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ECONOMIC AND INDUSTRIAL AFFAIRS

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BULGARIA

TAX LAWS APPLICABLE TO FOREIGN FIRMS IN BULGARIA

Sofia FINANSI I KREDIT in Bulgarian No 8, 1983 pp 21-26

[Article by Prof Dr M. Kostov and Stoyan Geshev: "Taxation of Foreign Firms' Profit Realized in Bulgarian People's Republic"; passages enclosed in slant-lines printed in boldface]

[Text] The financial and legal norms of the Law on the General Income Tax regulate the social relations involved in the distribution and redistribution of the income of natural and juridical persons. The provisions of the law apply to the income of Bulgarian citizens that they realize in the country or bring in from abroad irrespective of their place of residence and sojourn.

The persons subject to the effect of the law include cooperatives and public organizations, joint stock companies, partnerships limited by shares and limited liability companies as well as foreign companies and branches thereof.

The object of the taxation of foreign companies is the income which they earn (realize) in the country.

Foreign companies can realize income (profit as shown by the balance) from the performance of construction and installation work or from other activities in our country entrusted to them by contract from Bulgarian economic organizations. This income (profit), by virtue of the tax legislation of the Bulgarian People's Republic, is taxable on an equal footing. The amount of the tax and the procedure and method of its determination are regulated in article 19 of the Law on the General Income Tax, amended by Ukase No. 82/1982 of the State Council of the Bulgarian People's Republic (DURZHAVEN VESTNIK No. 7/1982). Proportional taxation is set at the rate of 55 percent of the profit as shown by the balance.

The provisions of the tax law are mandatory legal norms. They rule out the possibility of agents (foreign firms) and principals (our economic organizations) negotiating regarding the obligations to the state to pay a tax on the realized income.

Contracts for the performance of construction-and-installation or other activity in the territory of our country by their nature are civil-law contracts and may not deal with questions of taxation at all, still less with questions

regarding the amount of the tax, the time limits for paying it etc. The law also rules out the possibility of negotiating regarding the country to which the tax on the income realized by the foreign firms is to be paid. Some of our economic organizations in contracts with foreign firms have included clauses having to do with the payment of taxes, duties etc.

Contract clauses regarding tax obligations are of no effect against the Bulgarian state or its finance agencies. The competent finance agencies determine and collect taxes that are due by virtue of the mandatory norms of the law. As for civil-law (contractual) relations between parties, a Bulgarian economic organization may not assume a contractual obligation to pay someone else's tax obligation. Such a contract clause will be invalid being counter to the law (according to article 26 of the Law on Obligations and Contracts).

The territorial operation of the tax laws, adopted as a principle of our tax legislation, requires that income earned in the territory of the country be taxed where its source is, where it is realized. This principle is based primarily on the tax sovereignty of the Bulgarian state. However, it has not only a juridical but also an economic justification. The state creates the opportunity and conditions for the exercise of economic activity and for the receipt of income in its territory by native or foreign natural and juridical persons and by other nonpersonified associations.

When Bulgarian tax law is applied to foreign persons, the territorial operation of the law creates the precondition for a supposition of the double taxation of income to arise. One and the same income can be taxed in the country where it is realized and in whose territory the foreign companies carry on their activities, and the same income may also be taxed a second time in the country where these companies are registered or have their administrative headquarters. Such double taxation, of course, may adversely affect the expansion and development of economic equal and mutually advantageous cooperation with foreign firms. To avoid this adverse effect the question must be solved by international agreements on the avoidance of double taxation. This question, however, lies outside the scope of the present discussion and hence we shall not dwell on it.

The proper enforcement of the provisions of the Law on the General Income Tax in taxing the income realized in our country by foreign natural and juridical persons requires precise and clear determination of the following: a) the subjects of taxation, b) the object of taxation (amount of income or profit), and c) methods of tax determination and collection.

/The subject of taxation/ here is the foreign person (natural or juridical). By such person must be understood any company, association, firm, corporation, enterprise, trust or other organization, established by the laws of the foreign state and registered and administratively headquartered in its territory.

Foreign persons usually carry on their activities in the territory of other states, including the territory of our country, through bureaus, delegations, agencies, offices and branches, which can be lumped under the commonest designation of "place of economic activity." Such a place of economic activity is

organized in conformity with the domestic legislation of the states in whose territory the activity is carried on. It has no juridical independence, however; it operates in the name and on behalf of the foreign association (firm), which here is the subject of taxation.

The affiliation of foreign persons and of their delegations, offices etc. with another state, determined according to their registration or administrative headquarters, cannot restrict or preclude the tax sovereignty of the state in whose territory the contractual activity is carried on, i.e. in whose territory the income that is the object of taxation is realized.

The provisions of the Law on the General Income Tax have limited application to foreign persons (firms and their representations). These provisions cannot be applied to their entire income either in the country where they are headquartered or registered, or to their income realized in third countries. The field of application of our tax legislation extends only to income realized from activities in our country through a "place of economic activity" organized therein.

The delegations, branches, offices and other "places of economic activity" of foreign companies are, to be sure, organizationally, financially and otherwise dependent on these companies. Despite this, however, for the necessities of taxation and in order to determine the object of taxation, the above-indicated delegations, branches etc. are regarded as independent organizations generating taxable income, regardless of their relationship with the foreign firm that organized this place of economic activity in our territory.

A foreign firm's profit can be taxed under Bulgarian legislation if it is the result of economic activity which meets certain conditions. Not every activity of the foreign firm is assessable for taxable profit. If a foreign firm maintains a permanent location in our country that handles only the purchase of goods, if stocks of goods are kept solely for storage and exhibitions and for processing and reprocessing by other enterprises, if an office is organized solely for the collection of information etc., in all these cases, even these activities to increase the foreign firm's profit, such profit or part of the profit is not taxable in our country. In general it cannot be assumed that a profit that is the object of taxation in our country is generated if it is related to activity that is of only a preliminary or auxiliary character.

A foreign firm's profit is taxable in our country if it is the /result of independently organized economic activity/, and this means that it could be performed under the same or similar conditions by an independent enterprise. Moreover, the activity that is carried on in our country, as, for example, construction or installation, must be isolated from the foreign firm's other activity, i.e. the place of economic activity must be completely independent in its relations with the foreign firm that concluded the contract with the Bulgarian economic organization. The point at issue is independence not in a juridical, but in an organizational and technical sense of the word. Only if there is such isolation can there be isolation of profit as a separate object of taxation. This is the profit of the "place of economic activity" organized in our country, and this profit is taxable under Bulgarian tax law irrespective

of the fact that it is part of the foreign firm's aggregate profit. Whether this profit, on which the foreign firm has paid a tax to the Bulgarian state, will also be taxed as part of the firm's aggregate profit in the state where it is headquartered, is a separate question. As was said above, this is a question of double taxation and it can be solved only by the conclusion of an international agreement on the avoidance of double taxation.

/The object of taxation/ is the income (profit) of the foreign firm (company), realized from a "place of economic activity" organized by it.

For precisely this reason, international agreements on the avoidance of double taxation stipulate that the income realized from a "place of economic activity" that a juridical person of one contracting state has organized in the other contracting state should be treated as an independent object of taxation in this other state where it is performing contractual activity.

The "place of economic activity" established by a foreign association (firm) has no juridical independence. The direct dependence that exists on the firm in question makes it possible for some of the firm's expenses that have nothing to do with the established "place of economic activity," i.e. are not the latter's expense, to be transferred to its account. As a result of such bookkeeping operations, the true amount of the taxable income--and hence of the tax that should go into the revenue of the budget of the state where the source of the realized income is located--is reduced (concealed).

In determining the amount of taxable income realized from a "place of economic activity," only expenses related to its activity, including overhead and general administrative expenses irrespective of whether they originated in the country where this "place of economic activity" is located, may be deducted. A necessary condition for their recognition is that they must be connected with or incurred for the performance of this activity specifically. Therefore, in determining taxable income (profit), in every case a complete analysis must be made of the expenses incurred, and those expenses which have nothing to do with the contractual activity or completed project must be ruled out, i.e. the taxable profit must be increased by the amount thereof. Exxentially, this is tantamount to a correction of the profit according to the balance.

The activities through which foreign persons realize taxable income are most diverse. Through the "place of economic activity" organized in the other state, income can be obtained from the fulfillment of construction projects, from the performance of installation work, from supplying plants with equipment etc.

The determination of the exact amount of taxable income involves a number of problems. The difficulties in this regard arise in connection with the keeping of the accounts, on the basis of which profit according to the balance is determined, in conformity with our tax legislation.

In principle, the mandatory accounts which must be kept for taxation needs are specified by the comestic law of the country whose tax law is applicable. In this case this must be regulated by the Bulgarian prescriptive enactment.

Mandatory accounting records may not be subject matter of the contract concluded between the Bulgarian economic organization and the foreign firm. The foreign firm cannot by contract be charged with keeping accounting records, nor can it be exempted from this obligation by a contract clause. In this case, too, keeping accounting records is an obligation to the Bulgarian state stemming from mandatory legal norms.

The Bulgarian tax agencies must exercise control over the accuracy and correctness of the accounting data for a project executed in our territory. Such control is exercised in every state over foreign firms in respect of their tax obligations.

Practical experience shows that so far the foreign firms which carry on construction, installation or other activity in our country under contract do not keep accounting records on the basis of which the profit according to the balance for the project can be determined in order to levy a tax. These records may be kept in the foreign headquarters of the firm, but this deprives the Bulgarian tax agencies of the opportunity to exercise control and determine the exact amount of the profits according to the balance, which is the object of taxation.

These difficulties could be solved if the minister of finance exercised the power, granted to him by article 62 of the Law on the General Income Tax, "to issue orders for the current levying and collection of the tax of specific categories of taxpayers." The foreign taxpayer firm cannot object to this power of the minister of finance that the law establishes, for it is not itself submitting the accounting data necessary to determine the exact amount of income taxable under the Bulgarian law.

Once the minister of finance decrees current taxation of the profit of foreign firms and their branches realized from the performance of construction and installation work in our country under contract with our economic organizations, this profit would have to be determined on the basis of average profitability, using the volume of construction-and-installation and other work as the base. To create guarantees of objectivity, it would be advisable for the tax agencies to determine profitability in the presence of both the Bulgarian principal-firm and the foreign agent-firm.

To be taken as taxable income for a given period under review or stage of completion is the profit which is included in the cost of the completed volume of construction-and-installation and other work and which is calculated according to the specified percentage of profitability. Taxable profit should be calculated according to the percentage by the ("nad sto") [literally, "over-100"] rule, and the tax by the ("ot sto") [literally, "from 100"] rule according to the tax percentage specified by the law. Current collection of the ascertained tax means that the amount due will be withheld by the principal-organization when it pays for a given stage of complete construction and will be credited to the state budget.

Theoretical and practical clarification of the question of taxing foreign firms' profits realized from activities in our country will enable the finance agencies to ascertain exactly the subject of taxation and the object of taxation and to determine the amount of the tax in conformity with the law.

6474

CSO: 2200/9

CZECHOSLOVAKIA

RESULTS OF CONTROLS OF ADJUSTED VALUE ADDED COMPLIANCE NOTED

Prague KONTROLA in Czech No 9, 1983 pp 23-25

[Article by Jiri Tomasek, Federal Ministry of Metallurgy and Heavy Machine Building: "On Controls of Proper Compliance With Requirements on Adjusted Value Added"]

[Text] In the conclusion of my article on this topic published in No 2/82 of the periodical KONTROLA, I stated that, as the result of an inspection undertaken in the area of adjusted value added, the investigated organization adopted the requisite measures for eliminating the detected shortcomings, with the measure to be monitored and verified by departmental control authorities.

A periodical revision of the economic management of a production enterprise revealed that, in the area of adjusted value added, regulation occurs according to need, abetted by poor planning and the system of calculations throughout the entire process of economic renewal, a failure to take proper inventory of unfinished production, noncompliance with the decree regarding the billing for products, etc.

During a subsequent inspection of the effectiveness of the imposed measures it was determined that, while the plan of goods production for 1983 was broken down into more detailed groups of products in comparison with 1982, specification of the marketing assortment once again failed to be included in the plan. In the area of cost and performance, the plan for 1983 was again based merely on the actual state for 1982 in a percentage ratio to the VC [wholesale prices] of individual sectors according to the items of the sectoral calculation formula without providing basic linkage to technological norms and lowering of costs based on a plan of technological development. A substantial improvement occurred in the area of taking inventory of unfinished production for 1982 that was already undertaken in keeping with FMF [Federal Ministry of Finance] decree No 155/71 of the Codex, applying paragraph 20, section 2 of the decree. Detected deviations from the account balance were correctly specified in detail and accounted for in balancing the books for 1982 as differences stemming from calculations, since they involved for the most part supplemental costs incurred for concluded orders. These supplemental costs incurred for completed orders decreased substantially in comparison to the state found in 1982; however, they were not fully eliminated.

In the area of correct accounting for products no detection of even a single case of unjustified billing was detected, and all advance shipping notices contained the requisite data regarding expediting of the products. Shortcomings detected in the area of accounting documents circulation were not eliminated and still persist. Control of the factual and formal aspects of accounting documentation, the admissibility of accounting operations, is not being carried out to the full extent.

In the interim period there also occurred changes in personnel, particularly a change in the post of the enterprise's economic deputy. The result of control of measures toward elimination of shortcomings detected during the periodic revision of economic management in the area of adjusted value added was on the whole unsatisfactory. For that reason this failure to implement the adopted measures was discussed with the top level of general management which adopted and assigned to the subordinate enterprise as well as to the general management's staff the requisite measures containing specific tasks and deadlines, providing at the same time for their control from the general management level. Departmental control authorities shall continue monitoring the matter until the situation has been fully remedied.

The result of another periodical revision of economic management, part of which was a verification of the way adjusted value added is posted by the production organization (see below), showed that the correctness and level of meeting this basic indicator of effectiveness always depends on the qualitative level of the plan make-up, its interlinkage, harmony and primarily, on conclusive documentation by technoeconomical norms. Another basic prerequisite is the level of accounting in the area of commensurability of costs in account class 4--Central Expenditures According to Activities and Other Expenses, and in account class 5--Central Yields According to Activities, in linkage to inventorization of unfinished production.

Thus, it is imperative that the relevant specialized organs devote the requisite attention, along the entire axis of management, to the qualitative level of computing and accounting for adjusted value added and that they continuously control the entire area throughout the internal control system with a view to the given conditions. Systematic pressure should be applied on the part of control organs to specialized control units which, in accordance with their relevant area of specialization, must continuously control the factual correctness of the contents of this important indicator.

Justification of such control of the correctness of adjusted value added is also evinced by the following case:

According to Profit and Loss Statement 1A-12 of 30 June, the organization met the plan for adjusted value added to 100.2 percent (exceeding it by Kcs 53,000):

Line / Indicator	Plan	Actual	Difference (+ -)
	(in Kcs 1,000)		
78 - Receipts from production activities	259,976	260,363	+387
87 - Receipts from commercial activities	800	818	+18
95 - Yield from nonproductive activities	4,755	3,808	-947
96 - Capitalization for materials	2,250	1,780	-470
104 - Various yields	830	1,057	+227
105 - Change in unfinished production inventory	+1,000	+2,659	+1,659
106 - Change in products inventory	+500	+1,113	+613
109 - Total output	270,111	271,598	+1,487
33 - Total material expenditure	-182,644	-184,628	-1,984
29 - Long-term assets depreciation	+4,330	+4,644	+314
30 - Residual price of discontinued l.-t. assets	+19	-13	-32
42 - Nonmaterial services	-1,150	-907	+243
49 - Fines and penalties	-	+25	+25
59 - Total Expenditures	-179,445	-180,879	-1,434
62 - Total adjusted value added	90,666	90,719	+53

The key factor which affected meeting of adjusted value added in the inspected organization were outputs (Kcs +1,487,000) and among them primarily the change in unfinished production inventory (Kcs +1,659,000). The expenditure component as a whole has a negative effect on the meeting of adjusted value added, specifically by an amount of Kcs 1,434,000, most of it due to material expenditures.

In item-by-item control of the structure of the plan for goods produced in 1982 in linkage to the overall planned volume in VC of Kcs 502,300,000 no documentation was provided for planned cooperation included in goods production in the overall amount of Kcs 101 million, i.e., fully 20.1 percent of the plan of goods production for the entire year.

The requisite specification of items included in the plan for cooperation failed to be provided during the inspection.

The plan for outputs, expenditures and profit generation for 1982 did not conform in the area of expenditures to the operational norms for products, nor was it possible to determine, on the basis of the budget for individual management centers, in the employed methodology of the calculation system with projecting planned savings in technological development, what the control of

the qualitative level of plan compilation could show as the contribution of the organization to the national economy. Operational norms for products had not been worked out at the time of the compilation of the plan of expenditures.

The implementation of tasks for closer specification of technoeconomic norms for consumption of materials for 1982 through 1983 extending to 75 percent of products--as called for by a measure promulgated by the minister and an instruction issued by the organization's manager--failed to be met.

For that reason the plan of expenditures for 1982 was compiled in an upside-down manner with the objective of providing detailed specifications. Planned profit was subtracted from the determined outputs and the resultant volume of expenditures was then included into the plan primarily from the so-called "normative documentation" that represents actual expenses according to the individual production fields for the last 3 years, classified according to the items in the sectoral calculation formula used in percentage shares of the total volume for the sector in VC. The system used for compiling the plan for 1982 was the one worked out for the years 1978, 1979, and 1980.

Another basis for compiling the plan of expenditures for 1982 was the actual state for 1981, excessive valuation of materials and an envisioned cutting down of costs in 1982, without, however, presenting any actual specifications.

A plan of outputs, expenditures and profit generation compiled in this manner in connection with the employed formula Budget of Expenditures for goods production and for the volume of completed industrial activities according to production sectors in items of the calculation formula for 1982 is neither an operational tool of management, nor a control of the planned contribution of the organization to the national economy.

In controlling the qualitative level of compiling the plan of operations and wages for 1982 it was determined that its compilation, just as that of the plan of expenditures, did not make use of operational norms, but was once again based on the actual state of the previous year broken down by sectors. The posted reduction in standard hours in an overall amount of 80,000 standard hours and Kcs 770,000 was arrived at as a difference between general and specifically defined standard hours. However, the validity of the planned reduction was not backed up by specific measures, so that it was impossible to verify the amount of the planned savings.

In the sector of bookkeeping in the area of the process of economic renewal the inspected organization made use of the basic system of identifying costs with activities. In account 140, Unfinished Production, on the debit side were listed primary expenses from class 3--Central Yields According to Activities, while on the credit side were listed fractional completions of products on the basis of planned calculations and, after final completion of the product, from the credit side of Account 140--Unfinished Production--the actual expenses were transferred into class 4--Central Expenditures According to Activities and Other Expenses. Deviations between actual expenditures and expenditures according to operational calculations were routinely included

into expenses from the account of unfinished production into Class 4--Central Expenditures According to Activities and Other Expenses.

Under that status quo, account 140--Unfinished Production represented on the debit side expenditures based on operational calculations, while the credit side listed expenditures for finished fractional deliveries based on plan calculations which bear absolutely no comparison with operational calculations, be it from the viewpoint of the contents of the individual items of the sectoral calculation formula, or from the viewpoint of the total volume of expenditures for the fractional deliveries.

Undertaking of proper inventorization of unfinished production and numerical expression of physical and accounting differences was not possible. Moreover, the calculation system was detrimentally affected to a considerable extent by supplementary expenditures for delivered production.

The inspected organization made no provisions for implementing proper inventorization of unfinished production, the volume of which as of 30 June 1982 represented Kcs 78,754,000, amounting to a full 15.7 percent of the plan of goods production for the entire year. The last inventory of unfinished production was taken as of 30 September 1981.

An overall assessment of unfinished production inventory according to individual items of the sectoral calculation formula and comparison with the state accounted for was not carried out and the account balance was retained in the closing of the books.

This is the reason for the low qualitative level of the calculation system which, moreover, is detrimentally affected by the quarterly accounting for supplementary expenditures for finished orders according to guidelines for production planning, their amount representing quarterly approximately Kcs 3 million and having a negative impact on the correct accounting of expenditures for delivered production, changes in unfinished production and, consequently, adjusted value added.

The result of the inspection which was carried out was discussed with the leadership of the inspected organization and that of a superior authority, and relevant measures were adopted for eliminating the detected shortcomings.

The instructions issued by the enterprise manager included, among other things, the tasks conducive to achieving the requisite qualitative level in compilation of the plan for 1983, its harmony and interlinkage with individual components of the plan and its back-up documentation based on technoeconomical norms.

In the sector of bookkeeping in the area of economic reproduction process there occurred in the enterprise some changes in the methodology used as of 1 January 1983, in the sense that on the credit side of account 140--Unfinished Production--the costs for finished products are accounted for according to operational calculations in keeping with the methodology on the debit side of this account.

