 22.144      | 17,1  | 37.738      | 26,5  | 41.827      | 16,9  |

(12) (1) Dinarski iznos prema važećem paritetu dolara: 1980. i 1981. godine 27,30 dinara za dolar, 1982. godine 41,80 dinara, 1983. godine 63,40 i prošle godine 124,80 dinara za dolar

Key:

1. Share in Foreign Trade Deficit 1980-1984
2. Foreign Trade Deficit according to years
3. Bosnia-Hercegovina
4. Montenegro
5. Croatia
6. Macedonia
7. Slovenia
8. Serbia proper
9. Kosovo
10. Vojvodina
11. Federation
12. (1) Dinar amounts based on following dollar parity: 1980 and 1981, 27.30 dinars to the dollar, 1982 41.80 dinars, 1983 63.40 dinars, and 1984 124.80 dinars to the dollar.

It is known that all these negative differences a little more than a year ago were under the umbrella term "fixed and guaranteed liabilities," for which Yugoslavia is liable as a state, which is the only possibility by international law. These liabilities are to be repaid within specified deadliness; this is the obligation of the National Bank of Yugoslavia, and it takes foreign exchange wherever there is any, because there is nothing to take from those who have none, regardless of how and to what extent they have availed themselves of their constitutional right to "indebtedness." Serbia proper, with by far the smallest role in creating the negative balance relative to its share in creating the social product has been expecting for these 2 years that the Federal Executive Council and the National Bank of Yugoslavia would meet the obligation to

return to Serbia nearly a half billion dollars, paid on behalf of other republics and Vojvodina, but this has not met with success thus far.

In the entire 5-year period in question, the share of Croatia in the total negative /trade/ balance amounts to 26.7 percent, followed by Vojvodina with 20.3 percent, Macedonia with 11.8 percent, Bosnia-Hercegovina with 10.2 percent, Serbia proper with 6 percent, Slovenia with 4.4 percent, Kosovo with 2 percent and Montenegro with 1.8 percent. Macedonia's share in the national deficit was twice as large as its share in the social product, that of Vojvodina was 76 percent more, and that of Croatia was 5 percent more. Montenegro's share in the national deficit was 10 percent less than its share in the social product, that of Kosovo 13 percent less, that of Bosnia-Hercegovina one-quarter less, Slovenia seven-tenths and Serbia three-fourths less--based on the 1983 national social product.

As mentioned, all these irrefutable facts, which are given every little consideration, are based on the data of the Federal Institute for Statistics, but consideration should be given since the elimination of the consequences of the behavior described is one of the essential conditions for preliminary success in realizing economic stability.

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YUGOSLAVIA

PLANNED LIVESTOCK, MEAT EXPORTS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Feb 85 p 1

/Article: "Conference of Fund for Promotion of Production and Marketing of Livestock and Meat Products (STOFO) on Plan for Exports This Year: Plan for Nearly Half Billion Dollars"/

/Text/ Planned exports of livestock and meat products this year, estimated at nearly one-half billion dollars, should at the same time raise the physical volume of exports by 45 percent compared to last year. Although conditions for the sale of meat on the foreign market continue to be unfavorable, the first agreements concluded are encouraging.

Belgrade, 20 February--In accordance with the program for export of livestock, meat products and freshwater fish adopted at the Conference of the Fund for the Promotion and Marketing of Livestock and Meat Products (STOFO), it is expected that a value of \$484.9 million will be reached this year. Of that amount, \$382.5 million, or 78 percent, would be realized through exports to convertible markets, while the remaining 22 percent, or \$102.4 million would be realized on the clearing-account market.

In order to realize this plan, it would be necessary to export as much as 45 percent more goods than last year, because the unfavorable trends in prices for these products on the foreign market are still very pronounced. With this in mind, the plan for exports provides for an increase in the physical extent of marketing on the convertible market of 39 percent for live young beef cattle (planned export of 53,755 tons), 48 percent for young beef meat (56,740 tons) and 39 percent for canned pork (22,450 tons).

With respect to the clearing-account market, it is planned that 25,000 tons of canned pork be exported, this is an increase of 10 percent compared to last year. Exports of young beef to this market will total 5,000 tons, while the largest increase in deliveries will be in smoked products--as much as 180 percent, which means that it will be necessary to export 3,000 tons of these products, at a value of \$12.6 million.

Concerning prospects for realizing the projected amounts and the planned financial impact, it was said at the conference that in marketing nearly all basic

livestock export products, not only can no favorable trends be expected in the area of demand and prices compared to the situation in 1984, but it will even be very difficult to maintain prices at the level achieved last year. The drop in the price of livestock and meat on the world market has not halted, but is still very pronounced, especially on the markets of developing countries, potentially the largest buyers.

One encouraging piece of information, however, is that very significant agreements have been concluded for the export of young beef and chicken meat as well as canned meat. An accord was reached with Iran for the export of 12,000 tons, with Jordan for 8,000 tons and with Lebanon for 3,000 tons of young beef. Negotiations were also successfully completed with Lebanon concerning the export of 45,000 head of live young beef cattle to that country. An agreement was also signed with the USSR to export 16,000 tons of canned pork, as well as 19,000 tons of chicken.

The results of last year's export of livestock, meat products and freshwater fish were outlined at the conference. Eighty-six percent of planned exports were realized, and the financial income from exports amounted to \$317 million from the convertible market and \$67 million from the clearing-account market, totaling \$384 million. These exports were realized by the 84 exporting organizations in the Fund, and they were realized in 38 countries on every continent.

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