To eliminate the shortcomings found in the area of taking unfinished production inventory according to paragraph 20, section 2 of FMF decree No 155/71 of the Codex, through inventory of documentation for individual orders, a requirement was stipulated to the effect that the amount of individual items of the sectoral calculation formula be assessed in linkage to the degree of completion of products still in the course of production according to operational calculations and its comparison with the state accounted for, with the numerically expressed differences being accounted for in the current year.

An uncompromising measure was imposed on eliminating the generation of supplementary material and wage expenditures for closed and completed orders. Additional run-ups for closed orders are not allowed to be posted and in the case of their occurrence they will be charged with their verification to the operating costs of the relevant operational unit within the intraplant khozraschet [cost accounting system].

Implementation of the adopted tasks will be systematically monitored.

8204

CSO: 2400/29

NEED TO INCREASE CAPITALIZATION OF AGRICULTURE DISCUSSED

Prague SVET HOSPODARSTVI in Czech 22 Sep 83 p 3

[Article by Eng Michal Pavluc: "A Further Step Toward Comprehensive Mechanization of Agriculture: High Performance Equipment--An Important Factor in Improving Production and Labor Productivity"]

[Text] One of the important preconditions in accomplishing the demanding tasks in agricultural production is, among other things, further intensification of basic agricultural production by means of high performance equipment. With the continuously decreasing manpower, the growth of agricultural production and labor productivity must be assured, in addition to the effect of other factors of intensification, also by a stock of dependable high performance mechanized equipment increasing in numbers and in the required structure.

As of 1 January 1983 the value of machinery and equipment in CSR agriculture amounted to almost Kcs 47 billion, which represents 28.2 percent of the total value of capital assets, as compared with 25.8 percent in 1975. Gradual industrialization of our agricultural mass production is implemented by applying the knowledge and achievements of research and development, and is linked with a transformation of its material technological base. If the volume of funds for the procurement of new machinery and equipment amounted to 39.9 percent of the total value of investment programs and deliveries in 1975, the actual situation in 1982 represented over 43 percent, although the plan for deliveries of certain types of equipment had not been fulfilled. In financial terms this represents assets of Kcs 4.5 billion. The volume of funds for machinery has nearly doubled over the past 10 years.

At present the CSR agriculture, including machine-tractor stations, has at its disposal 98,000 tractors. As compared with the beginning of the Seventh 5-Year Plan, the inventories of machinery are down 3.5 percent, while the total power equipment (expressed by total installed capacity of motors in the tractor stock) increased 1.0 percent to the current 4,610,000 kW. Average installed capacity of a physical tractor rose from 45.1 kW at the beginning of the Seventh 5-Year Plan (38.6 kW in 1975) to 47.0 kW as of 1 January 1983. Although during the Sixth 5-Year Plan and in the first year

of the Seventh 5-Year Plan deliveries of new machinery for the branches of the CSR MZVz [Ministry of Agriculture and Food] have not been met, there is a growing share of the most efficient tractors, mainly the wheeled ones; in combination with high performance trailer equipment, they are a vital factor in achieving the required quality and meeting the agrotechnical schedules and deadlines for autumn and spring operations. Wheeled tractors with a capacity of 58.9 kW and more constituted a full one-third of the more than 9,000 wheeled tractors delivered to CSR agriculture in 1976-1981.

This type of technology enables our agricultural enterprises to save manpower and to increase labor productivity, naturally, provided that every agricultural enterprise has at its disposal the necessary assortment of high performance trailer equipment and tools for these tractors. By the same token, this will make it possible not only to expand the use of such technology and to conserve PHM [petroleum products and lubricants] but also to reduce hardening of the topsoil layer since the tractors will travel over the fields less frequently. High performance trailer equipment is not yet available to complete satisfaction. During the Sixth 5-Year Plan the inventories of plows with 6 or more shares increased by less than one-third, while the inventories of high capacity tractors doubled. Thus, in the beginning of the Seventh 5-Year Plan we operated 5,900 high capacity wheeled and 4,500 caterpillar tractors for which only 4,489 plows with 6 or more shares are available. That situation has slightly improved in the first 2 years of the Seventh 5-Year Plan.

Despite higher deliveries of new tractors, more than 50 percent of the tractor stock still consists of obsolete, already depreciated machines. The higher rate of breakdowns raises the cost of repairs and maintenance as well as the PHM consumption. In the first year of the Seventh 5-Year Plan 3,413 tractors were delivered to the branches of the CSR MZVz; the plan was less than 74 percent fulfilled. The deliveries increased last year to 4,343 tractors and the plan was 4.8 percent overfulfilled. The balance for 1983 projects the delivery of 4,710 tractors, i.e., 38 percent more than the actual situation in 1981. Nearly 86 percent of the total of 3,867 wheeled tractors delivered last year were the lighter UR I tractors, which are in greater demand because of necessary conservation of PHM.

A more auspicious situation is noted in equipping our agricultural enterprises with harvesters, particularly for grain crop harvest. In the 2 years of the Seventh 5-Year Plan more than 1,550 combine harvesters were delivered to the CSR agriculture. As of 1 January 1983 the inventories consisted of 12,300 units. More than 80 percent of the threshers are models E-512 and E-516 of GDR-made machines. Soviet-made high performance threshers share 15.7 percent. At the beginning of 1983 there were 1,425 units of the most efficient threshers, model E-516. The STS [state tractor stations] own almost two-thirds of them, which guarantees maximum use of this top technology.

In 1982 3,365 potato harvesters were available for the entire potato-growing area in the socialist sector of the CSR. In conversion per harvester it represents 34.3 hectares as compared with 41.1 hectares at the end of the

Fifth 5-Year Plan. In 1982 mechanized potato harvest accounted for 75.8 percent of the total harvested area as compared with less than 60 percent in 1975. In the 2 years of the Seventh 5-Year Plan our agricultural enterprises procured 413 new potato harvesters; however, their inventories were down 8.1 percent because of age and attrition. If the challenging tasks which stipulate mostly mechanized potato harvest over an area of 131,000 hectares are to be met this year, preparation of this equipment and its utilization call for immediate, intensive attention of every potato-growing agricultural enterprise.

Sugar beets whose harvest is planned at almost 5,700,000 tons require special attention this year. Such a challenging task demands, in addition to efficient organization, adequate supplies of high performance equipment. In the beginning of 1983 the beet-producing agricultural enterprises in the CSR had at their disposal 2,402 harvesters for split harvest and 2,284 beet toppers. Automatic high performance 6-row sets share today 41.2 percent of all sets. Six-row sets shared almost 60 percent of 869 beet toppers and harvesters delivered in the 2 years of the Seventh 5-Year Plan. Almost 290 new beet harvesters are scheduled for delivery this year.

Bulk fodder harvesters are in greater demand because of the expanding cattle farming and restrictions on fodder-drying technology in hot-air driers. Although more equipment of this type has been delivered, justified demands could not be thus far fully satisfied, especially as concerns hillside harvesters, tedders and side delivery rakes and fodder carriers. As of 1 January 1983 inventories of self-propelled cutters increased to 3,622 units; this equipment represents now slightly less than one-third of all cutters. At the beginning of 1983 1,164 power grass mowers for hillsides were available for harvesting fodder on hillsides, i.e., nearly 50 machines less than the reality in the beginning of the Seventh 5-Year Plan. The CSR agricultural enterprises procured last year a total of 122 power mowers for hillside areas. The situation of tedders and rakes for bulk fodder remains unsatisfactory. Despite increased deliveries of new equipment (from 406 units in 1981 to 500 units in 1982), their inventories rose a mere 2.8 percent to 11,481 units at present.

In 1981 our agricultural enterprises procured 604 units for sowing and soil treatment and as many as 1,357 units of tractor sowers were procured last year. Nevertheless, since 1980 the inventories of sowers have been declining to the current 13,850 units. The sower stock is considerably worn out, as confirmed by the high amount of discarded machinery. For example, during the Sixth 5-Year Plan the average annual reduction was more than 820 machines. Moreover, sowing in the required quality is further hampered by shortages of spare parts, such as sowing shoes or seed boxes. In the 2 years of the Seventh 5-Year Plan the increment of trailer equipment for soil treatment before sowing was slight. In the beginning of 1983 our agricultural enterprises had at their disposal 5,774 5-share plows and 4,536 plows with 6 or more shares, which is only 3 percent more than the actual inventories at the beginning of this 5-year plan. In the first 2 years of the Seventh 5-Year Plan inventories of combines increased 3.2 percent to the current situation of 6,965 units.

From the above data it follows that, despite certain partial shortcomings, the first 2 years of the Seventh 5-Year Plan signaled another step toward comprehensive mechanization of agricultural operations, above all in terms of qualitative changes of the technological base of our agriculture. For every agricultural enterprise the present goal is to utilize its high performance equipment to the fullest. The way toward that goal must be sought primarily in a higher standard and organization of labor, better technological know-how of the employees operating high performance equipment, and last but not least, in preventive care for the whole mechanized stock and its expert maintenance.

9004

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CZECHOSLOVAKIA

SCIENTIST WARNS OF OVERRATING 1983 HARVEST YIELD, NOTES PROBLEMS

Prague ZEMEDLSKE NOVINY in Czech 28 Sep 83 Supplement pp 1, 4

[Article by Eng Ludmila Zenisceva, CSc, and Eng Milan Kopecky, CSc, of the Grain Research and Breeding Institute, Kromeriz: "Let Us Not Overestimate This Year's Unusual Yields"]

[Text] In recent years, the sowing areas for winter barley in the CSSR have expanded significantly. Since 1976, these areas have increased more than 20 times, and in 1983 reached 140,000 hectares. During this dry year, certain agricultural enterprises, notably in drier areas with light, sandy soil and in localities where heavy decantation soil predominates, have achieved a higher yield than with spring barley. This fact might lead to further unjustifiable expansion of the winter barley plots, even into areas of intensive malt barley cultivation.

Winter barley's property of absorbing winter moisture better than all other types of grain tends to encourage its cultivation. Due to its early harvest, it does not suffer as much by frequent lack of moisture during the seed ripening period as, for example, winter wheat and later types of spring barley. Due to its stronger root structure, winter barley is better able to cope with the disrupted physical condition of heavy soil. Timely clearing of the plot offers successful cultivation of stubble-field underplanting for fodder, possibly green fertilizer.

Let Us, However, Not Forget the Undesirable Factors

In addition to beneficial properties, current types of winter barley also possess many undesirable features. In comparison with perspective types of spring barley, the winter type has a lower genetic yield potential. In agrotechnical experiments and in tests in the Kromeriz Grain Research Institute, winter barley has, as seen in Table 1, achieved on the average 0.12-2.58 tons per hectare less than spring barley. It should be emphasized that these results were registered during 1981-82, climactically very favorable years for winter crops.

Winter barley also shows a higher annual variable, due to lower resistance to frost, and susceptibility to fungus diseases. Certain new more resistant types of winter barley (e.g., Borwin HVW0038, etc) derive their resistance to stem fall and rust from certain types of spring barley which, according to results in the GDR, may lead to some diminution in frost resistance.

Effects on Spring Barley Resistance

The same genetic basis for resistance to the most aggressive foliage diseases creates good conditions, on the one hand, for the appearance and proliferation of new types of spring barley with simultaneous, untimely loss of resistance and, on the other, to strong infection appearing in the early phases of growth. This phenomenon has a significant negative effect on the life and viability of certain types of spring barley. This was clearly shown in experiments with certain early crops, conducted by our agrotechnical institutes, where spring barley, sown after winter wheat, comes very close in both years to the winter variety.

The highest yield in both perspective newly-cultivated HE 1626 and KM 123 was registered after organically fertilized sugar-beet (Table 2). Yield differences among early crops were affected by a strong infectious pressure of fallen stems and barley rust caused by winter barley. These data show that in 1982, with lower incidence of infection, the drop in yield after winter wheat in newly-cultivated HE 1626, in average variants N-fertilizing, was $0.22-0.95 \text{ t/h}^{-1}$ and $0.04-0.65 \text{ t/h}^{-1}$ in KM 123.

In 1983, with high infectious pressure of the cited foliage diseases, the yield difference intensified significantly, especially in newly-cultivated HE 1626. Newly-cultivated KM 123, which is noted for complex resistance to stem fall, barley rust and brown spotting (*P. teres*), reacted to unsuitable early planting, under strong incidence of fungus diseases, with a yield drop of $0.90-1.21 \text{ t/h}^{-1}$. In HE 1626 the yield depression under the same conditions reached $2.52-2.93 \text{ t/h}^{-1}$. In comparing the effectiveness of both newly-cultivated types, we see that KM 123 under stress conditions achieved a higher yield by as much as 2.83 t/h^{-1} (Table 2).

Similar results were obtained in practical application where the yield of spring barley, cultivated in the immediate vicinity of the winter variety, was quite a bit lower than when space isolation was maintained. The comparison of yields in semi-operational experiments, based on locations with varying amounts of winter barley, show that its expansion intensifies the yield differences among varieties with different degrees of resistance to fungus diseases (Table 3). In the Kromeriz district, where winter barley was cultivated on the smallest areas, the yield differences in the average of these test sites between the standard Koral type and newly-cultivated varieties were from 0.130 t/h^{-1} (HE 1440) to 0.97 t/h^{-1} (KM 123). In contrast, in the Opava district (JZD's Bilovec and Kravare), with a larger share of winter barley, the intercrop yield difference more than doubled in favor of the more resistant newly-cultivated types. KM 123 did well here also in surpassing the Koral type under these conditions by 2.39 t/h^{-1} (Table 3).

Table 1

Comparison of effectiveness (t/h^{-1}) of varieties and newly-cultivated winter and spring barley under intensive conditions of cultivation (Grain Research and Breeding Institute, Kromeriz, 1982-83)

Type	1982	Effectiveness	1983	Effectiveness
	Agrotechnical Experiments	tests	Agrotechnical experiments	tests
Spring barley	6.91	8.50	8.62	8.79
Winter barley	6.79	7.13	6.04	6.64
Difference in performance t/h^{-1}	-0.12	-1.37	-2.58	-2.15

Agrotechnical experiments - average of variants

Performance tests - average of perspective varieties and new cultivation

Table 2

Effectiveness of new cultivation of spring barley in conditions of higher infectious pressure through cultivation of winter barley (agrotechnical experiments, Grain Research and Breeding Institute, Kromeriz)

Year	New cultivation	Sugar-beet				Grain			
		NO	N30	N60	N90	NO	N30	N60	N90
1982	HE 1626	7.38	7.44	6.57	6.43	6.47	6.49	6.35	6.10
	KM 123	7.33	7.87	7.62	7.48	7.37	7.22	7.15	6.94
	Difference t/h	-0.05	+0.43	+1.05	+1.05	+0.90	+0.73	+0.80	+0.84
1983	HE 1626	7.24	7.74	7.64	8.12	4.72	5.12	5.25	5.19
	KM 123	8.35	8.72	9.02	9.23	7.45	7.99	8.01	8.02
	Difference t/h	1.11	0.98	1.38	1.11	2.73	2.87	2.76	2.83

Doses of nitrogen

Table 3

	Kromeriz district, average 3 sites			District Opava, av 2 sites		
	grain substance t/h^{-1}	difference t/h^{-1}	%	grain subs. t/h^{-1}	diff. t/h^{-1}	%
Koral - St.	6.33		100.00	4.39		100.00
HE 1440	6.33	0.30	104.7	5.18	0.79	118.0

HE 1626	6.71	0.38	106.0	5.24	0.85	119.4
KM 123	7.30	0.97	115.3	6.78	2.39	154.4

Test sites: Kromeriz - JZD Kostelec, JZD Kvasice, JZD Kromeriz
 Opava - JZD Bilovec, JZD Kravare

In closing, we should emphasize that currently approved varieties and newly-cultivated spring barley, except for type Karat and MK 123, show susceptibility to barley rust. This disease spreads quickly in winter barley and attacks spring barley in the period of metani-ripening. Under the influence of the disease, the substance of 1,000 grains drops significantly, lowering the malt quality of the grain. Consequently, winter barley should under no circumstances be introduced into areas where quality malt barley has traditionally been cultivated for purposes of export.

Cultivation of winter barley should be directed primarily at areas of predominantly colder and decantation soil and drier conditions.

In any event, winter barley will require additional integrated protection and adherence to isolation distances from spring barley of at least 1,000 meters.

9496
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GERMAN DEMOCRATIC REPUBLIC

FORESTRY: 1980'S ECONOMIC STRATEGIES

East Berlin SOZIALISTISCHE FORSTWIRTSCHAFT in German No 9, Sep 83 pp 257-265

["Further Implementation of Resolutions of the 10th Party Congress of the SED and the 12th Farmers Congress of the GDR as well as Economic Strategies of the 1980s in Socialist Forestry: Concluding Remarks by Comrade Werner Felfe, Member, Politburo, and Secretary, CC of the SED, at the Central Advisory Meeting with Performance Cadres and Practitioners in Socialist Forestry."]

[Excerpts] On 30 June 1983 a central advisory meeting of GDR socialist forestry was held at Markkleeberg. In the presence of Comrade Werner Felfe, politburo member and secretary of the SED central committee, of Comrade Bruno Lietz, SED central committee member and Minister for Agriculture, Forestry, and Foodstuffs, of Comrade Chief Forester Rudolf Ruethnick, deputy minister for Agriculture, Forestry, and Foodstuffs, and of other leading comrades active in the agriculture, forestry, and foodstuffs spheres, management cadres and practitioners of socialist forestry consulted concerning the further tasks in this branch or our economy. We propose to publish in this special issue Comrade Werner Felfe's concluding speech and excerpts from the most important lectures and discussions of that meeting.

Dear forestry workers! Dear friends and comrades!

The advisory meeting which we held today with management cadres and practitioners of socialist forestry conveyed to us important experiences for the further realization of the decisions of the 10th party congress of the SED and the 12th farmers congress of the GDR and of the economic strategy of the 1980s in socialist forestry.

Our conference, which emanated from the 6th central committee meeting, was characterized by optimism with respect to the fulfillment under all conditions of the tasks assigned to us by our party. And now it is necessary conscientiously to examine the many proposals, suggestions, and also critical comments, and to draw proper conclusions. All knowledge gained in this connection should flow directly into the conduct of our socialist competition. It thereby contributes directly to an improvement of the effectiveness of our work and to a favorable shaping of the expenditure-result ratio.

The stipulations and instructions of the 6th central committee meeting and of the joint directives issued by the politburo, the council of ministers, and of the FDGB [Free German Labor Union] constitute guidelines for our work in connection with working up the 1984 national economic plan. They provide clear orientation for our further struggle for the strengthening of socialism, the securing of peace, and for the welfare of our people.

Our forestry workers also know that good work provides benefits for society as well as for each individual. The results achieved so far by the members of our forestry in the sphere of socialist competition for the fulfillment and purposeful surpassing of the 1983 plan tasks testify to their firm confidence in our party, in our secretary general, Comrade Erich Honecker, and in our worker and farmers' state. This unity of party and people gives us the strength and the confidence that we will master successfully also the higher demands made under the changed conditions of 1983 and 1984. In your letter to the secretary general of our party, Comrade Erich Honecker, you have given your report on the fulfillment of your tasks and you have at the same time assumed new commitments. I am certain--and this meeting reinforces my belief--that you will fulfill also the new plans in an honorable manner.

As of today, you have fulfilled the rough-wood delivery plan with 5,370,000 m³, which is tantamount to 110.2 percent, and the snow-breakage processing plan with 1,770,000 m³.

Twenty-thousand nine hundred hectares were afforested.

In the sphere of mastering the difficult forest protection situation, good results were also achieved.

I can say the following without any exaggeration: The colleagues in our forestry are dependable and stable partners in our national economy.

For this I would like to extend to all female and male forestry workers, the engineers and management cadres, the forestry scientists, and to all citizens who helped solve the tasks in our forests the thanks of the central committee of our party and of its secretary general, Erich Honecker.

Dear Comrades!

The workers in the enterprises and installations of our forestry, the citizens of our country as well as the international public have noted and reacted to the fact that our party leadership has occupied itself thoroughly with the problems of our forestry, and especially so with the protection of our forests.

Complex decisions have been made by the politburo and the council of ministers on the basis of a comprehensive analysis. They form the basis for the entire political, economical, and organizational activities in this field.

In the Minister's speech you have already been given information concerning the realization of these important decisions. Participating in the pertinent discussions were, among others, Comrade Flossmann from Suhl, Comrade Raedel

from Hildburghausen, and Comrade Helbig from Marienberg. I thus propose to talk only about a few focal points.

The night-moth and other forest-damaging insects were successfully counteracted by aerial chemical spraying over an area of approximately 145,000 hectares. All forestry, agricultural, aviation, and national people's army personnel who participated in this work and who were mostly active in the Neubrandenburg, Rostock, Frankfurt, Potsdam, and Cottbus Bezirke deserve our gratitude and appreciation for this exemplary work.

In the spruce areas of the Dresden, Karl-Marx-Stadt, Gera, Erfurt, and especially Suhl Bezirke, exemplary achievements were attained by the forestry workers in counteracting the pine bark beetle and other pests. In this connection they were supported energetically by 1,000 honorary forestry assistants. These forestry protection problems are now to be accorded absolute priority. Everything possible is to be undertaken in order not to permit any further wood damage to be caused by the bark beetle in the snow-breakage and smoke-damage areas, and to guarantee industry's supply with rough-wood material in spite of the additional burden.

The party organizations should also through their purposeful work exert noticeable influence on seeing to it that the forestry tasks, the delivery plans, and the export transactions will be carried out on schedule and on the proper qualitative level.

Outstanding results are also being achieved in the sphere of processing breakage wood. The forestry workers of the Suhl and Erfurt Bezirke, the forestry workers from all GDR Bezirke, the social personnel and organizations, as well as the helpers from the agricultural sphere, and especially the population of the Suhl Bezirk, have outstandingly participated in this work. Tomorrow, the most deserving of them will be decorated as representatives of the many thousands of helpers in the work of snow-breakage removal. This august honor bestowed by the state is at the same time an expression of the esteem and appreciation accorded by the party and our government to the achievements and to the readiness to serve on the part of these workers. I also wish to include in this the members of their families. But nonetheless, comrades and colleagues, in spite of the enormous efforts made to date and which, I am certain, are still going to be made in the second half-year, there still are 1 million cubic meters of predominantly thinner breakage wood to be processed in Suhl district.

The comrades of the Main Forestry Administration should therefore propose solutions which will speed up the completion of snow-breakage wood processing. Through whole-tree chopping of the remaining quantities of breakage wood in conjunction with a coordinated delivery plan, the processing of the damaged wood can be accelerated and its utilization for our national economy ensured. For this however, a staff-type preparation is needed already now.

The occurrence of smoke damage causes us considerable concern.

It must now be the task of our forestry scientists, practitioners, and of the central management organs to work up a strategy which is feasible for the pine

tree areas and which will guarantee an optimum rough-wood production under the existing and to-be-expected conditions. It is necessary to keep up the wood vegetation even under difficult conditions through the use of suitable tree categories and purposeful fertilization and to restore the effects of our forests on our national culture also in the damaged pine-tree areas. On the basis of such a strategy, the Potsdam VEG [state enterprise] forestry project planning enterprise, assisted by the scientists from Eberswalde and Tharandt, should work up concrete tasks, of course taking into consideration any particular factors prevailing in certain locations.

It should be a priority task of the party and government organs, and especially of the party organizations to inform the population in the territories concerned in good time and in a comprehensible manner about the measures initiated by the forestry organs.

Comrades!

Closely connected with the protection and preservation of our forests is the need everywhere--from Fichtelberg to Kap Arkona--to provide for healthy, well cared-for, optimum, steadily producing and sound forests. It is in forests of such a type, which also excel through a high measure of order and cleanliness, that we are able to make use of the freely provided productive forces of nature and to produce such an increase in available wood as to make it possible to supply our national economy with rough wood continually and to an increasing extent.

The steadily improving realization of these objectives makes it possible also to preserve and to expand the ecological performance of the forests in line with existing requirements. It is for this reason that increasing rough-wood production must to an increasing extent be linked with an effective fulfillment of the national-cultural and social tasks of the forest. In connection with such intensification absolute attention must consequently be paid to the interests of our water-supply system, of recreational surroundings, and of the preservation of nature. An important basis for the realization of all of these tasks is the 22 February politburo decision concerning measures for increasing the responsibilities of the forest rangers and master foresters for their respective territories. In this decree confers upon the forest rangers and master foresters--in their capacity of government agents for the cultivation and the protection of the forests entrusted to their care--a great responsibility. Close ties with their territory and its citizens, with the local people's representatives, and with the social organizations, enterprises and installations will aid the rangers and master foresters substantially in successfully mastering their extensive tasks. We are in favor of the party and state organs supporting this endeavor, as is already the case in Suhl and in some other Bezirke.

The implementation of all measures mentioned in this decree requires constant, persevering and, particularly, ideological work by the party organizations in the forestry enterprises and installations. What must be done is to explain the concerns contained in the politburo decree convincingly to all who are involved. We are only making a beginning in this respect.

I presume we all agree that more support for our rangers and master foresters is absolutely necessary. This also includes shaping forest ranges in a surveyable manner. Where necessary, they must be made smaller.

In connection with the implementation of the tasks resulting from these decisions, the directorates of the state forestry enterprises must within the framework of their possibilities create the manpower and material-technical conditions necessary for their execution. This must be reflected already in the 1984 plan. Clear performance norms, allocation of manpower and other industrial resources as well as fiscal parameters and regular account balancing in this connection--all this is included in the overall responsibility of the rangers and master foresters for the forests in their territories.

The tasks of a ranger and master forester are a life-time assignment. They call not only for a real man but--first of all--for a man who loves the forest and who therefore does everything within his power to keep it in good condition. The speech of forest ranger Klaus Hermann also revealed the high level of authority enjoyed by our foresters.

Now it is above all necessary fully to exhaust the possibilities afforded by science and technology, which have also in the sphere of forestry become a primary reserve for increased performance and effectiveness. For this reason, dear comrades, the application of the newest scientific-technological findings must no longer be left to the subjective judgement of individual managers.

As an example of this, I would like to mention the procedures used for the cultivation of young-tree stocks. In some enterprises such as, for instance, in the initiative-processing activities of the forestry enterprise in Muellrose, the debranching-piling combine (EPAK), developed by the Eberswalde Forestry Science Institute was instituted successfully. Other state forestry enterprises use the EA-20 process and are achieving good results with it. A third group works in accordance with the selective procedure which was developed in Potsdam Bezirk.

However, there are still many managers who prefer to use the traditional manual work, who cultivate their forest stocks inadequately, or who engage in unproductive discussions concerning alleged disadvantages of each one of the three cultivation procedures.

Responsible forestry personnel, however, know that, as has repeatedly been pointed out by scientists, young-tree cultivation comprises two important tasks: First, what is at stake is an opening up of a wood reserve of approximately 1 million cubic meters per year. Thus one can arrive at the principle that a higher rough-wood yield does not at the same time mean more wood felling. Second, a young-tree cultivation which corresponds to existing requirements is unalterably necessary for utilizing the performance capacity of a certain location and of the forest stocks for a highest possible accretion of timber. Such forest cultivation reflects the work of each ranger and master forester. In the course of the discussions, colleague Luederick from Ziegelroda has described the elan with which her brigade goes about these tasks.

In summary, I would like to say that all management organs in the sphere of forestry should lay down ways and methods which will ensure the plan-exceeding application of scientific and technical results. In this connection the party organizations must pay more attention to seeing to it that the subjective factor becomes more effective. This applies also to the labor union directorates, which should pay greater attention to the interests of science and technology within the framework of socialist competition and who should support their application in each collective.

Particularly our youth--the FDJ--is doing very good work. In the course of the discussions we have experienced two such self-assured representatives of the young generation in the persons of our young friends Goehring and Volk. We should do everything in our power to strengthen the youth brigades, to form new ones, and to confer upon the young people responsible tasks--starting with management and up to and including the MMM [Fair of the Masters of Tomorrow] movement.

Comrades!

Important decisions concerning the effectiveness of scientific work itself are made already at the stage of selecting and distributing the research topics.

In the course of discussions, Professor Rueffler from Eberswalde spoke about the work of the scientists. We highly esteem their achievements. At the same time, however, it is necessary also in this sphere to accelerate, to concentrate to an even greater extent on the focal points, and to further expand the cooperation not only between the scientific installations but also with those who make practical application of their work. Forestry practitioners should be accorded greater rights to participate in discussions already at the task assignment stage. It is for this reason that I support the recommendation of the colleagues of the Eberswalde Forestry Science Institute, according to which in each district a forestry enterprise should be selected to act as guidance and consultation enterprise for application of the most recent findings of science and technology.

For a high degree of effectiveness of research and development, a concrete and binding coordination between the Eberswalde Institute for Forestry Science, the forestry section of Dresden Technological University in Tharandt, and the Waren Forestry Technology Combine is absolutely necessary. It can be felt quite noticeable in the forestry enterprises that there still exist considerable friction losses in this area.

The comrades of the party organization of the Waren Forestry Technology Combine should in their ideological work always proceed from the fact that every colleague realizes the following: The effectiveness of our combine will above all be measured on the basis of how the technical capacities are daily available in the forestry enterprises and by the manner in which the material-technological basis of the enterprises is, corresponding to the given possibilities, being renewed, reconstructed, and expanded.

Only if we purposefully, consistently, and along the entire front promote also the production of rationalization means, will we fulfill our plan assignments, improve working conditions, and achieve the necessary work productivity increase. What must consequently be done is to increase productivity through rationalization in the decisive sectors and to ensure a more favorable ratio between expenditures and results. This calls for precise management and a good work organization. We all know how hard the work in the forest is. For this reason the directorates must also see to it that the working conditions of the male and female forestry workers will continue to be improved with the help of rationalization. The speech by Professor Prien from Tharandt clearly showed the possibilities existing in this sphere through close cooperation between the members of the Agricultural Science Society and the Chamber of Technology.

With reference to the comprehensive utilization of science and technology, the government agreement concerning cooperation in this area in the period 1984 to 1990, which a few days ago was concluded with the Soviet partner, is particularly important. It will contribute to utilizing more effectively the experiences made available and tested in USSR and GDR forestry, to exchanging gained knowledge, and to bringing to both sides a higher degree of economic utilization effectiveness of their work.

Dear Comrades!

In the coming years it will be necessary to achieve an accelerated pace of development also in the sphere of our forestry through comprehensive utilization of all intensively expanded reproduction factors. Proceeding from this objective, the politburo of the SED Central Committee, the GDR council of ministers, and the FDGB directorate are, in their joint directive for working up the national economic plan for 1984, providing guidance for seeing to it that decreased consumption of energy carriers and raw materials will to an ever increasing extent become a source of growth for our gross national product.

From this there results for the enterprises and installations of our forestry the need for further raising the level of their economical use of energy and materials and to ensure an optimum degree of refinement of particularly the available raw materials. In this connection, a more effective utilization of usable wood stocks is fundamentally important for our forestry.

Initial results in this respect are being achieved by way of the phased transition to whole-tree utilization. First steps in this direction are the incipient whole-tree chopping in connection with the utilization of thin trees, the processing of branch and tree-top material, particularly of the pine trees, for producing chopped parings, the utilization of low-value selections for the production of wood concrete, the processing of wood scraps and difficult-to-dispose of miscellaneous wood stocks for the production of charcoal, and other such steps.

It will become clear to us at which point we are presently standing in the matter of whole-tree utilization, if we take into consideration the fact that

at the present time there are still 350,000 to 450,000 cubic meters of usable wood lying at the clearing sites, that in the young-tree cultivation area a minimum of 650,000 to 700,000 cubic meters of thin wood can still be utilized, and that, in addition, a minimum of 65,000 cubic meters of loose wood can also still be made available per year.

Whoever has close ties with nature and the forest finds it extremely painful to see good wood decaying in the forests, while valuable wood has to be felled for the fulfillment of our tasks.

I would like in this connection also to call attention to the danger of forest fires, which at the present time is once more a very current one. In the preceding year, 2,457 hectares of forests were destroyed by 2,223 fires. The damages incurred amounted to 8.9 million marks. Through exemplary order and discipline we should do everything possible to protect our forests from damage.

With respect to whole-tree utilization it is understandable that everything can only be done jointly and in coordination with the wood-processing industry. An important task of the main forestry administration must therefore be for this purpose to bring about a binding, state-sanctioned arrangement with the wood-processing industry.

The comrades in the forestry enterprises must on a long-range basis prepare all workers for this important task ideologically, technologically, and organizationally. We expect from the Eberswalde Institute for Forest Science, from the Waren Forestry Technology Combine, and from all those engaged in the production of rationalization means for our forestry industry that the enterprises will to an increasing extent be equipped with the technical means required for this purpose. Economical use of materials can also be increased substantially if we make better utilization of the actually existing rough-wood reserves. Thus, for instance, the existing deciduous-tree potential and the possible rough-wood yields from the open country areas continue to be inadequately utilized.

Even in the beech-tree category only approximately two-thirds of the possible rough-wood yields from the less than 80-year old stands are utilized, which means that the necessary thinning of the forests is being neglected. Comrades, it is also in this respect that we need more binding agreements with the wood industry which permit utilization of the available wood raw materials in a manner which is meaningful from the standpoint of our national economy. This at the same time makes it possible for us effectively to deal with the further overexploitation of our conifer forest stands. Overall, what is thus at stake here is the need jointly with the wood industry to achieve a higher national-economical cooperation effectiveness.

Achievement of a more economical use of materials through a more effective utilization of the possible rough-wood yields also calls for providing for our national economy the available wood yields corresponding to their utilization properties. It has in many forestry enterprises become established practice to bring sawing wood to a substantial extent from clearing areas and stacking wood from forest-thinning areas.

In this way considerable quantities of rough wood usable for sawing and coming from the wood-thinning areas are made into stacking wood. This is a wasteful practice:

Of course, better economy in the use of materials also, or quite especially, includes almost complete utilization of thin wood. This subject has already been discussed in detail at today's conference. Still, I deem it necessary to point out to you the fact that thin wood is not just a mass assortment of wood which is of low value. Here too is it necessary to utilize the manifold intended uses in the interest of a fulfillment of the rough-wood delivery plan which takes into account the different categories of wood. Particularly important in this connection is the production of cellulose from thin wood.

Dear Comrades!

The 6th Central Committee meeting has once more called our attention to the fact that it is possible for us to open up decisively important reserves for the necessary increase in the performance of our national economy through overcoming differences in performance levels and through effective utilization of our basic capital. This fully and entirely also applies to our forestry enterprises.

For instance, in the production comparisons of the first quarter of 1983, the Kachold collective of the Schleiz forestry enterprise fulfilled its given tree-felling and moving machine performance norm with 178.5 percent. In Gardelegen, however, only 41.7 percent of the norm were attained.

Or let us take a look at the utilization of the large chopping machines. Here the Hoepfner Brigade of the Cottbus forestry enterprise achieved the best performance with 124.0 percent of the given norm. On the other hand, the Guestrow enterprises attained only 64.0 percent and Perleberg even only 32.2 percent of their given plan norm. Certainly, there will be some reasons given for this. But what is at stake here is the opening up of reserves.

These technical capacities should therefore be put to use where they are urgently needed and where fuller use is made of them. For this reason I am in favor of transferring inadequately used large chopping machines to Suhl Bezirk immediately. There they will be of effective help in accelerating the break-age-wood processing.

It is likewise necessary to pay more attention to the unjustified differences in the quality of the reforestation work in the overall management activities. This naturally also applies to the production of resin. The minister pointed out the existing great differences in his speech.

It is therefore urgently necessary everywhere--beginning in the main forestry department of the Ministry and extending to the enterprises--to reflect on how these unjustified differences can be eliminated and performance reserves can be opened up through an effective management of socialist competition and performance comparisons.

Dear Comrades!

In his report to the 10th SED Party Congress, Comrade Erich Honecker gave, among other tasks, to our forestry industry the mission to provide for our national economy more rough wood and at the same time continually to increase our timber reserves.

This requires that the intensively expanded reproduction of our timber reserves be to an increasing extent moved into the focal point of our scientific forestry work. In this connection, priority is to be accorded to the expanded reproduction of the raw material wood on a timber-growing area which will substantially remain the same in size.

What should we concentrate on particularly in this connection?

The preservation and full utilization of the forestry area available to us is an absolutely necessary prerequisite for the intensification of wood production. For this reason, utilization of forest areas for other uses is to be limited to an extent which is absolutely necessary from the point of view of our national economy.

At the same time, such areas as fallow land and mine surfaces which are not being used in any other way should be speedily reduced. If the rangers and master foresters do full justice to their responsibilities, there should in future be no more reforestation arrears. Many citizens, among them a great number of pensioners, have in fact often proved their willingness to keep order in our forests.

It is possible to achieve an annual rough-wood production increase of approximately 250,000 cubic meters if we succeed in carrying through an appropriate and professionally correct open-field timber management in line with the suggestions made by the forestry scientists of Eberswalde and Tharandt.

In this connection I would like to present another request from the comrades of the VKSK [Union of Small Gardeners, Settlers, and Small Livestock Breeders] which they have last week passed on to me here at the Agra. The comrades recommend that in connection with open-field tree cultivation one should to a still greater extent select such types of trees which are suitable for serving as feeding grounds for bees. I consider this to be a justified request which should positively be taken into consideration in connection with future work in this connection.

When speaking here of full utilization of our ground reserves, we naturally also refer to full inclusion and utilization of the forest-bordered remaining and splinter areas as well as the forest meadows on which fodder can be produced or animals be kept. For this reason one should also in this sphere bring about a further expansion of the traditional cooperative relations of mutual assistance between cooperative farmers and forestry workers. Soil fertility exerts a decisive influence on wood production also in the sphere of forestry. The possibilities available on the forest grounds are therefore to be fully exploited. In this connection particular attention must be paid to the selection of tree types which are productive and suited for particular

locations. For overall social considerations, fertilization measures should essentially be reserved for defense against or a lessening of smoke damage. But the great possibilities afforded by subsoil treatment and of hydroameli- oration should be utilized all the more intensively in the interest of raising the level of soil fertility and wood production.

One important aspect of the intensively expanded reproduction of our existing wood reserves is the establishment and management of tree-growing plantations. In the opinion of the Eberswalde forestry scientists, this would make it possible to achieve an approximately 30 to 50 percent increase in wood production, while at the same time lowering the circulation cycle to 50 to 80 years.

The forestry scientists in Tharandt are of the same opinion. The comrades of the main forestry administration should now, jointly with scientists and practitioners, search for ways and methods for finding out how these tasks can be realized step by step, but at the same time also steadfastly and purposefully.

In connection with our further work, we must take into consideration the fact that the natural fertility at a particular location can only be exploited correctly if arrangement of the tree stands by age is ensured, if the available cultivation space is fully exploited, and if efforts are made to ensure a composition of tree types which corresponds to existing conditions.

Finally, comrades, it is necessary to combine all the measures for the intensification of rough-wood production in maximum yield conceptions. We support the view according to which maximum yield conceptions are an indispensable management tool also in the sphere of forestry. The material concerning this topic is here from Frankfurt, and Comrade Kunert has discussed in detail his experiences in this respect.

Comrades!

An intensively expanded reproduction of the raw material wood is decisively important for our future rough-wood yields. The importance of this raw material becomes clear if one is cognizant of the fact that wood is used as a basic and auxiliary material in almost all branches of material production. Seventeen percent of all domestic industrial raw materials produced in the GDR come from the sphere of our forestry. Approximately 12,000 products are being manufactured from wood in our country, and 10 percent of the overall gross national product is being produced by 3.5 percent of those national economy employees who are working in the forestry and wood industry fields. Industrial goods production amounting to approximately 40 billion marks is realized from the rough wood made available for our national economy by the forestry enterprises each year.

Highly important for the forestry and wood industry of our country is the fact that, on a world-wide basis, the increasing need for wood products is no longer being met by a substantial increase in timber felling, but primarily through more complex and more effective utilization. From this fact, adequate conclusions must be drawn by, above all, the central management boards. Here, the objective need for close cooperation between forestry and the wood industry once more becomes clear.

Inspired by the party organization, a more consistent struggle must be fought for the fulfillment of the planned and additional export tasks. In this connection one must proceed from the fact that, in view of the keen competition on the world markets, only high-quality goods can be sold. For this reason, the greatest possible attention must be paid to adherence to the contractually established parameters.

We particularly direct the attention of the management boards to the objective of deriving higher export income with reduced material expenditures through better refinement of the rough wood, for instance making it into sawn timber and squared timber.

This contributes to an economical management of our material resources. One should at the same also examine whether, and to which extent, other forestry industry products, such as for instance charcoal, can to an increased extent be included in the export program.

It is a matter of course that the same degree of attention must be paid to the management of our imports as is paid to the fulfillment of the export obligations. However, an ABI [Worker and Peasant Inspectorate] report in our hands points out various shortcomings in this area. In this respect we expect from our comrades still more consistency and more responsible actions.

The consumption goods production for the population, planned for 1983 and amounting to a value of 118.5 million marks, testifies to the great readiness of the forestry workers to contribute their share for an improved food-supply situation. Nonetheless, additional efforts are still required in this sphere in order to increase production and to make better utilization of our own raw material resources.

In this connection we should above all concentrate on the following:

A better supply of items needed by the VKSK members through adequate supply of items needed by the settlers, such as fencing material, posts, and others;

increased production of building materials for individual housing construction, such as windows, roof trusses, cellar doors, as well as gravel and other items;

a more comprehensive production program for garden huts, bungalows, and garages suitable for the varying requirements;

charcoal production which better corresponds to existing requirements and which is possible with small expenditures;

cutting up so-called difficult-to-sell lumber to make it into sawing wood for the population;

increased production of tastefully executed wooden calendars and thermometers with animal motifs as well as increased production of boxes, staircases, and palettes.

In this respect there is still considerable room for ideas and initiatives, for deliberations in the forestry collectives in order--jointly with the VdgB [Peasant Mutual Aid Association] but also through cooperation with other enterprises and installations (for instance, the VVB [Association of State Enterprises] Animal Raw Materials--to further enrich the supply of necessary, but at the same time also pleasing consumption goods.

In this sphere too we are striving for a high level of improvement, and we are doing everything possible to satisfy the needs of the population to an ever increasing extent.

In this context permit me to say a word concerning the role played by the village. After all, it is a well-known fact that most forestry workers live in the country. In our republic every village has a clear and assured future.

At the 12th Farmers Congress in May of last year, it was clearly stated how important the village is as the home of our cooperative farmers and workers, and thus also of the forestry workers. Of course, this also includes the responsibility of the forest workers and the managers of the forestry enterprises for their beautiful and attractive village.

8272

CSO: 2300/41

HUNGARY

MORE RAPID, EFFICIENT FREIGHT HANDLING PLANS AT ZAHONY

Budapest VASUT in Hungarian No 8, 83 p 1

[Text] One of the important goals of MAV [Hungarian State Railroad] traffic planning is the increased use of the freight car park. We can mention the junction at Zahony as a point of realization of this essential goal. Here it can be measured how the unfavorable development of freight car return time of the past years has affected product flow. The change to the five day work week has also brought problems, but about that it can be said now that the situation has improved somewhat as far as readiness for loading is concerned. With the introduction of the five day work week, the loading readiness of companies has decreased, and the regularity of the deliveries has slowed down and become worse.

In the last time period, however, the quantity of goods which could be loaded into freight cars has improved. The tonnage of goods for one car per year has grown by an average of 1-2 percent. Those at Zahony have an important role in this, especially the automated loading brigades.

At the Zahony junction, special treatment is given to continuous development, exactly for the purpose of speeding up the transfer of goods and the good usage of cars. This junction requires this kind of development, since traffic must be satisfied according to carrier needs and its smooth flow must be guaranteed.

In the Sixth 5-Year Plan period, transfer capacity will grow by 30 percent and car arranging capacity by 25 percent. The planning and the direction of the transfer must be developed and improved accordingly. In this regard there have already been steps taken, since with the help of computer technology the speed of processing has improved and administrative work has been simplified. The application of outdated technology must be continuously replaced, efficiency must be improved, and last but not least, the working conditions of those engaged in transfer using heavy physical labor must be improved.

Up to the end of the last year, there were improvements in two important areas. The capacity for freight car arrangement has grown and the expansion of transfer capacity has been realized in 95 percent of the cases. Zahony itself has changed much, indeed, developments have occurred in the neighboring

villages as well. Among others, 135 new homes have been built, the workers have received a locker room and shower for 500, and the kitchen which can serve 2,000 meals has been completed.

By the end of this year, we will install the scale installation at Eperjeske and the mounted axle switching station is in preparation. The completion of the latter will not occur until 1985, exactly because of its size.

We no longer count on the growth of goods traffic at the rate of the mid-70s. It is normal now, measured on the basis of the increased capacity, as a matter of fact, we even have capacity reserves at the moment which we would like to use. It is within our means to complete the transfer of a part of the export goods, thus we are helping the loaders at Csop. Gradually, we are succeeding in the reduction of manual transfer, although the transfer of various raw materials, bulk goods, still demands hard physical labor. In spite of the problems that still occur, it can be said that the junction at Zahony is ready and suited to receive the shipments coming from the Soviet Union, with the developments completed and in progress, even if the countries which are placing the orders increase their transit shipments over the Hungarian rails. In any case the diligence of the railwaymen must be mentioned along with the above cited improvements. Transfer and transmission is continuous at Zahony.

12489

CSO: 2500/434

MINISTER DISCUSSES AGRICULTURAL SITUATION IN DETAIL

Warsaw POLITYKA in Polish No 40, 1 Oct 83 p 5

[Interview with the minister of agriculture and food economy, Dr Habilitatus Stanislaw Zieba, by Andrzej Mozolowski: "Large, Productive, Wealthy"]

[Question] We have the most archaic agricultural structure in Europe and the most fragmented farms. The problem cannot be eased in a day, but what do you intend to do in this field in the future?

[Answer] First of all, small is not always bad and large is not always good. Thus we have small farms which are run with unusual intensity and productivity (vegetables, fruits, seeds, animals and so forth). We also have medium-sized farms and large ones which are neglected and abandoned because the owner has two occupations. A farmer-worker with 1 hectare is one thing, and his hectare must be considered a kind of garden plot, while a farmer-worker with 6 hectares is something else, usually a poor farmer and an unproductive worker. You are also overlooking the socialized farms, and these constitute almost one-fourth of the agricultural area in Poland. For the most part these are large, modern and well-run farms. Otherwise you are right. The average size of a private farm in Poland comes to about 5 hectares of agricultural land, while it does not exceed 2.5-3 hectares in the Krakow, Rzeszow, Tarnow and Bielsko Biala provinces. The country looks like a striped hunting outfit. The effects of this condition cannot help being fatal, and still it cannot be explained. What do we intend to do with this forfeiture? Simply create conditions favoring an enlargement of farms. We are already creating them. The economic reform also tends to increase farm effectiveness. The growing demand for machinery for the country will force the desired changes to come about in the agrarian structure. The credit policy (credits for farmers buying land) supports this same goal, as does the farm tax which, according to the presumptions, will not be of a progressive nature. We have already begun a process of slow but systematic increase in farm area. Almost 400,000 hectares were sold to farmers in 1981-1982. The majority of them enlarged existing private farms. I also think that in time we shall observe a voluntary association of farmers, especially young ones, into various kinds of cooperative groups, into producer cooperatives of various types. There is no way to describe the entire government policy in ground management here, and I shall only mention the possibilities of enlarging farms, socialized and private ones, by recovering

for agriculture land degraded by industry, and by recultivating lands, for example, in Belchatow, Tarnow and Konin. We could recover this land faster for agriculture if we had sufficient heavy equipment. Finally, let me recall the projected agricultural tax which is to revive the interest of farmers on poor soil, who are waiting today for purchasers although no one wants to buy their land. The PGR [State Farms] will also buy land.

[Question] Agreed. But what are you going to do with those small unproductive farms, or with the farmer-workers with 6 (and more) hectares, who operate them in a shabby way and need not do better because they consider the ground to be a secondary priority?

[Answer] I? I shall not have to do anything with them. Life alone will do it: anyone who produces unproductively, and therefore expensively, will not be able to meet his costs and will have to give up. This may sound brutal, but let me say that in agriculture, just as in many other countries, there is room only for the good, the best.

[Question] Will this principle of natural elimination of the weak also affect the socialized farms?

[Answer] Obviously. Did you think that because they are socialized they have to be poor? The dropping out of the poorest will also exert an effect on increasing the average farm size which you now, and properly, do not like very much.

[Question] So we shall have multihectare farms, modern, productive and requiring mechanization of work, and they will therefore have a high income. Therefore, if agriculture is to feed us decently, the material conditions of farmers, which are striking even today, must continue to be improved. Do you think that an awareness of this fact has taken sufficient root in society among the decision-markers?

[Answer] No, it has not. Still it must be said that many journalists, including some in the columns of POLITYKA, are doing a great deal to bring this fact home to the people.

However, peculiar myths exist here and there about an agricultural Eldorado, myths of gigantic incomes and of farmer millionaires. Farmers are seen leaving the purchasing centers with a stuffed billfold, with their millions at last, but no one knows, or wants to know, that this is money mainly allocated for the purchase of necessary building materials, machinery and tools, without which they cannot work productively. This identification of a farmer's receipts with his income is a basic source of misunderstandings. The farmer builds his plant and finances outlays for its use from his receipts. He also builds his own house, and no one gives him his housing. He must invest in equipment which is everywhere in towns today, such as waterlines, bathrooms and gas. Farmers want to live under better conditions and they know how the people in the cities live. This is not only their right, but a condition for the younger generation to go to work in the country. In addition there are unproductive years, and it happens that the

source of income suffers losses and that money must be set aside for these periods. I am not even mentioning the tediousness of work in agriculture, although everyone knows of it. Society should want agriculture to be well off, and not to grumble about it. A rich agriculture is a rich society. Let those who envy the income of farmers go to work in the country. I might also say to the women that 80,000 young farmers are vainly looking for wives.... Who is willing?

Agriculture is and will long be available to those who think that they can get rich in it. Many industrious, brave and capable men are trying--and not without success. However, the repeatedly larger numbers of those leaving the country over those going to the country have proven that life in the city is still considerably easier.

[Question] Are your views on this subject shared by all members of the government?

[Answer] Do you want me to denounce my colleagues?

[Question] Heaven forbid! I only thought that the differences of opinion among ministers are a matter of public record and that no one makes a mystery of them....

[Answer] But the press shows that no minister complains about another...in general. Anyway we always eventually come to an agreement with one another.

[Question] In this case, in your opinion, will the new agricultural tax system--if approved in the currently proposed form--have a stimulating effect on agricultural production or will it be a drain?

[Answer] It will certainly be stimulating. I said earlier that its progressive and linear nature will promote an increase in farms and production. A unit of area in a 2 or 20 hectare farm will be burdened in the same way. The tax will be uniform on private and socialized farms. The difference in the rate per hectare will depend on the quality of the soil. This is a matter of trying to eliminate disproportions in income by assuring profitability of production under difficult conditions. Obviously I am a full supporter of the tax on class VI land, which should also produce food. The projected tax system will reward management, resourcefulness and industry. Its universal application depends on rating the amount of tax on the basis of the cost of rye. When these prices change, so will the corresponding tax.

[Question] What about a compensation tax? Many farmers assert that they are badly hurt in the production of vegetables under foil, and therefore in supplying the vegetable market.

[Answer] I agree with this. I think that cultivation under unheated foil and in hotbeds should be excluded from this burden. Growing in heated greenhouses or in other special structures is something else. I shall try to see that agricultural arguments are considered, and I think that I will succeed in accord with what I have told you about overcoming differences of opinion.

[Question] In your opinion will the productive and investment activity of industries working for agriculture, predominantly farm machinery, chemicals and so on, constitute a sufficient pledge of the fulfillment of the agricultural and food economy development program, that is, the achievement of self-sufficiency in this field by 1990? Let me use a symbolic example: does not the lack of the mere string for binders--as critical today as 15 years ago--not bode evil for the plans, the fulfillment of which still requires considerable assets and great efforts on the part of producers?

[Answer] I would prefer for Ministers E. Lukosz and E. Grzywa to answer this question. However, if you addressed this question to me, I would remind you that the decree of the 11th PZPR Central Committee Plenum and of the National Committee of the United Peasant Party unanimously confirmed the need to increase the productive capacity of industries producing goods for the needs of agriculture. The Council of Ministers has adopted a government schedule to achieve the resolution of this meeting, in which they have established deadlines and even personal responsibility for performing individual tasks. This is the object of periodic evaluations and controls. I am familiar with the absolutely justified claims of farmers with respect to industry (string, plowshares, tires and so on), but I also believe that the countryside is witnessing the gradual removal of sometimes critical shortages. There is enough coal and cement, there are fertilizers, and the official subject of a shortage of nails and even of a shortage of insecticides and so forth has disappeared.

You mentioned the time 15 years ago. Well, 15 years ago there were nearly 1,600 hectares of grain per grain combine. We had 124,000 tractors with 145 hectares for each of them. Today we have a combine for every 180 hectares of grain, and a tractor for every 28 hectares. This is better than in the FRG. Such lists could be considerably extended. Today and 15 years ago are almost two different epochs! Obviously this does not change the fact that there is a shortage of spare parts, that there should be string, that plowshares should always be available, along with preparations to control potato bugs. As far as string goes, could it be used too much for other purposes? Still, we are aware of the fact that a radical improvement in the market of means of production for agriculture requires time. Chemistry for agriculture should be rapidly modernized and expanded. At the same time it is still necessary to reduce the list of slight but exasperating shortages and to streamline distribution. And after 7 years you will see that we have a good, productive agriculture, one which can feed the nation.

[Question] I hope so. But at the same time does the food industry have any chance of developing in the face of the lack of resources for modernization and investment, and in the face of the use of official prices, minimizing the possibility of independent management of the resources by industry?

[Answer] This is not only a matter of a chance, but of the absolute need of development. New buildings are still being erected and recently, through a government decision, we obtained agreement to resume many important investments discontinued in the past, along with a guarantee of the necessary credits. Of course the shortage of funds for investment is acute here, just

as in the entire economy. This is a result of the reduction in the level of the national economy. Official prices are a secondary cause: the direct cause is the subsidy for food which is sold. Even with large subsidies this primarily makes it difficult for the food industries to manage their assets, where the prices for goods do not result from costs. Obviously, the elimination of subsidies requires both a reduction in production costs and an increase in prices.

[Question] The farmers claim that the profitability of their production has dropped considerably and that their costs have increased (not to speak of maintenance costs), while an increase in selling prices with a simultaneous rise in prices for means of production cannot help producing higher prices for food in the market. What do you think of this?

[Answer] You have mentioned three elements: the selling prices of agricultural crops, prices for means of production and retail prices for food. This is a system of communicating vessels. Obviously a change in one of these elements cannot help causing changes in the others (despite the fact that we restrain this process by subsidies). The principles of the economic policy with respect to agriculture were unanimously defined by the PZPR Central Committee Politburo and the National Committee of the United Peasant Party as early as January 1981. Its essence is the creation of conditions for profitable production for farmers. Let me repeat: the creation of conditions. Thus, it can be shown, and often is the case, that one farm or another, despite the sector in which it is found, does not use these conditions, that it lacks good organization, knowledge and skill in choosing the proper direction of production, and that it is managed poorly, and therefore expensively, from various standpoints. Prices will be unprofitable for such a farm. Sooner or later a choice will have to be made: either improve results or sell the farm. It is difficult, but we will not be able to adjust selling prices to the capabilities of the poorest producers. Socially this would be a mistake and constitute a reward for bad work and, at the same time, would remove incentives from good farmers to improve their work, farmers who could make their way without it.

However, what I have said does not exhaust the matter. Agriculture as a whole is in a difficult situation. Official prices are compulsory for the majority of farm products, while regulated and contract prices, and therefore higher ones, have been established for the majority of means of production and services indispensable for agriculture. During the year there have been changes in regulated and contract prices, raising costs and not encouraging farmers to plan for further development, and this is the second source of statements about unprofitability in agriculture. This is why I consider the maintenance of stable conditions to be extremely important. We should adjust selling prices only once per year, and only when the costs of agricultural production are rising.

We still do not--and this should be clearly stated--have a definitively shaped and verified mechanism for setting agricultural prices. We shall construct one. We want it to be simple and understandable to everyone. It must be based on systematic and reliable investigation of production costs in

agriculture. Such work has been undertaken by the Institute of the Economy of Agriculture and Food Economy and, as we know, by the National Union of Farmer Circles and Agricultural Organizations. The price-setting system must be based on a dependable knowledge of production costs and on the income of farming people.

Agriculture is not interested in an increase in farm product prices, which may seem paradoxical but is true. Let me stress: an increase in selling prices for agricultural crops is the effect and not the cause, the effect of growing production costs resulting from increasing prices for the means of production, fuel and power. Therefore selling prices must be raised to guarantee farm profits. Without these profits we shall not have food. Not the farmers alone, but almost all of the national economy, is responsible for these prices. Obviously everything which I have said on this question refers to both socialized agriculture and private agriculture. We treat both of these sectors alike.

[Question] However, the state can lower prices by subsidies....

[Answer] And does so. Subsidies for food are still costing us today about 200 billion zlotys. I say "us" because you know that all of us pay for this. It seems to the people that it is cheaper when the government pays the extra. This is a delusion. In order for butter, sugar or pastry to be cheaper, something else must be more expensive, because the money allotted for subsidies must come into the budget from someplace (even if the country runs into debt abroad, as has happened). In addition, subsidizing food is bad from every standpoint. To the shortages which I mentioned earlier, we can also add that this causes waste in the food economy and under extreme conditions it is used, as we know, for fodder. For this reason the reform assumes a restriction on subsidies, keeping them only where they protect the most needy, and I am thinking, for example, of bread and milk.

[Question] And what about flour, and sugar?

[Answer] A gradual retreat from subsidies and raising prices to the level of the actual cost are unavoidable in my opinion. This has been stated already in the case of flour or grits. However, the same thing applies to sugar. Let me call your attention to the fact that this is not at all a matter of improving the earning capacity of agriculture. The state subsidizes industry to enable it to pay more for raw materials, and to sell its finished products--sugar, pastry--cheaper. Still we know that the bakery industry suffers enormous losses, is burdened with a lack of assets, and that the consumers suffer from this. The food pricing policy is a subject like the ocean, and here I can only make a few comments. I refer those interested to a comprehensive article on this subject in RZECZPOSPOLITA (No 182), entitled "Who Is Responsible for Food Prices."

[Question] How do you evaluate the reform activity in state agriculture and the food industry?

[Answer] The experience of the past 1.5 years of functioning of agricultural enterprises according to the reform principles has proven the correctness of

its basic assumptions. Practical signs of independence in enterprise activity are greater management effectiveness, better use of means of production, realism in independently established plans, greater elasticity in them in the face of changes occurring in the economy, a greater search for means of income, and undertaking anti-import production. A process of making production more profitable is proceeding in the State Farms by, among other things, streamlining the sowing structure, undertaking the cultivation of more profitable plants, lowering the consumption of fodder and fertilizers, and by adjusting the size of animal herds to the specific fodder possibilities. We can observe more rational management of fixed assets, and greater care of machinery, equipment and the plant property. For example, throughout the socialized economy the consumption of mineral fertilizers has diminished, while at the same time there has been a rise in the level of crop production and so on.

[Question] I know of State Farms where things are not so nice, but quite the contrary.

[Answer] Did you imagine that implementation of the reform would change people into sages and angels at the same time? The reform creates conditions and possibilities, and some people use them better and others worse, while others do not want to use them at all, or cannot. They must either be willing and learn, or they will have difficulties. On the other hand, we can see problems without any blame in farms on poor soil and in the mountains.

[Question] Have you no reservations with respect to the reform itself?

[Answer] Yes, I have. Regulation requires, for example, the matter of guaranteeing for enterprises in the food industry the conditions to finance the needs of restoration and development. At present they do not have them. In 1982, for example, these enterprises were able to allocate scarcely 13.7 billion zlotys for investment and to complement their turnover assets, much less than their most indispensable needs amount to. This was a result of the compulsory system of income tax, which does not consider the great material-intensiveness of production and the low share of processing costs in the entire costs of the food industry, and also because of the enormous jumps in production and the amount of storage resulting from the seasonal and campaign nature of production, as well as from harvest fluctuations.

Similarly the specific nature of enterprises working under exceptionally difficult soil and climatic conditions, often with a poorly developed infrastructure, requires certain improvements in the economic and financing system in the State Farms. This refers equally to collective farms and to agricultural production cooperatives. Housing problems also occur here.

[Question] How do the principles look for the project of implementing the Fund of Aid for Farmers, financed by foreign churches and examined by the court? Something of this kind could be very useful, couldn't it?

[Answer] We have a program of agricultural development approved by the Sejm. It includes activity for everyone who wants things in agriculture to be

better. It also refers to this aid proposition. Recently a speaker for the government gave the press information about the work going on in this area, among other places, in the columns of POLITYKA.

[Question] They have been going on for some time. Since they cost money, delay seems to be inadvisable....

[Answer] First of all, they are not costing anything. Nor is there any delay.

[Question] But doesn't this fund already exist?

[Answer] We do not know anything concrete on this subject. The work was postponed for a month because the professors and experts went on vacation, both those from the government and those from the church. We are interested in the application of this fund, if it comes into being. We warmly invite every initiative to support our agricultural development program. Large funds could be added, for example, for the production of pesticides or tractor tires. Determination of the fields of use of this aid and the principle of activity of the fund are continuing.

[Question] Despite all of the actions to improve living conditions in the country, they are still considerably more difficult than in the city, and the desire to escape from the country is still alive. A break in this pattern depends on a definite improvement in the infrastructure in the country: the expansion of education, cultural localities, the network of trade, service, communication and telephones in the country, water supplies and so on. Are you satisfied with the actions of your fellow departments in the government from this viewpoint?

[Answer] By virtue of my office as the minister responsible for agriculture, I must be somewhat dissatisfied. However, as a member of the government, I must place myself in the situation of the government and of opportunities. We are treating improvements in the social, educational and cultural situation in the country as an inseparable condition of the development of agriculture. There are legal and economic bases for equalizing the social and educational positions of the farm and nonfarm populations, and for bridging the enormous distance which has existed in these fields. The main directions of activity are contained in the "Social Program for the Country-side," developed on the initiative of our department with the participation of interested social and trade organizations and industries, including the National Association of Farm Circles and Agricultural Organizations. Realization of the program requires investment, outlays and time, as well as the support of social initiatives. This process is proceeding slowly. The most disquieting matters are the differences in education, the delay in the availability of secondary schools, including the agricultural school, the interruption of studies by some young people in elementary school, and the continually low participation of country youth in studies.

There is also a great deal to do on the socialized farms in the area of improving social and living conditions, even in the area of housing

construction. Actually many of these matters--especially in the field of education, water supply, child care and so on--should be facilitated jointly by the State Farms, the production cooperatives and the individual farmers.

Thus in general I admit that you are right: society does not have the proper understanding of the importance of these matters in solving the food problems. Living in the city, they are not aware of what the lack of a nearby movie, club and even a health center or proper school means. Nor do all of us realize what a great effect a good road, water, telephone and a nearby store have on food production. But it is our role to bring these truths home in the awareness of society....

[Interviewer] Thank you for the interview.

6806

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POLAND

'MODIFIED' ECONOMIC REFORM, RELATED ISSUES ADDRESSED IN VARIOUS FORUMS

Opalko, Baka in Tarnow

Warsaw TRYBYNA LUDU in Polish 12 Sep 83 pp 1, 2

[PAP Article: "To Counteract Unprofitable Tendencies in Industry: PZPR Voivodship Committee Plenum in Tarnow"]

[Text] Deliberating the 10th of this month in Tarnow, the PZPR Voivodship Committee undertook the presently important problem of improving the economy through the initiation of an anti-inflation and economizing program.

The Tarnow plenum, which was directed by a member of the Politburo of the PZPR Central Committee, First Secretary Stanislaw Opalko of the PZPR Voivodship Committee, set for itself the goal of the evaluation of the course up to this time of the realization of these programs together with designating further tasks in this area for the administrative echelons and party organizations together with state and economic administrations. Minister and plenipotentiary of the government for matters of economic reform Prof Wladyslaw Baka participated in the plenum deliberations.

Undertaking this problem in the conditions of the Tarnow voivodship is essential to the extent that already at present certain unprofitable tendencies in the realization of economic tasks in industry are coming into view. Despite the fact that after 8 months economic results are considerably better than in an analogous period of last year, a drop in the dynamics of trade and in labor efficiency was noticed in July and August. The gap between the increase of medium rewards and the increase in efficiency has become wider. This results from less than optimum use of people and work time together with its faulty organization. Economizing programs have not been initiated in full everywhere. Indeed, their realization in 34 Tarnow factories ought to bring savings of materials and raw materials of 1.5 billion zlotys, fuels and energy of 290 million zlotys, and a decrease of imports of 1 million dollars; however, the possibilities here are much greater. These savings still do not guarantee the fullest realization of the tasks of the national socioeconomic plan of development in 1983-85, and thus an escape from the crisis.

In the opinion of the Tarnow party and economic activists--which was spoken of during the plenum by among others the assistant director of the Igloopol complex, Stanislaw Porebski; Central Committee member, first secretary of the Azotow PZPR factory committee, Jerzy Maniawski; and Tamel FSE director Tadeusz Para--the savings have still not come in the sphere of the normal functioning of the factories and the people employed in them. One should strive toward them as toward the gaining of profits. Thrifty economics is one of the roads to escaping from the present economic difficulties and for improving the conditions of the life of society. Prof Wladyslaw Baka also took part in the discussion, emphasizing the role and meaning of the economic reform in the life of the country and pointing out the dangers of its proper initiation.

The plenum undertook a resolution, in which the tasks for party organizations and administrative echelons and also for the state and economic administration in the initiation into life of the anti-inflation and economizing programs are precisely stated.

Finalized Package of Reform Modifications

Warsaw TRYBUNA LUDU in Polish 14 Sep 83 pp 1, 2

[PAP Article: "Necessity of Improvement Dictates Changes"]

[Text] In a meeting to be held soon, the Council of Ministers will look into the draft of "Directions of strengthening and improving the mechanisms of economic reform." As a result of critical analysis of many economic phenomena which took place in 1982, certain essential systematic corrections have already been introduced this year.

The scale of the presently proposed changes, which were discussed at a meeting of the group for matters of the enterprise committee on economic reform on the 13th of this month, is, however, considerably greater. Using the conclusions, which were sometimes very critical, voiced in the wide-ranging discussion which took place during the spring session of workers' activist groups and also during Sejm debates on the report on the initiation of reform, a plan of the whole package of essential modifications of its mechanisms was prepared. They concern such important areas as employment policy, raw material and material management, investments and prices.

Generally speaking, the proposed changes concern enlarging the effectiveness of economic mechanisms together with creating conditions for a better association of the interests of enterprises with the interests of the society in general. The projected corrections ought to favor then, among other things, a strengthening of economic pressure on enterprises in the direction of an increase of production and raising economic effectiveness.

The particular moment in which the reform presently finds itself results also from the fact that as of 31 December many temporary rules empowering the government to use temporary solutions differing from the model of the

reform will be terminated. The difficulty then depends on the fact that it is presently necessary not only to correct those mechanisms and instruments of the model which did not pass the exam in practice, but also it is necessary to answer the question of what should be done with temporary solutions, to what extent it will be necessary to keep them, and where it will be possible to give them up. The authors of the report, which will soon be under deliberation by the government, are of the opinion that for some sections keeping the temporary solutions is advisable, but their range may already be restricted, and their use improved.

New PRON Body on Reform

Warsaw TRYBUNA LUDU in Polish 16 Sep 83 pp 1, 2

[Article by toms.: "Much Still Remains to Do"]

[Text] The inauguration of the meeting of the Commission on Social and Economic Initiative in the chamber of the PRON National Council in Warsaw was held on Thursday, 15 August. The plenipotentiary of the government for matters of reform, Prof Wladyslaw Baka, took part in the meeting.

The meeting of the commission was one of the elements of the preparations for the meeting (November of this year) of the PRON National Council on the subject of the part of the Patriotic Movement for National Rebirth in developing and strengthening of the economic reform.

"We began to introduce the reform at a very difficult moment," said the chairman of the commission, Wincenty Lewandowski. "But there was no other way out. Only a resolute change in economic forms created the possibility of breaking the crisis. Unfortunately not everyone is able to appreciate the meaning of this process. However, the reform faces many accumulating dangers. A part of the workers of the administration continually dream of a return to command methods of governing. All the old structures of governing were not changed. Social pressure then and the support of a large group of people is necessary."

"We must begin to exert influence on social consciousness," stated W. Lewandowski. "The reform is associated by many people with the effects brought by the crisis--empty shelves and high prices. Many workers fear that their enterprises will not be able to effectively work in the new reality. One should not take these voices lightly because they testify to the state of social consciousness. It is necessary, however, to demonstrate that one of the possibilities for countering falsehoods is wide participation in the work of self-government in enterprises."

Minister W. Baka said that the effects up to now of the introduction of the reform in many areas are very encouraging. For example, the dynamic of production for 8 months of this year has achieved 8.5 percent, against a planned 1.7 percent. For a comparable time of work we have the highest

labor efficiency in 38 years. Enterprises have begun more effectively to use the independence they have gained. Positive tendencies are likewise appearing in foreign trade.

"This does not mean, however, that we do not see the need for changes in some of the mechanisms of reform," stated W. Baka. Very soon a plan for bills updating some rules will be directed to the Sejm. Proposals for change will concern three areas: economic mechanisms, and especially prices and profits of enterprises, evolution of the organization structures, and methods of action of central decisionmakers together with development of the social layer of reform. The activity of the government will be strong in the direction of restoring market balance and working against inflation, transforming economic structures, making exports more dynamic, and initiating technical progress. The cabinet is working out among other things a plan for changes in supplying enterprises with materials and raw materials. Governmental orders will substitute for operational programs, and auctions will decide the granting of deficit raw materials to designated enterprises. In a short time a council for matters of technical progress will be appointed in central ranks.

Participating in the meeting, members of the PRON National Council commission for Social and Economic Initiative demonstrated in the discussion that many rules, such as those concerning the regulation of employment, do not objectively favor the reform goals. Central and local administrations in many cases tend toward a return to the command mechanisms of steering the economy. Wide control of the legitimacy of the installation of prices and verification of outdated labor norms is necessary. The participants in the discussion also spoke about the fact that the outlays of the funds for rewards do not always coincide with an increase in labor efficiency.

In the final part of the meeting, the commission occupied itself with organizational matters, the election of a working group and presidium for the commission.

Council of Ministers Ruling on Reform

Warsaw TRYBUNA LUDU in Polish 17-18 Sep 83 pp 1, 2

[PAP Article: "How Best to Initiate the Economic Reform"]

[Text] The government press office announces that on 16 September the Council of Ministers held deliberations. Directions for strengthening laws and improving the mechanisms of the reform were examined.

The chairman of the Consultative Economic Council, Prof Czeslaw Bobrowski, participated in the deliberations. Propositions were discussed for improvement and stabilization of economic regulators of enterprise activity, including taxation of profits, amortization, encumbrance of the increases of rewards together with the part of the personnel in profit, credit rules, creation of factory motivation systems, financing of technical

and economic progress together with means of improvement of product and service quality. During the course of the debate some problems of the functioning of the mechanisms of reform in international trade were also looked into. The proposed directions of modification of some instruments of the reform, directed at raising economic effectiveness, were accepted such that in upcoming weeks finalizing work on plans for the necessary legal regulations will continue.

One can foresee among other things an essential change in the formulas for income tax. This will be a retreat from the tax progression which was justifiable in the beginning phase of the initiation of the reform but presently hinders proper motivation.

As a result of the advancing stabilization in economics, conditions arose for the use of a system of proportional (linear) taxation according to a uniform tax step, which, however, will require temporary use of correctional mechanisms for hindering enterprises from achieving excessive gains not connected with effective activity.

The introduction of mechanisms tending toward a better use of permanent assets will have an essential meaning. Matters of indebtedness of enterprises with regard to former investment credits, which will contribute to fuller realization of the principles of self-financing, will become regulated. In connection with the overestimation of permanent assets from last year, the amortization rules of enterprises will be considerably increased. This will allow the use of the rules of division of amortization between the enterprises and the budget of the nation as one of the essential instruments for bringing about structural changes in the economy.

In order to hasten the process of a return to a market balance, one foresees a widening of the system of government commissions, among others for production of products, the lack of which in trade is particularly painful. Producers of such articles will have assured priority of access to raw materials and materials. In the financial system of trade enterprises, corrections making the financial results of these enterprises dependent on quality of the products offered will be introduced. The question is the stimulation of trade to the proper quality receipt of products from the producer.

The Council of Ministers pointed out an urgent need for lifting the amortization-organizational efficiency of central ranks. One should tend toward this through the introduction of necessary organizational-functional changes. The formation of just methods of influencing central organs for individual economizing in keeping with the assumptions of the reform will also have an important meaning.

The intention of all modifications discussed and passed is the assurance of full effectiveness of the economic mechanisms in the realization of tasks laid out in the national socio-economic plan in the programs of

economizing the anti-inflation together with the achievement of goals which were the guiding principles of the assumption of the economic reform. The question above all else is the increase of production, lifting the general economic level, and also hurrying up structural transformations which will allow better adaptation of production and investment for the needs of the society in general.

The Council of Ministers passed a plan of procedure for the initiation of changes in solutions of the economic reform and defined the action in this area.

The Council of Ministers passed a resolution in the matter of starting to use or liquidating suspended investments. The resolution defined the rules of financing investments expected to be renewed, establishing likewise rules for the liquidation of the investments relinquished. The assets of investment will be used by enterprises or sold by means of auction. The possibilities of taking over the relinquished investments by other investors designated for different purposes is foreseen.

Background on Council of Ministers Ruling

Warsaw TRYBUNA LUDU in Polish 19 Sep 83 pp 1, 2

[Article by Andrzej Leszczynski: "How Do Governmental Decisions Arise?"]

[Text] I am sitting with a group of fellow journalists in an enormous room close to the Swietlikowa hall, in which the Council of Ministers is meeting. We are looking at a television monitor. One can see in it what in several repeated programs the cameras are showing from the meeting. But one can hear everything...

From Saturday's PAP [Polish Press Agency] information, the readers already know that at this very meeting on 16 September, the Council of Ministers looked into the directions for strengthening the rules and improving the mechanisms of reform. In such a way it is expressed in a concise paragraph. A journalist who has listened to the deliberations, however, can share more general reflections.

On the Sejm's Recommendation

In front of each member of the government lies a large 91-page brochure, in which the plenipotentiary for matters of economic reform has written propositions for changes for the next year. They have been ripening for a long time, first in the discussion which began in enterprises and social organizations after the publication of a report on the functioning of the reform in 1982.

Afterwards, the activity of the reform mechanisms was subject to penetrating and critical evaluation in Sejm committees. On this basis, the Sejm at the plenary meeting at the end of June passed a resolution in which... "the government is obligated to further improvements of the instruments of consistent initiation of the reform."

The document under discussion today is a form of fulfilling this recommendation of the Sejm. There is a complex of 14 problems to be solved which were written in an auxiliary document. The chairman of today's deliberations, Vice Premier Janusz Obodowski, calls out in turn point after point.

In the Direction of Thriftiness

At the beginning, the problem of government commissions: the propositions of the plenipotentiary of the government for matters of reform foresee a limitation in the number of operational programs, and widening of government commissions. "This is not a simple change of name," justifies Minister W. Baka. Government commissions cannot be an ordinary assignment of tasks for designated enterprises. They ought to go as the result of an auction to those producers which are able to fulfill them most cheaply, best, and most economically.

But will the old rule that each enterprise should be assured a work front independent of economic ability again prevail?

This should be counteracted by the acceptance of the rule that government commissions do not flow from a parent ministry which would be interested in shoving something to do to each of its "charges," but flows from the initiating organ of the receiver. For us, the clients, it is a question primarily of trade.

Similarly, the rule of subordinating some trade centers for turning over raw materials and materials to the materials economic ministry is to counteract departmental particularisms. I will be talking of this on the occasion of discussion the second problem: the rule of regulation of fuels, energy, raw materials, and materials.

And with this background, a more general reflection: one should expect that to the degree that ministry departments will be released from making present operational decisions, they will begin to be transformed into true headquarters of strategic management.

In so far as the two first problems have raised merely the question tending toward the explanation or the specification of the essence of the proposed changes, to that extent around the third problem wider discussion has already started.

Not Too Preferentially?

The question of defining the rules of the use of amortization, that is, of duplicates for reconstruction and renewal of production assets, caused this discussion. Temporarily, in 1982-83 these sums were divided between enterprises and the state budget. The proposition of the plenipotentiary tends towards preserving this division.

Sums coming into the national treasury under this provision would be marked for central investments and also factory credit investments. This money then would return to the enterprises but only to those which would be in a state to present the most socially worthwhile investment offer. That is how the forms of influence have changed. Not an order but an economic game. It was not this matter, however, which caused a discussion.

The plenipotentiary foresaw that "relief and exemptions for the payment of amortization to the budget for the preferred departments in the frame of structural policy will be used." Let us explain that the question here is the creation of conditions for extending those branches of the economy which answer societal needs.

"In our economy, are there not too many claims for relief in different areas?" asks the chairman of the Consultative Economic Council, Prof Czeslaw Bobrowski, while participating in the meeting. "I perceive the danger of over-regulating the system of administration. Apparently in factories a new 'labor position,' a 'relief' position, which is to look for proper rules for authorizing relief, has appeared. The conclusion: a deeper analysis of the system of relief and preference is needed."

"We feel pressure for departments to widen the range of different kinds of relief," says the finance minister, Stanislaw Nieckarz. "This is likewise confirmed by the president of the Polish National Bank, Stanislaw Majewski.

Secretary of the PZPR Central Committee, Manfred Gorywoda, participating in the discussion, proposes that it is not only necessary to document a system of obligating relief, but also to evaluate its economic effectiveness.

From this fragment of the discussion, it is not difficult to read how tangled the process of adapting the Polish economy to the requirements of effectiveness is. How often one turns to the temptation of escape from hard reality into the world of relief and privileges. But also on the other hand, do not difficult economic conditions sometimes justify certain relief measures?

Neither Backwards Nor to the Side

These dilemmas still clearly appear during the discussion on other problems, for example, on the problem of taxing the profit of enterprises. The plenipotentiary of the government proposes connecting this tax in part with the use of production assets. But some members of the cabinet are voicing reservations. Such a construction of taxes, they say, would denude enterprises of any kind of profit. Is it possible, when there is an insufficiency of raw materials and people, to think of full use of equipment?

The proposition of the Economic Council for the Economy is less radical. But in efforts for effectiveness, are facilitations advisable? Or in the conditions of a poor, unbalanced market, can the formation of pay systems be entrusted to enterprises without any central supervision?

Point after point, strenuous adaptation of the mechanisms of economic reform for needs which life brings continues: the system of taxes, means of credit, pay for work, creation of the social fund, the technical progress. Indeed, the question is adaptation and not a retreat or radical change.

There are many shortcomings: gaps in market supply, tendencies toward increasing prices, an unorganized investment front, insufficient progress in the area of using labor time. That is why particular solutions must be adapted to exert stronger economic pressure on enterprises in the direction of increasing production, effectiveness, efficiency, and economizing. This ought to serve to bring back market balance and to counteract inflation and increases in the cost of living. It is a question also of crystalizing more precise instruments for adapting production and investment to societal needs, and thus production for the market, and which finds a market abroad and also releases technical progress.

The next day at the conference with the participation of a wide circle of journalist, the plenipotentiary of the government for matters of economic reform, Prof Wladyslaw Baka, commenting in this spirit on the sense of the changes introduced, said: "They lead the reform neither backwards nor to the side but simply in the direction of increasing the effectiveness of its mechanisms in solving our difficult economic problems."

Briefing for Ministry on Reform Changes

Warsaw TRYBUNA LUDU in Polish 28 Sep 83 p 4

[Article by (wodz.): "Will Bureaucracy Threaten the Reform?"]

[Text] On the 27th of this month, in the Ministry of Chemical and Light Industry, there was a meeting devoted to discussing the plan for changes in the system solutions of the economic reform.

Departmental members of the council of directors, administration heads and secretaries of POP [Basic Party Organizations], representatives of workers councils and trade unions took part. In the meeting, which was led by Minister Edward Grzywa, Minister Wladyslaw Baka, the plenipotentiary of the government for economic reform matters, took part.

Minister Edward Grzywa acquainted the participants with the range of the proposed changes. Particular attention was paid, among other things, to elements of the reform which will widen the range of the independence of enterprises, strengthen the instruments of central influence, and stabilize the economic situation of the factory. This will contribute to an increase in effectiveness of production in industry and therefore to the improvement of the economic situation of the country. The minister also brought attention to the proposed changes which ought to help conquer old technocratic and bureaucratic habits in the administration of enterprises.

In the discussion the representatives of economic organizations shared their remarks on the subject of the proposed changes. The most reservations were evoked by the plan for changing the rule of the division of amortization. The rule that half of the sums from amortization would be taken over by the budget was especially negatively received. It was suggested that the whole of these sums would remain in the enterprises and would be used for modernization of production. It was stressed that otherwise many factories would be threatened by decapitalization.

The proposition for the introduction of a reserve fund for rewards was gladly accepted. This will enable enterprises to introduce a more elastic pay policy. However, the proposition for enlarging the encumbrance for FAZ [Professional Activization Fund] was criticized. It was postulated to purify the mechanisms of reform from assertions in the form of a system of relief, preference and the like, which do not favor the reform. They are merely the reflection of the present position and auction possibility of various factories. It was stressed that the role of stimulating production ought to be fulfilled only by the properly defined profit of the enterprise.

A lot of attention was given to government commissions. It was stressed that they cannot function in their previous form and have the form of a onesided contract, binding only industry. Likewise, central control should be obligated to insure production, not only of chosen groups of products, but whole departments and also suppliers of parts, materials, etc.

W. Baka stated that the propositions for system modification are not the final solutions of the reform. They arose as the result of the immediate needs of the economy and the reform. They merely bring closer economic mechanisms to the incoming model. This is in keeping with the strategy of the initiation of the reform. The fears of many factories are not justified, because the modification of the reform ought to contribute to making production more dynamic and simplifying the mechanisms of administration.

PZPR Economic Policy Body on Reform

Warsaw TRYBUNA LUDU in Polish 29 Sep 83 pp 1, 2

[Article by Andrzej Leszczynski: "Reform and Salaries"]

[Text] The rules for the modification of the economic reform and changes in the system of rewards were the topic of a meeting of the PZPR Central Committee Economic Reform and Economic Policy Commission, which was held on 28 September of this year. A member of the Politburo, Tarnow PZPR Voivodship Committee First Secretary Stanislaw Opalko, acted as chairman.

The premises and assumptions for the modification of the economic reform were presented by the plenipotentiary of the government for matters of economic reform, Prof Wladyslaw Baka. The introductory evaluation of the

course and the results of the consultations on the subject of the proposed changes in manners of paying for work were presented by the deputy minister of labor, wages, and social affairs, Krzysztof Gorski.

Around these appearances a discussion was joined in which the following were emphasized:

The need for particularly careful and painstaking working out of the changes for the system of rewards. This is, it was said, an economic question, but with numerous and important social references. Pay problems will be the topic of a shared meeting of the Economic Reform and Economic Policy Commission together with the Social Policy Commission.

In the context of changes in the reform mechanisms, the necessity of seeking such forms of administration which would assure enterprises of necessary freedom of action, which is one of the conditions for economic effectiveness, was pointed out.

The need for being attentive to making the assumptions of economic theory consistent with practice was discussed. Prof Jozef Pajestka voiced the proposal to organize in the near future a scientific conference on the subject of the theory and practice of economic reform.

The discussion, making clear the position of the members of the committee, will be the guiding rule in the final work on the modification of the reform and the preparation of a new model for a system of rewards.

These two key problems were analyzed against the background of the more general economic situation. It was pointed out that the difficult conditions of life are not able to veil the slow progress: the reconstruction of the production level, the gradual increase in work efficiency. This is however accompanied by many weaknesses: an unorganized investment front, an unsatisfying structure of the economy, unpolished labor norms, growing prices, and the like. It is necessary, it was said, to notice this whole complex economic reality.

During the final appearance, Politburo member Stanislaw Opalko stressed the meaning of the reform as an element of the socialist renewal of the country, written in the resolution of the Ninth Party Congress. The realization of the reform is the question of strengthening the credibility of the party in the society.

Changes in its mechanisms, made in numerous consultations, testify that the reform is treated not as a paralyzed canon but a set of live instruments. Comrade S. Opalko emphasized that the success of the reform depends on the right technological discipline, supply of labor, and the observance of quality norms. The dissemination of the assumptions of the reform and overpowering of the various forms of resistance is essential.

Speaking of new systems of rewards, they paid attention to the need for a departure from flattening salaries and increasing their motivational power.

12432

CSO: 2600/51

ADVISORY GROUP CHALLENGES CURRENT ECONOMIC POLICIES IN WHITE PAPER

Review of White Paper

Warsaw SLOWO POWSZECHNE in Polish 17 Oct 83 p 5

[Editorial commentary by Zb. J.]

[Text] How is the economic reform working? How ought we to go about setting up the kinds of institutional mechanisms that would enable us to streamline and modify the underlying principles of the reform in a continuous and coherent fashion and in a manner that is responsive to our current and long-range needs? What kinds of institutional mechanisms do we need in this regard? Finally, how does the economic reform fit in--and how useful is it proving to be--within the overall context of the system governing the running of the national economy perceived as a single whole? For rather a long time now these questions, though worded in different ways, have formed the backdrop both for a general debate and also for a series of specific programs aimed at transforming our economy.

These questions are also one of the topics being addressed in the deliberations of the Economic Advisory Council under the chairmanship of Professor [Czeslaw] Bobrowski. This council, as a reflection of its role as a consulting body, has submitted five key white papers focusing on matters related to the performance of our economic system. And this month at one of its plenary sessions the council endorsed a document entitled "Observations on the Economic System" [Uwagi dotyczace systemu funkcjonowania gospodarki]. The initial full-text version of this document was submitted to the Council of Ministers, and a summary of the positions set forth therein has been published in the latest issue of ZYCIE GOSPODARCZE [see below].

It is significant in this regard that already in the opening section of the "Observations," which serves as a sort of preamble, the KRG [Economic Advisory Council] returns to what without a doubt are the cardinal premises underlying the way in which this whole range of issues has been addressed, premises which--one might conclude--are not always taken sufficiently into account as a part of the day-to-day routine of running the economy. "The key objective of the economic reform," the document reminds us, "is to hance performance efficiency on a macroeconomic scale. This objective cannot be realized unless we also work to enhance the efficiency of economic management on a microeconomic scale, that

is, at the level of individual enterprises. Bringing about an improvement in the efficiency of economic performance on both planes depends not only on the validity of the institutional patterns and arrangements reflected in the provisions of statutory law, but also on objective conditions (internal and external conditions combined with a whole range of social and political factors) and the configuration of economic plans and routine directives affecting everyday aspects of political and economic life.

Generally speaking, then, the team of economists working with the council proceeded to identify at least five casual factors that have a strong impact on the effectiveness of the configuration of our economic model. The degree of complexity attending this whole problem is thus very high, especially so when one considers that each of the factors which determine whether or not a given program will be successful also encompasses a greater or lesser number of secondary, auxiliary, or collateral casual factors.

And this undoubtedly the reason why this document advances an idea which was put as follows: "The KRG is making a consistent effort to apply the rule whereby it examines all problems associated with the performance of our economic system in a manner that takes into account the factors which give rise to these problems. It needs to be pointed out, however, that this fundamental rule has not been observed in many official statements or even in many official decisions. As a result, economic progress and the rate of this progress are often regarded as a simple function of the economic reform; in this connection the proponents of the reform are inclined to give the reform credit for all positive developments, whereas the reform's opponents tend to view the flaws and shortcomings of the system's institutional frameworks as the primary if not sole cause of the slow progress being made in the drive to extricate ourselves from the crisis. In both cases no allowances are made either for the fact that the rate of economic growth is exceeding the plan target to some extent, for the fact that the dividends deriving from the changes made in our economic system cannot emerge either everywhere all at once or in all sectors of the economy in equal measure, or for the fact that the sober and conservative perception of the reform that has prevailed since its very inception never encouraged anyone to hope that it would produce any practical benefits in less than 3 years...."

One can clearly see that this is an unusually precise analysis. It is actually a report on, a diagnosis of the causes behind some of the nervousness and apprehension affecting almost everyone involved with the reform. The public, for understandable reasons, would like to see some overnight improvements in the performance of the economy. Decision-makers, who are under pressures coming from various quarters, are not immune to the tendency to overdo it when it comes to issuing detailed rules and regulations. Certain enterprises, running their affairs in conformity with the rules of the economic reform, resort to manipulative practices wherever they can get away with it. Consequently, as was pointed out by the KRG, the meaningfulness of the overall performance record racked up by business enterprises--when viewed as the basis of their pools of capital to be spent for operating and expansion purposes--tends to be diminished. To the detriment of us all.

Advisory Council White Paper

Warsaw ZYCIE GOSPODARCZE in Polish No 42, 16 Oct 83 p 7

["Observations on the Economic System"; a report of the Economic Advisory Council]

[Text] 1. The overriding goal of reform is to enhance economic efficiency in the macro scale--something which cannot be attained without improved micro-scale efficiency in individual enterprises. At both these levels, higher efficiency depends not only on the correctness of systemic arrangements, as reflected in provisions of Sejm laws, but also on objective conditions (external and internal, including socio-political factors), design of economic plans, and current political and economic regulations.

It is the intention of this council to view the economic system in conjunction with its determinants and related constraints. But this underlying principle seems not to be observed in many comments and even in decisions taken. As a result, economic progress and its pace are often interpreted as a simple function of reform--with the advocates of reform apt to ascribe to it all the positive developments and the opponents seeing in the drawbacks of systemic arrangements the major, if not the only, reason behind slowness in overcoming the crisis. Both sides seem to forget that the rate of progress is higher than planned, that the positive results of systemic changes will neither be general nor perceived in the same degree in all areas, and that it takes more than 3 years for a reform to prove its efficacy.

An excess of detailed regulations--targeted at individual variables and exigencies of the moment--may result in internal contradictions in the system, diverting the attention of enterprises from the pursuit of higher general efficiency towards the greatest possible advantages from administratively-set concessions, appropriations, quotas, permits and bans. The tendency towards over-regulation of the system and excessive degree of discretionary powers is well reflected in the plentitude of concessions and priorities which, far from guaranteeing cohesive attainment of a variety of goals, actually pose the danger of in-fighting for relief and preferential treatment. In consequence, the stimulation of enterprises in some segments may cause much greater losses in unpreferred areas. Enterprise performance will cease to be the factor determining the level of consumption and development funds, and each enterprise will find a set of concessions and priorities which it finds most suitable and which permit it not to care for the profitability of the entirety of its operations.

2. The provision of new relationship between the plan (including the planning processes) and the system of the functioning of the economy is--next to the so-called tight-money financing--a major condition for stimulating economic efficiency at the micro level.

Central plans should neither upset the logic of systemic arrangements nor truncate the scope of enterprise autonomy. Without a measure of operating freedom--much limited as it is by factors outside the enterprises' control,

such as extended capital-investment front, the country's foreign debt, shortages of production supplies, etc--large-scale adaptation and efficiency-oriented processes at enterprises will not be set in motion.

--application of projected prices (ceny prognozowane) in planning;

--cooperation with independent research establishments;

--public consultation.

In perfecting the central planning, emphasis should also be laid on its informational function vis-a-vis autonomous plans of enterprises, and on the need for better knowledge of general economic conditions at the micro level.

3. In the wake of high wage-fund payments in the fourth quarter of last year, there emerged nervous reactions identifying pay rises as the only factor of importance behind inflationary processes. As shown by later analyses, this opinion was groundless. The exercise of powers granted enterprises under systemic arrangements proved to be a secondary factor, compared with the central-level decisions permitting extra increase in population incomes.

During 1982 and in the first half of this year, a host of decisions were taken which, even if warranted from the angle of individual targets, together had the effect of fueling inflation. These included: (a) central wage regulations, (b) modifications in the FAZ system, increasing the amount of funds for wages, (c) procurement-price rises, based on a controversial theory of income parity and on the principle of full, or almost full, compensation for the farmers of changes in production costs, (d) pension increases, coupled with extending the number of those eligible, (e) devaluation of the zloty, coupled with changes in official prices for imported items, (f) substantial difference between credit granted and credit repaid, caused by the very low interest on credits extended to the population and the excess of grace periods and write-offs.

As a result of these general decisions, the amount of population earnings will be much above the Central Annual Plan target, and the level of inflationary overhang will remain unchanged this year, despite above-plan increase in prices and market supplies.

In these circumstances, even piecemeal effects in rebalancing the market should be considered a success. But it should be realized that they do not come as a result of shrunken inflationary overhang but rather its concentration in the better-off group of the population, coupled with the suppression of demand from the worse-off group.

The existing state of disequilibrium and its expected continuation in 1984 make it necessary that a stand be taken on three major issues:

--price policy,

--pay policy,

--capital-investment policy.

To some extent, issues have to do with systemic matters, but primarily they are connected with the Central Annual Plan for 1984 and the resulting decisions.

4. Proposals on price policy should take into account society's price "allergy." This is first of all an allergy to contractual prices which are but one element of the general price movements.

The basic increase in prices of 1981/1982 stemmed from the need to set price structures in order, adjust the retail food prices to the previously-increased farm procurement prices, and to cut down on budgetary subsidies to food prices. As for the industrially-made articles, the increase in prices reflected the necessity of taking into consideration the international level of raw- and intermediate-material prices in conditions of devaluation of the zloty, and the desire to adjust prices to growing incomes and production costs in conditions of falling output. The easily noticed instances of steep increase in contractual prices have to do primarily with non-standard goods. An in-depth analysis will show that the index of profitability for products made by specialized industries and marketed at contractual prices is only slightly higher [than for products marketed at other kinds of prices. Nor do the critics take account of the reduction of distributed profit by the progressive [corporate] income tax and the effects of the sales tax whose increases absorbed a substantial portion of enterprise earnings on account of price movements. The aversion to contractual prices was reinforced by some economists claiming that with the existing inflation even the highest price may not attain the equilibrium level. This text book thesis is refuted by sectoral equilibria for a large proportion of consumer goods--attained precisely through price rises.

Misgivings about excessive price movements were reflected in two proposals included into the 21 July 1983 law on special legal regulation in the period of overcoming the socio-economic crisis and on amendments to some laws. One of these proposals was initiated by this council (periodic ceilings on price rises). The other calls for bans on price rises, save for cases where cost increase is outside the control of the enterprise (this does not apply to wage increase).

The council's proposal was aimed at creating a widespread system of price ceilings, as a substitute for market-equilibrium prices. It is feared that this proposal, which requires thorough analyses, may remain on paper or, if introduced, may be applied to a limited extent, against the intentions of this council.

As for the other proposal, we consider it extremely dangerous. Its virtual meaning is that the enterprises would have to offset pay rises by proportionally cutting down on the remaining costs, which is unthinkable in industries with high share of manpower costs and very difficult in an overwhelming majority of other enterprises. It is to be hoped that, barring some calamity, the related authorization of the Council of Ministers will not be drawn upon.

As regards price policy, the Economic Advisory Council has always opted for selective approach to price rises. The motive is of both psychological and socio-economic nature.

In psychological terms, across-the-board price rises coupled in some cases with very steep increases are most difficult to accept, and from the social point of view it is the burden placed upon individual income groups rather than the global burden on the consumers that should be analyzed.

Hence, we have always called for increasing the prices of higher order goods while sparing the basic articles. We succeeded only partially in gaining acceptance for this proposal which is of great importance for the immediate future. There appear price-increase concept which have nothing to do with selective approach and which call for the mechanical passing onto the consumer of higher production-supply prices and subsidy reduction.

We are also of the opinion that any major price operation should involve the narrowest possible scope of compensation in cash--mainly, if not exclusively, in respect to family allowance. In respect to other categories, the cost of living dynamics should be taken into consideration in both the program of pay rises (shorter period of implementation).

5. The average pay in the socialized sector of the economy, which naturally is higher than the corresponding level of the previous year, continues at roughly the level of December 1983. The stabilization of average wage is accompanied by changes in its sectoral pattern. Generally speaking, the pay dynamics in the four major sectors of the economy is higher than in the so-called non-production sectors. In the industry sector, mention is due to the favorable index of labor productivity (sold production per employee). As a result, the index of remuneration of productivity increase with real-wage increase stood in the first 7 months of this year, as against the same period of 1982, at as low as 0.37. (We are aware that the index of sold production at constant prices should probably be corrected, and that productivity began to grow from a very low level).

This alone will inevitably bring about pay-rise demands which will be further intensified by the increase in prices, announced for the next year. Conclusions should be drawn from these facts in respect to both price increases--which should be made selectively, sparing the average- and lowest-income families--and the pay and incomes policy.

We cannot agree with an opinion that the pay rises are the main, or even the exclusive, factor behind the inflationary spiral (this textbook simplification may be true or not--depending on the situation and the policies involved). Nor should a rational pay policy be abandoned for fear of pay-rise demands, since this may easily lead to a "deferred inflation." It thus seems imperative that the incomes and pay policy for 1984 and 1985 comply with the assumption of smooth price movements, that the problem of the population's incomes be seen in its entirety, and that an active stand be taken on the issue of wages.

The Economic Advisory Council wants to expand research in these areas in near future. In this paper, we confine ourselves to formulating some general assumptions:

--programmed increases in prices are more favorable, both economically and psychologically, than enforced price rises,

--programmed pay increases make it possible, to some extent, to modify wage differentials universally and continually, rather than partially and discretely,

--pay rises should not be based on cost-of-living indexation, although the dynamics of costs of living should be an important factor in wage-related decision-making,

--cost-of-living supplements in cash, undermining the motivational function of wages, should be abandoned,

--pay increases should also be used as an instrument encouraging the creation of motivation-oriented wage systems at enterprises.

Against the background of these assumptions, the tendency--very strong in recent periods--to suppress any increase in wages other than centrally-decreed should be replaced with systemic regulations permitting increase in wage funds in pre-determined conditions. An important role here should be played by the design of the FAZ system--even though this may prove an insufficient instrument, especially in view of the need to avoid customized discretionary relief in this area.

6. As of 30 June 1983, the capital required to complete the continued and newly-started investment projects was assessed by the GUS (Central Statistical Office) at z1 3 trillion. This figure may remain unchanged at the end of the year, given the delays in project commissioning. Besides, the review of halted projects is going to result in an increase--rather than decrease--in the total cost-estimate value of projects in progress by z1 160 billion. It will take years to complete these projects, even if (in compliance with the idea of restructuring) new projects were to be entirely abandoned or drastically reduced.

The revision of the investment program left over from the 1970's proved insufficient. The investment front is still very wide, and the gestation cycles, with few exceptions, are stupendously long. At the same time, the problem of physical depreciation of fixed assets is acutely felt in many areas. In this situation, a need appears for bold decisions.

We know about tendencies and even concrete proposals to put brakes on enterprise projects which are claimed to petrify the existing structure. But it would be much more accurate to state that a large proportion of both central projects and enterprise projects are the continuation of 1970's undertakings, and that this is especially true of the former.

The aggregate category of enterprise investment projects includes both the small number of new projects launched at the initiative of enterprises and the continued undertakings once included into the group of socially important projects and later forced on enterprises. But there are no grounds to believe that the desired structural changes would come unstuck if the enterprises were allowed to keep a greater share of depreciation charges or if the amount of credits for new projects were increased. It is quite usual that the depreciation charges on antiquated equipment are spent by enterprises only to a limited extent on simple replacement and primarily on more sophisticated equipment

turning out more up-to-date production. With the now-planned next year's increase in depreciation allowances by one-fourth the difference between the target value (after fixed-assets revaluation) and the present value, and with the enterprises permitted to keep 50 percent of the allowances as against 70 percent at present, the nominal increase [in depreciation funds kept by enterprises] would be minimal, not even covering the increase in prices.

According to a study by the National Bank of Poland, the enterprise projects launched in the first half of 1983 are marked by features which are nonexistent in the remaining undertakings. Their physical structure is favorable, capital requirements for completion [zaangazowanie] are low and gestation cycles are short. Out of the combined cost-estimate value of z1 240 billion, two-thirds will be handed over in 1983, which means that by the end of the year only 77 billion z1 will be required for their completion. This is because purchases of capital equipment not connected with construction operations represent half the cost-estimate value and three-fourths of this year's spending. The proportion between "walls" and equipment is thus highly favorable, as is project efficiency. At the same time, modernization projects, with lower cost and shorter gestation, account for nearly a half of industrial construction.

The corresponding indices for the central projects and those enterprise projects which were initiated by central decisions in the 1970's are much worse.

In these conditions, the set of proposed measures--such as the transfer of a large proportion of depreciation allowances to the state, credit restrictions, and even a special surcharge on newly-launched projects--seem to totally contravene the goal of setting the investment front in order. The Economic Advisory Council is going to conduct more detailed research into this problem. For the time being, it can be stated that the basic criterion for investment relief and investment restrictions should be the project completion date, and that it is the enterprise projects that suit this criterion best.

7. As indicated by past experience, over-application of production-supply priorities leads to illusory results, with various priorities competing with each other (as exemplified by the operational programs). This error must not be repeated when switching to the system of government orders. Their goal should be to protect the satisfaction of particularly important consumer or production requirements in case they are seriously endangered. It thus does not seem purposeful to vest the orders with other functions, such as control over economic restructuring, since this would pose a threat of detailed control over enterprise production (to be introduced through the system of production-supply distribution) and of the resulting constraints on enterprise autonomy.

The links between agriculture and the market are affected by a host of artificial mechanisms supposed to either replace the defunct market mechanisms or to cushion the poorly working ones. These mechanisms include the system of contracts between the state and the farmer, [kontraktacja] which continues to provide a tool of administrative allocation of producer goods. The typing of state-farmer contracts to procurement prices (as of last July) and to tax relief enforces general application of this form of sales, which distorts its principal functions. Besides, these measures are not consistent. Almost

immediately after the announcement of preferential prices for contracted farm supplies, the same preferential treatment was extended to uncontracted deliveries of grains and potatoes on which fictitious [retrogressive] contracts were signed--thus undermining the basic concept behind the state-farmer contracts.

The principal reason why the functions of prices have been destroyed is the disequilibrium in the market which cannot be offset with ever more elaborated methods of trying the farm producer to the socialized market. At the same time, the continued rationing of producer goods for agriculture--which should rather be replaced by the application of equilibrium prices--results in their highly inefficient utilization.

In the foreign trade area, the systemic solutions introduced under the reform were criticized by this council in one of its previous reports. Our own proposal concerning the design of individual instruments was to target them at increase in profitable exports on the basis of a uniform criterion of financial performance (amount of profit), while abandoning all form of arbitrariness in this field.

The council's tax proposals were formulated in previous reports. As far as the corporate income tax is concerned, the lump-sum linear formula advocated by the council would provide--by jettisoning progression and offering relatively low rate of linear tax--stronger incentives to higher profits. At the same time, with lump-sum tax burden, this tax would reduce the unwarranted profitability differentials--e.g. those stemming from the far-going changes in prices in the past 2 years.

The council, almost unanimously, expresses reservations against a high rate of enterprise-property taxation or of linear tax. Such arrangements would make abrupt changes in the financial situation of enterprises, and would necessitate intense central intervention in the sphere of re-distribution.

The existing concessions in FAZ taxation, granted on account of production growth, encourage enterprises to increase output without caring for profitability, and to tamper with the yardsticks involved. Therefore the council proposes to abandon this concession (Prof Kabaj is for its continued application).

If this proposal were accepted, the enterprises would still be interested in boosting production--but only the profitable production, bringing about higher profit. By increasing profit, the enterprise would obtain funds necessary to cover FAZ contributions paid on account of increase in wages. Higher profit would also add up to the development fund and to state revenues (through the income tax).

The last year and the first half of 1983 saw the emergence of many detailed regulations, supplementing the principal systemic acts. New concessions are still being proposed, concerning the income tax, FAZ contributions, division of depreciation allowances between the budget and the enterprise, as well as preferential treatment in the area of credit, investment, production supply, etc.

Some of these regulations seem superfluous, and many of them lack accuracy in defining the scope and methods of application. Hence the misgivings about over-regulation of the system. In particular, efforts should be made to avoid the danger of enterprises going after all sorts of possible concessions rather than focusing on efficiency and rationalization of their operations. It seems imperative in this connection that an in-depth analysis be made of the detailed regulations--both currently binding and planned--concerning tax relief and preferential treatment. The goal of such an analysis should be to avoid an excess of regulations, determine methods of their practical implementation, replace procedures based on arbitrariness with objective criteria (unequivocally defining the right to tax relief or to preferential treatment), assess the combined cost of the entirety of these regulations, and finally, wherever possible, juxtapose this cost with the expected tangible effects of tax relief and preferential treatment.

Warsaw, October 1983

CSO: 2600/183

EXPERT PROPOSES MORE CONSERVATIVE FOREIGN DEBT SERVICE MODEL

Warsaw ZYCIE GOSPODARCZE in Polish No 41, 9 Oct 83 p 15

[Article by Jan Danielewski: "My Variant of Debt Repayment"]

[Text] I read with interest (ZYCIE GOSPODARCZE, Nos 32 and 33) the abstract of the paper by J. Kotowicz, Z. Sadowski and A. Szewiorski on the subject of our indebtedness [see JRPS East Europe Report: Economic and Industrial Affairs, No 84533, 13 Oct 83] presented at the scientific conference devoted to the plan for 1986-1995 which took place late in June of this year. Although I took part in this conference, I could not address myself to the paper because I did not have its full text. I am now doing so on the basis of the abbreviated version.

I would like to sincerely praise the authors not only for their courage in dealing with such a difficult subject and not only for their apt, as a rule, choice of method, but above all, for their solid contribution of labor. I have the impression that they were guided by a large dose of realism, which is also a positive side of their work. But I would like to express some reservations. I have three basic comments:

- excessive optimism as to the growth rate of the national income;
- failure to take energy into account in the growth of national income;
- lack of specificity in projections of import and export.

What Are The Assumptions For The Model?

The authors envisage that the generated national income in Poland in 1981 prices will grow from 1,726 billion zlotys in 1982 to 4,080 billion zlotys in the year 2000, i.e., almost 2.4-fold. This means an average annual growth of 5.0 percent. It turns out that none of the Polish experts that I know in this field foresees such a high growth rate of income. Rather, a growth on the order of 2.0-3.5 percent is being talked about. It is felt that under conditions of various internal and external restrictions, and particularly with the necessity for very extensive restructurization of the entire economy and establishment of correct proportions, this rate will be low. Similarly, experts from other socialist countries also foresee a large drop in the economic growth rate, and they point

to an urgent need to go to methods of intensive development. Even the past high growth rate of national income, during the years 1960 to 1978, does not give anyone reason for such extreme optimism.

In 1982 our economy consumed (we are talking about domestic consumption) energy sources with a total calorific value of 169.5 million tons of standard fuel. This is 98.2 kilograms of standard fuel per 1,000 zlotys of generated national income in 1981 prices, which is 36 percent more than in the record-breaking least energy-intensive year 1976. Our most distinguished experts in the power-industry field in their forecast (see "Forecast of Poland's Power Industry in the Year 2000", GIGE [Main Inspectorate for Energy Management], Katowice, 1982) in its most optimistic variant, foresee a possibility of reducing the energy-intensiveness of the national income to 66 kilograms of standard fuel per 1,000 zlotys (in 1981 prices).

If we were to accept such an energy-intensiveness, then to generate a national income amounting to 4,080 billion zlotys, we would have to consume energy sources of a calorific value of $4,080 \times 66 = 269.3$ million tons of standard fuel. The forecast referred to foresees that in the year 2000 we will obtain 175-184 million tons of standard fuel from domestic sources; the shortage of 84-94 million tons of standard fuel will have to be covered by import. For the sake of simplification, let us assume that half of this import would be hydrocarbon fuels (crude oil and gas), and half would be hard coal. Thus we would have to obtain from abroad to meet our domestic needs 42-47 million tons of high-quality hard coal and 29.4-32.9 million tons (physical, not standard) of crude oil and natural gas. The value of such import, in 1983 prices, at about \$50 for a ton of coal and \$230 for a ton of crude oil, will amount to 8-9 billion dollars. At least half of this import would have to come from capitalist countries, and so we would have to allocate 4-4.5 billion dollars for this purpose, of 1983 purchasing power. At the anticipated, according to my estimates, average annual growth rate of total commodity prices in capitalist world trade--6.5 percent--this will amount, in the year 2000, to approximately 11.6-13.1 billion dollars in current prices, and therefore will absorb 75-85 percent of the entire import from capitalist countries foreseen by the authors of the paper.

Why do the authors limit themselves to forecasting import and export only in turnovers with capitalist countries, and not with all countries (with possible division into two payments areas [capitalist countries and socialist countries])? We owe large sums to the socialist countries, and mainly the Soviet Union. This debt, too, must be repaid.

We do not know what the foreign-trade forecast in current prices indicates. We do not know what the authors are counting on, whether on a growth of the physical volume of export, or on an increase in prices, or whether to some degree each of these factors is supposed to bring about a growth in the amount of export or import in current prices. To be sure, a projection of foreign trade in current prices is indispensable, because we are paying the installments and the interest on loans that we have drawn in nominal money, and not according to its purchasing power on the day the loan was drawn.

My model is quite close to that of the three authors, except that they include, without comparison, more factors; however, they completely omit some very important ones, e.g., energy. I prepared the figures, given below, several months ago while I was studying the possibility of importing energy sources from the standpoint of Poland's payments capabilities. I show my basic assumptions and results in the table.

These are some of my other assumptions:

National income - export. I assumed that every 1 percent growth of national income will be accompanied by a 1.3 percent growth in export. This coefficient seems to find confirmation in data pertaining to past years. It is strained, which means that export will have to be pushed to the maximum, but it is probably realistic.

National income - import. I assumed a certain indispensable minimum for import of fuels. The amount that I included is the result of combined needs (calculated by dividing the projected national income by unit energy-intensiveness) after deducting gains from domestic sources. I took into account a moderate increase in fuel prices in relation to the prices of other commodities, and also the fact that import of other commodities will grow at the same rate as the national income. As an initial base, I assumed a value of actual import in 1982 amounting to a total of 46.3 billion foreign-exchange zlotys in 1980 prices (of which fuels comprised 14 billion and the other commodities 32.3 billion foreign-exchange zlotys).

Obviously the 1982 structure of import, which was disastrously shaped and very unfavorable for the national economy, must be changed. We must, for example, increase imports for metallurgy (which also includes raw materials) and also for the chemical industry. At the same time we must consistently make further reductions in imports of agricultural and food industry products. I also envisage that far-reaching import restrictions will be maintained.

Finally, I envisage that there will be a surplus of revenues from export over expenditures for import, and that this surplus will grow systematically.

Population. I assumed that the degree of natural growth will be 0.9 percent, and that in mid-2000 there will be 42.6 million of us. K. Dzienio and K. Secomski foresee a lower figure, 41 million (ZYCIE GOSPODARCZE, No 29, 1983). If there are 41 million of us in the year 2000, then the generated national income per inhabitant will amount to not 61.3 thousand zlotys, but 63.7 thousand zlotys (1980 prices, my variant II), i.e., slightly more than the record-breaking maximum obtained in 1978. Would that it were so!

Hope in World Inflation

Repayment of indebtedness. I assumed that the average interest rate for the debt will be 11.5 percent per year. I prepared the forecast for all export and import in fixed prices, without dividing it into payments areas. I assumed that the entire surplus of export over import will be allocated to service the foreign debt. I assumed also that the level of prices of all commodities in the world trade of capitalist countries, expressed in US dollars, will grow at an average annual rate of 6.5 percent; prices in our export and import will increase at the same rate.

Table

Item	Variant I	Variant II
1. Net generated national income, prices in 1980 (in billion zlotys)		1,610
1982	2,331	2,610
1990		
2. Average annual growth rate of generated national income	2.1	2.7
1982-2000		
3. Divided national income, in percent, in relation to generated national income		110.8
1975		103.6
1980		98.9
1982	98.1	98.1
1983	100.1	100.3
1985	97.3	97.5
1990	96.0	95.7
1995	94.1	95.2
2000		
4. Net national income per 1 inhabitant in the year 2000, 1980 prices, in thousands of zlotys		
--generated	52.4	61.4
--divided	51.5	58.4
5. Amount of income obtained in 2000 per 1 inhabi- tant, corresponds with amounts during years		
--generated national income	1974-1975	1977-1978
--divided national income	1973	1974
6. Foreign indebtedness at the end of 2000		
--in millions of dollars	16,906	0
--in millions of rubles	9,017	3,717
7. Ratio of amount of export to amount of gener- ated national income (both amounts in domestic money), in percent		
1980		24.1
1982		26.4
1985	28.4	28.3
1990	29.2	29.3
2000	31.5	31.6
8. Domestic consumption of primary energy in mil- lions of tons of standard fuel		
1980		179.2
1982		169.5
2000	169.5	195.8
9. Energy-intensiveness of generated national income in kilograms of standard fuel per 1,000 zlotys in 1980 prices		
1976		77.36
1980		90.2
1982		105.25
2000	75	76

[Table continued on next page]

Table [Continued from preceding page]

Item	Variant I	Variant II
10. Net import of liquid fuels, in millions of tons (physical!)		
1980		20.75
1982		16.35
1990	16.5	20.7
2000	16.5	24.9

This kind of forecast is very dangerous, but I have presumed to make it while taking into account the fact that during 1975-1981 prices of "all commodities" in total export by capitalist countries rose 68 percent, i.e., at an annual average of 9 percent, according to the UN Monthly Bulletin of Statistics. Thus I am entitled to expect a rather rapid growth in commodity prices in international trade (it will, of course, be tied to internal inflation in the United States) and also on the basis that the relatively long period of the dollar's stable purchasing power, both within the United States and in international trade (1959-1971), was related to the steady drop of fuel prices and was "brutally" interrupted by their sudden and drastic increase in 1973. A new "jump" in crude oil prices occurred during 1979-1980; the present slight decline in these prices is of a temporary nature and will end as soon as the economic situation in the capitalist countries improves. However, I do not expect any new drastic increases in fuel prices to the end of the current century.

The high interest rate collected by banks in the capitalist countries is the result of inflation, but at the same time it is what preserves this inflation. It now amounts to something around 11 to 13 percent, whereas in the 1960's it amounted to around 5 percent annually. Today's high interest rate, therefore, is aimed at securing the interests of the creditors. It is made up of a "normal" degree, about 4 to 5 percent, plus an additional 7 to 8 percent which takes into account the declining purchasing power of the dollar. It may be that my thoughts on this are the result of a debtor's wishful thinking. It would be very bad for Poland if the dollar and other currencies of capitalist countries were to suddenly become stable. The matter demands very serious study.

It appears from my assumptions that the anticipated surplus of exports over imports in the year 2000 in 1980 fixed prices, amounting to 14.8 billion foreign-exchange zlotys, i.e., 4.84 billion dollars, will amount to approximately 17 billions dollars (variant I) in current prices in the year 2000.

The fact that neither my forecast of exports, as well as those of the three authors, defines the amounts of basic commodities which we could export during the period covered by the forecast, constitutes a very serious shortcoming. But this is beyond the power of any one person or even a team of authors. In order to determine this amount even approximately, several dozen subsector experts would have to be engaged.

Nevertheless, I do not believe that my expectations are too high. In variant I, a 53 percent growth in the volume of export is anticipated during 1980-2000, and in variant II, a growth of 94 percent. For comparison let me say that according to GUS [Main Office of Statistics] data, during the 1960-1980 period the volume of our export rose as much as 5.4-fold (see Foreign Trade Statistical Yearbook, 1981, p 5). In my opinion these data are clearly overstated, and I will deal with this subject in the near future. Even if the calculations had shown that during this period this volume rose only three-fold, my expectations for the years 1980-2000 would probably still be justified.

There is still one more problem. We are assuming that the large surplus of export over import in turnovers with capitalist countries will be put to good use. This will not be easy because these countries, too, have their payments problems. Even today many of them are predicating the growth of their import from Poland on a growth of their export to Poland. But I believe that we, in turn, can always make our repayment of debt dependent on obtaining regular surpluses of export over import in our trade with these countries.

Condition: Economic Improvement

Along with J. Kotowicz, Z. Sadowski and A. Szeworski, I do not foresee the same rate of growth of the national economy for all years, and thus the same rate of growth of export and import. In variant I, I expect that the national income in 1983 will not increase at all; in 1984 it will grow 1 percent; in 1985, 1.2 percent; and then the rate of this growth will gradually increase to 2 percent in 1989, and 3 percent in the year 2000. In variant II, I assumed that during 1982-1985 the national income will grow 11 percent, i.e., in accordance with the assumptions of the 3-year 1983-1985 plan, and that during 1985-2000 the rate of this growth will be uniform and will amount to an average annual rate of 2.5 percent. Naturally, the results assumed in variant II are desirable. But I am counting on the opinion of the experts who anticipate that Poland will overcome the crisis at a very slow rate because of the difficulties in restoring and establishing proper proportions in the national economy. That is why I included variant I in my considerations.

According to the assumptions on which both variants were based, there will be a surplus of exports over imports, which will be allocated for payment of the installments and the interest on our foreign debt. In both variants this surplus, up to the year 1986, will be minimal, amounting to an average of approximately 400 million dollars annually. In accordance with variant I, this surplus would not exceed the amount of interest to be paid on the foreign-exchange debt until 1994. This would mean that our foreign-exchange indebtedness would reach its maximum (\$51,993 million) on 31 December 1993. Of course, I am assuming that no new borrowing would take place. In accordance with variant II, in the year 2000 this debt would total \$10,906 million, and would be totally paid off in the year 2001. The ruble indebtedness would increase to 8,588 million rubles in the year 2000, and we would not begin to pay that off until 2001.

In variant II, the maximum foreign-exchange indebtedness would be reached at the end of 1992 (\$46,707 million), and the last payment would be made in 2000. That same year we would begin to repay the ruble indebtedness.

Of course, I do not exclude other possibilities--for example, earlier repayment of the ruble debt. My assumptions are also based on an equalized balance of trade in turnovers with CEMA member-countries.

I think that my forecast is realistic provided that the following conditions are fulfilled: large-scale improvements are made in the entire national economy; our whole so-called "economic model" is made more efficient; there is greater self-dependence of enterprises; money, as a factor in the central management of the economy, is strengthened; workers, and working people in general, are given greater participation in governing the state and the economy, etc.

Labor productivity in our country is still too low in comparison with many other countries, and not just the capitalist countries. Our working class wants to work well, it wants to work just as productively as in the most developed countries, and in doing so, be paid fairly. It expects its white-collar workers to organize the work in such a way that they can work well and be well-paid. We must talk to the working people without fear of difficulties, but we must also know how to organize ourselves so that we can overcome these difficulties. This will mean more to the working class than all kinds of empty promises.

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CSO: 2600/133

ACTIVITIES OF POLONIA (WESTERN-OWNED) FIRMS SUMMARIZED

Warsaw SPRAWY MIĘDZYNARODOWE in Polish No 6, Jun 83 pp 47-62

[Article by Wiesław Kudła and Andrzej Wieczorkiewicz: "Polonia Firms Operating in Poland--Policy Towards Foreign Poles in the 1970's"]

[Text] One of the elements of the policy of opening up to the West was cooperation with Poles living abroad, who are estimated at 10 million or more, depending upon whose figures are used. The most optimistic estimates even reach as high as 15-18 million Poles and others of Polish descent.

Polonia has usually featured strong patriotism and ties to national culture. In difficult periods of Poland's history, it has shown great material commitment and a great contribution of blood towards the cause of freedom. Despite the fact that from its beginnings the creation of Polonia can be found to result from the political consequences of the partitions and the national uprisings, in its later structure Polonia consisted mainly of people who had emigrated to earn a better living, that is the peasant-worker emigration, which had an attachment to the language, religion, and culture which it took with it from our country.

The emigration since World War II has been different from this. Emigres have been better educated, more sophisticated politically, strongly committed to the political processes from World War II. But with the passage of time, changes in this realm have occurred in Polonia circles too. Against this backdrop has arisen the opportunity to recruit the broad ranks of the older emigration and the new generation born outside Poland, winning them to the idea of cooperating with and coming closer to their mother country.

In the climate of international detente and the good economic conditions and programs which came into being during this period in the country, a wise decision was made to step up relations with Polonia. Decisions were made by the PZPR Central Committee's Politburo (Politburo Resolution, dated 22 June 1971), and a group was appointed to prepare a government draft plan for cooperation with Polonia abroad, in the capitalist countries.

The commission worked out a draft of the program. Deputy Premier Wincenty Kraski was the chairman. In 1972 the government approved the program, which covered all vital issues which could concern the two parties and began to provide the organizational means and conditions for carrying it out.

The Minister of Foreign Affairs was responsible for carrying out the overall policy vis-a-vis Polonia abroad, and the Society for Communication with Polonia Abroad, "Polonia," was responsible for carrying out the country's social program of ties with Polonia. During this time the organization underwent reorganization, which was to insure the possibility of carrying out the tasks entrusted to it. At the same time, from 14 May 1973 on it became recognized as a highly useful organization. In addition, the Chairman of the Council of Ministers created a commission under the Ministry of Foreign Affairs, the Interministry Commission for Activating Cooperation with Polonia in Capitalist Countries*. An undersecretary of state directed its work, in which 17 ministries and representatives of many institutions interested in cooperation with Polonia had a share**.

*Directive of the Chairman of the Council of Ministers, dated 10 May 1973, (on the composition, scope, and manner of operation of the Interministry Commission on Cooperation with Polonia).

**Approval of the government plan and the appointment of the Commission was not the beginning of the cooperation between the officials of Poland and Polonia, or the beginning of cooperation between Polonia and our country. It is worth noting the activity in the emigration realm back during World War I, and then during the first few years of independence and the expanded flow of Poles returning to our country. The postulate to draft a program of cooperation, to define its directions, was launched at the First Congress of Poles Abroad, which was held in 1929. In the realm of economic cooperation the results were very meager, but worthy of mention nonetheless. After the guidelines for economic cooperation abroad had been defined, shops, commercial organizations, savings associations, and banks grew up which began to help Poles operate in the economic field. Other nationalities in the countries of settlement were usually better organized. Following World War II, the effects of economic contacts with Polonia were insignificant. The turnovers were included in general commercial trade statistics for the given country. A number of firms conducted trade from the first few years after the war. The political situation in the international arena did not prove favorable for making any attempts to cooperate with Polonia. Conditions within the country did not incline the undertaking of any efforts at cooperation with emigres either. There was very slight change of any such initiative to prove successful in this realm (foreign cooperation). Attempts were made to engage foreign Polonia in vital issues during the mid-1950's. In 1955 the "Polonia" Society for Communication with Poles Abroad was formed, but the conditions for engaging in cooperation did not appear until the 1970's.

Polish government policy towards Polonia has become consistent, directed to upgrading Polonia's importance in the countries of residence. Foreign Polonia has come to be treated as part of the nation which permanently resides outside the borders of the country but maintains relations with Poland. This meant treating Polonia's affairs as a permanent element of our foreign policy while respecting the principle of loyalty to the country of residence. Both in Polonia circles and in the country it was understood that these relations brought mutual benefits. The organizational structures of this cooperation were gradually built up. The Polimar Foreign Trade Association SA* was created in 1973. The first economic meetings were held in 1975. Called "Konfrontacje 1975," the following year they adopted the present name, Polonia Economic Forum. They are set up by the Polonia Society for Communication with Poles Abroad, and they have become famous and come to be a useful economic presentation which is held during the Poznan International Fair. Clubs of industrialists and merchants of Polish origin have come into being in the countries where the largest Polonia group reside.

It should be mentioned that the progress of foreign Polonia has been the cause of the creation of many nonagricultural enterprises run by and belonging to Poles. In other enterprises which have usually a corporate nature, Poles with appropriate education and professional preparation work in appropriate positions.

It is estimated that the number of enterprises belonging to Poles amounts to about 6,000 in Canada, about 2,500-3,000 in Great Britain, about 1,000 in France, and several hundred in the FRG and Scandinavian countries. There is no information concerning the number throughout the United States, where the largest groupings of Polonia are located (several thousand enterprises belong to this group in Chicago and environs). The overwhelming majority of these enterprises, however, are small companies operating on the local market. Some of them serve the districts or neighborhoods in which Polonia members live, and their turnovers are of small or intermediate size. Of greater significance are those enterprises which have undertaken and conduct operations directed at a wider clientele, not restricting their interests to items of Polish origin.

Some enterprises reach maximum turnovers possible in the area of their operations and their owners are looking for new capital and new markets. Next, some Polonia sometimes run important departments in large corporations and are in a position to use their knowledge of Polish economics, the Polish language, and relations in Poland to enter into commercial contacts or coproduction cooperation with firms in Poland. The significance this Polonia group has to the development of contacts is sometimes considerable, owing to the size of the transactions that are possible.

*Polimar Foreign Trade Association [THZ], SA was created by the Minister of Foreign Trade and Maritime Economy in Directive No 36, dated 31 July 1972.

The third important group of Polonia consists of free trades or other positions, people with a familiarity of Western markets in certain sectors, with contacts, familiarity with the laws and customs prevailing in the economy, and small (relatively) amounts of capital saved up which can be invested. In the West these amounts are sometimes economically too small, which renders such investments very risky from the viewpoint of the effects and chances of recovering the capital invested. For this Polonia group the possibilities of investing capital in our country are attractive. This group could also include those Polonia members who have retired and are on pensions or retirement pay and have accumulated savings with the notion of settling in Poland during their old age. Some of them are still active and would be willing to run a small firm in the realm in which they are knowledgeable.

Given the various groups with a potential interest in economic cooperation with Poland, we can see that Polonia has various capital, commercial, and professional resources. From this we must realize that the proposals made and conditions imposed must vary according to the different Polonia groups. Otherwise, many useful projects can go to waste.

Up to the mid-1970's, economic cooperation with Poland has been restricted largely to trade exchange which we tried to include in the statistics as part of the turnovers conducted between PHZ and CHZ, and foreign Polonia companies. It turned out at the time that the question of defining the notion of a Polonia firm was not easy. In fact, the term "Polonia firm" did not provide any advantage for them, because in our foreign trade the principles of competition and competitiveness prevail, and it is only in the case where of identical conditions in a contract that the Polonia firm could count on being given any priority. In applying the ownership criterion, Polonia firms can include those which belong to representatives of Polonia, so here the definition of company depends on the scope of the concept of the definition of Polonia. The broadest of many proposed definitions is that formulated by H. Kubiak, who included in Polonia all those who have retained the traditions of Polish origin and show interest in Polish culture and understanding of Polish national interests, regardless of their country of birth or knowledge of language.* But it is not enough to reduce the basis merely to Polonia membership. We must also define the relationship to an enterprise in which a representative of Polonia is the sole owner or a partner with a major interest or with a minor interest [share], but influence on the firm's management, or else with a negligible capital interest, or none at all, but maintaining management functions.

The adoption of only the first conditions leads to including tiny and small firms among Polonia companies, because large firms are usually corporations.

*Stan i potrzeby badan nad zbiorowosciami polonijnymi [Condition of and Need for Research on Polonia Groups], Wroclaw, 1976, p 57.

Results of Cooperation in Foreign Trade

Trade with Polonia goes back to the first few years of People's Poland's existence, but there was no consistent recording of mutual turnovers until the 1970's.

It is worth noting the substantial growth rate of turnovers right to the point where our trade with payments area II broke down, that is, until after 1979. There was also a significant decline in exports to Polonia companies. It is also worth mentioning that goods of the electric-machine industry predominate in the structure of exports to Polonia firms, making this structure more favorable than the overall structure of our exports to payments area II. Out of total foreign trade turnovers, turnovers with Polonia companies in the best year, 1979, represented not much more than 1 percent, it is true, but in turnovers with the Western countries they exceeded 2 percent of the value on the export side. In many countries, Polonia companies were the first to bring certain Polish goods onto the market in a number of branches, such as cosmetics, products of the engineering industry, and so on. The significance of trade cooperation is not limited merely to items related to the traditions of Polish cuisine, and Polish culture (books, recordings, and so on), but also concerns items with a high level of processing, like machine tools, engines, spare parts, chemical items, cosmetics, and so on. Nonetheless the firms' small economic potential often was a barrier to major expansion of trade. To a certain extent another reason for the meager results was the way foreign trade was managed both in other countries and abroad, in that the organizational structure was not flexible or dynamic in foreign trade with small-manufacturing companies. The trade groups operating abroad played a definite role in this system.

Coproduction was the next realm of cooperation with Polonia firms in the advanced countries. Especially in this area we did not begin to take the first steps until the latter half of the 1960's, and so we do not have much experience here. The stumbling blocks here to undertaking cooperation were the parties' financial difficulties and the relative backwardness of many processing industries, which needed additional investment at the moment that coproduction was undertaken on any major scale.

The results of coproduction with Polonia firms are worth noting not so much because of the results obtained -- they are modest -- but because of the experience gained from the cooperation with firms in the intermediate and small manufacturing groups. In undertaking coproduction for the manufacture of spare parts and subassemblies, this can have certain significance, especially where there is greater independence on the part of the Polish firms, including key ones and those which are part of the small-manufacturing category.

The third type of economic cooperation between Polish emigres and their companies, and Poland consists of direct investments in our country which are described in principle and substance in the Council of Ministers Ordinance dated 14 May 1976 and now in the law passed by the Sejm on 6 July 1982.

We should also mention that Polish practice represents an original solution in both economic-management and legal terms. In other socialist countries with mixed-capital companies and cooperation based on the principle of joint ventures, that cooperation is restricted to legal persons.

Foreign Capital Cooperation in Polish Practice

In terms of both substance and parties, the Polish regulations are different from the regulations governing cooperation with foreign capital in other socialist countries. The first legal document, dated 14 May 1976, governing certain types of economic activity conducted in Poland by foreign legal and physical persons restricts the field of this operation to the trades and crafts, domestic commerce and catering services, hotel services, and manufacturing and service activity. It is the legislation's intent for the investor to be first of all what is called Polish emigre capital. Permission was given to foreign investors for a period of 10 years, with the possibility of extension.*

It should be mentioned that the concept of basing foreign capital cooperation on foreign investors of Polish origin was also noneconomic in nature. It was a component of a broader program of cooperation with Polish emigres, as was expressed in the above-mentioned 1976 Council of Ministers' Ordinance.

Although the above-mentioned regulations pertained principally to the functioning of "Polish emigre capital," the solutions adopted in them were of pioneering significance for the development of relations of this sort between capitalist and socialist countries. For example it may be pointed out that they permitted capital investments in which the foreign investor is one or sole (100 percent) owner of the invested capital and did not set any upper limit on capital outlays and so on.**

*Council of Ministers Ordinance dated 14 May 1976 on granting foreign legal and physical parties permission to conduct certain types of economic activity (DZIENNIK USTAW 1976, No 19, Item 123) and amendments introduced in Council of Ministers Ordinance of 1 December 1978 and the Minister of Finance's Ordinance dated 23 May 1977 on taxation of foreign physical and legal parties (DZIENNIK USTAW 1977, No 18, Item 71; 1979, No 8, Item 49).

**An attempt to get beyond cooperation with Polish emigre capital was the Council of Ministers resolution of 1979 on the creation and operation of enterprises in the country using foreign capital. This permits the formation of corporations with Polish partners, not only in the realm of small manufacturing, except that the Polish state or cooperative partner must hold at least 51 percent of the stock. Clearings of accounts for the company's operations were to be in zlotys at the exchange rates fixed by the Polish National Bank. Work continues on a draft law on enterprises with foreign capital.

Table 1. Turnovers With Polonia Companies in 1971-1982

(in millions of foreign-exchange zlotys)													
	Year												
Rok	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	First half rocze of 1982 *
Obroty Turnovers													
Total													
turnovers													
Obroty													
ogółem	108,1	165,3	240,1	441,4	551,2	464,6	724,3	792	1 081	650	12 865 a	11 782,5 a	459,9
Exports	108,1	135,3	180	310,3	321	359,7	612,3	672	931	616	10 036 a	9 170	245,9
Imports	—	30	60,1	131,1	230,2	104,9	112	120	150	34	2 839 a	2 612,5	213,9
Previous													
year's total													
turnovers													
= 100	—	152,9	145,3	183,8	124,9	84,3	155,9	109,3	136,5	60,1			91,6

* w mln zł obiegowych, wyliczonych według obowiązującego kursu walut po zniesieniu złotego dewizowego.

Z r ó d ł o: Opracowano na podstawie materiałów statystycznych MHZ i Biura Pełnomocnika Rządu do spraw Zagranicznych Przedsiębiorstw Drobnej Wytwarzalności.

*) in millions of zlotys in circulation, calculated at the exchange rate in effect
elimination of the foreign-exchange zloty

Source: Compiled on the basis of statistics from the Ministry of Foreign Trade and the Office of the Government Plenipotentiary for Foreign Small-Manufacturing Firms.

The Situation of Foreign Small-Manufacturing Companies in Poland

The foreign investor decided on undertaking economic activity in Poland in areas designated as a realm of operations for foreign physical and legal persons must obtain a permit issued by the voivodship governor appropriate to the place in which the foreign company is to be created.

Keeping in mind the needs of the country and the area, the voivodship governor reviews the application for the permit, along with requisite documentation, considers the conditions which must be met for the firm to carry on operations, and may also set restrictions on the firm. The conditions which the voivodship governor imposes on the permit or a negative response to the application may be appealed to the government plenipotentiary on foreign small-manufacturing enterprises and possibly even the supreme administrative court (in the event legal procedure issues are involved).

Up to the end of 1982 a total of 499 cases were decided, with 374 permits granted to carry on operations and 125 applications turned down. More than 300 applications are awaiting action.

Table 2. Number of Permits Granted in Various Years

Year	Number of Permits Granted	Year	Number of Permits Granted
1977	3	1980	46
1978	9	1981	68
1979	18	1982	230
		Total Permits Granted	374

Source: "Informacja o dzialalnosci Przedsiębiorst Polonijno-Zagranicznych w roku 1982" [Information on Activity of Foreign Polonia Companies in 1982], Government Plenipotentiary on Foreign Small-Manufacturing Enterprises, Warsaw, January 1983, p 2.

A single application may be used as the basis for setting up several sorts of activity focused in one or several establishments or plants. Some firms carry on activity based on several permits and in various voivodships. In the permit the voivodship governor or president establishes the size of employment. Foreign companies up till now have received permission to employ more than 20,000 persons, but actually they employ 12,201 persons, including 5,768 women (condition as of 31 December 1982). There is a high growth rate in the number of permits issued and in employment figures, and this is expressed in a rise in sold production and services.

In Table 3 the size of sales given hides the increase in prices, but owing to the fact that foreign companies sold their goods at contract prices and that these were usually higher, their relative increase was smaller, because of the higher base initially for the prices used.

In 1982 the structure of sales was as follows: of the 17,650 million zlotys' worth of goods and services sold, 13,932 million zlotys' worth was designated for the market, which represented 79 percent of the value of sales.

Supply production, often for the purpose of avoiding imports, declined as a percentage in this structure and amounted to 2,160 million zlotys, or 12.2 percent.

Table 3. Size of Sold Production (in Zlotys)

Year	Value of Production and Services Sold
1977	18.5
1978	128.0
1979	317.0
1980	833.0
1981	3,086.0
1982	17,650.0

Source: Compiled on the basis of annual statistics published by the Ministry of Domestic Trade and Services, Dept of Crafts and Services, and recently the office of the government plenipotentiary for foreign small-manufacturing enterprises.

Services represent a small share of total sales, 780 million zlotys, or 4.4 percent, and production for export amounts to 778 million zlotys, or 4.4 percent. The current sales structure in foreign firms corresponds to demand, because the consumer market is far from balanced. Foreign companies' role in supplying the market is negligible, if one takes the market's need and the size of sales as the criterion. The high sales growth rate and the flexibility of the firms to adapt to the needs of the market and the supply situation allow the hope that market needs will be better satisfied.

Up to the present time foreign companies have come from 31 countries in the world. The majority belong to citizens of the FRG, Great Britain, United States, Sweden, Austria, and France. The majority of the firms are found in Warsaw, Poznan, Lodz, Krakow, Bielsko-Biala, and Gdansk Voivodships.

The choice of location is determined by various factors, such as the infrastructure, family ties, traditional economic structure, proximity to country of origin, and so on, particularly if the country is close by and the owner commutes by car, and so on.

There are 17 voivodships in which up till now (31 December 1982) not a single permit has been issued, but permit applications have been filed in five of these voivodships now, that is, Elblag, Legnice, Pile, Plock, and Sieradz. An important factor in the choice of location is the attitude of voivodship officials, the quality of spots offered, and assistance in overcoming the initial difficulties. In voivodships in which there are a large number of companies, there is usually a friendly climate for the sorts of initiative that the companies are undertaking.

In terms of size, the foreign firms are small. Mean employment as of 31 December 1982 ran thirty-some persons. The larger firms employ from 100 to 200 persons and even more (for example in the construction branch). The size of employment is determined from the branch selected, the amount of capital involved, the technology used, and other particular conditions of production.

Foreign firms have started up activity in keeping with their own assessment of the needs and possibilities existing in a given branch of production. A certain role is also played by offers made by voivodship officials, but during the initial period branch incentives on the part of officials were probably slight. It was only recently, that is, since the creation of the government plenipotentiary and the Office of Export Coordination and Promotion within the Ministry of Foreign Trade, that we began to make efforts to set in motion any foreign firms' activity in a given direction. At the present time the assessment of needs is considerably more significant than during the period when the first permits were issued.

Table 4. Branch Structure of Foreign Firms Belonging to PPIPH Inter-Polcom

Branch

Ready-to-wear	76	Construction	12
Plastics processing	41	Electronics	11
Leather-purse and furrier	27	Phonographic	9
Wooden articles	24	Packet distribution	9
Precision mechanics and metals	24	Toys	9
Household and industrial chemistry	19	Jewelry	6
Automotive	18	Boatbuilding	5
Miscellaneous items, sundries	16	Miscellaneous services	5
Cosmetics and perfume	14	Decorating-advertising display	4
Knitwear	14	Footwear	4
Foodstuffs	13		

Source: Based on reports of Inter-Polcom for the latter half of 1982, Inter-Polcom Polish-Polonia Chamber of Industry and Trade, Warsaw, December 1982, typescript, p 11-12.

The analysis which was made at the end of last year on the branch activity of members of PPIPH [Polish-Polonia Chamber of Industry and Trade] Inter-Polcom revealed the branch structure of foreign firms. Operations of the 192 chamber members, foreign firms, were conducted in 21 groups, with a total of 360 producers. This means that the average enterprise belonging to the chamber ran two plants, on average. It may be supposed that firms not belonging to Inter-Polcom operate in less than two fields of production.

During the most recent period the firms joining the chamber have represented branches which have traditionally been successful, like ready-to-wear, and in those which recently have been particularly needed, like footwear and food production.

Table 4 also reflects the broad scope of production of foreign firms. We should note that production has been undertaken in the field of spare parts for machinery and for rebuilding it, production of electronic equipment and apparatus, such as

that for reducing petroleum combustion in the Polish merchant marine, electric medical devices, medical equipment (needles, catheters, and so on), purifying agents, and the like. Action has been undertaken in the area of special construction, for example, in building health facilities, hospitals, churches, and the like, and in the realm of services in the area of upkeep of electronic equipment and so forth.

The question as to whether there are too many foreign small-manufacturing plants and firms in Poland should be answered in the negative. There are not too many of them for the size and economic potential of Polonia, despite the fact that Polonia basically has too little capital. The law after all is directed not only to Polonia. The reasons for the slow rate at which foreign firms have been established in Poland have been and are the differences in systems and the lack of familiarity with operating principles in use under completely different regimes. The absence of legal regulation concerning many important issues of interest to foreign directors, the relatively low (previously) ranking of legal documents regulating foreign firms' operations in Poland, and the short income-tax exemption period at the beginning (2 years) all had an impact on the situation. Many potential investors are now looking over the operations of firms presently engaging in activity and are weighing their decision.

Some firms with continual strong family contacts with Poland have decided to invest, being directed mainly by the desire to bring material assistance to their family members residing in Poland. This group includes a large number of small firms whose scale of capital investment was small back at the time of founding and enterprises of that part of Polonia who decided to return to Poland and despite foreign citizenship are trying to obtain permanent residency status. These are usually older people who also are not likely to undertake large-scale operations. Part of Polonia which is still running a large-scale operation abroad and has contacts with the trade and industrial world has undertaken activity in Poland for reasons more related to patriotism. Often investors in this group select the region for their investment in keeping with the area from which their forebears come.

It is to be assumed that the existence of even several thousand small foreign firms is possible owing to the country's economic structure, with employment on the order of 1-2 percent of the country's employment (now 0.1 percent), but it would take production on the order of several hundred billion zlotys for the market to notice it, except that a larger share than at present would have to be directed to export, both because the market would be saturated and because of the needs for these firms to import supplies.

In 1982 the investments made amounted to a value of about 4 million dollars and 1.5 billion zlotys. The amount of convertible currency invested during the previous period was similar. Funds coming from investors' documented exchange was allocated for the most essential expenditures, that is, machinery, equipment, vehicles, initial furnishings and equipment, materials, and raw materials. The premises were usually leased or rented. It is only in the later stage that there was a process of enterprise development financed out of the profits gained from operations, profits in zlotys and foreign-exchange coming from exports. The fact that the initial companies made substantial investments shows serious treatment

of the government program concerning investment in Poland. Of course the scale of investment commitment varies, from several thousand dollars to more than 300,000. A feature of these foreign companies characterizing them in the realm of investment activity is the generally short time between the moment the investment begins and the moment operations begin (up to 6 months). A few firms carry on investment activity for more than 1.5-2.5 years. There is also diversity in investing in terms of foreign exchange and zlotys. Per foreign-exchange unit, for example, per dollar, outlays (in certain companies) run from 3 zlotys to 500 zlotys. Firms have great investment intensity. Actually in most companies investment activity up until now has been a continual process. An interesting feature is the fact that in many companies the period for getting an investment project ready and having it approved lasts more or less the same length of time as the execution of construction and installation work and the trial period.*

The firms' investment activity takes place on land leased from physical persons. A few leases are made by state agencies or units of the socialized economy. The proportion of these leases will probably increase.

Facilities for each work station run about the same as the average in small-manufacturing units, but it should be remembered that the value of assets is calculated at the official rate of exchange of the National Bank of Poland. Probably in many cases the machinery, equipment, and vehicles would have a higher value at market prices in Poland, if they were used.

It is worth noting that most of the companies examined had their own repair and maintenance facilities, and it was only in a few instances that this work was performed in conjunction with a domestic firm in Poland or by a foreign producer on an exclusive basis.

In the companies examined the level of exploitation of the production potential is very high. Machine stoppages amount to about 4-8 hours per month. In 1981 lack of electric power was the most frequent reason for stoppages. In many companies not even these stoppages occurred. The companies have their own stock of spare parts, which are usually consistently replaced. This means that in the event of a breakdown, the interruption does not last long.

Most of the firms work one shift, but there are firms which operate three shifts and those which work a shift and a half or more. Some companies adapt the number of shifts to export and domestic orders.

Supply, Employment, and Wage Problems

Under the specific conditions of the economic difficulties, the expansion of enterprises even on such a relatively minor scale has created the problem of supply for the foreign companies. State Trade Institute research conducted in

*"Podstawowe problemy funkcjonowania firmy polonijnej w kraju. Inwestycje i eksploatacja srodkow trwalych. Produkcja rynkowa" [Basic Problems of Operating the Polonia Company in Poland. Investments and Exploitation of Fixed Assets. Market Production]. Radom, Higher Engineering School in Radom, 1982.

showed that the main source of supply for the foreign firms was the domestic [Polish] market. Eighty-seven percent of the supply came from Polish units of the socialized economy (companies producing raw materials--from trade organizations) and from private crafts and procurement. In the period examined the foreign companies bought from socialized sources (during the 9 months of 1982) 517 million zlotys' worth of goods, which represents 2.3 percent of the total value of deliveries made in these plants for domestic customers, and in the trade organizations network they bought 183.4 million zlotys worth, which represents 2.2 percent of the value of the bulk available in the assortments sold. Among the firms examined, 30 percent relied solely on domestic [Polish] supply, 40 percent relied half on it, and 9 percent used other sources of supply altogether. In availing themselves of materials that are imported, the foreign companies have a share in foreign-exchange costs. This particularly happens when the products made from these materials are designated for export. In the event of exportation of products made out of raw materials easily obtainable in payments area II, the foreign trade ministry requires that the enterprise sell off part of the foreign exchange income it receives. As everyone knows, a very small portion of production (4.4 percent) goes for export.

In the case that the foreign companies use local raw materials, waste raw materials, or defective raw materials, the situation looks somewhat better. There is also a group of raw materials which, owing to these branches' state monopoly, are very difficult to obtain, like leather. Finally, it is obvious that foreign sources of supply must be sought for products of exceptional technology and those which include components not available in Poland.*

Along with the permit the foreign firms receive employment allocations. Where justification can be given for increasing the allocation (limit), the firm may apply to have it raised, and usually this request is granted. Employment in the foreign companies is not generally a problem, although it may be significant in a small town or settlement. Employment in foreign companies usually plays a positive role, because the companies located in small towns train people for jobs, if qualified personnel is not readily available.

Table 5. Employment Growth Rate in Foreign Companies in the Years 1977-1982

Year	1977	1978	1979	1980	1981	1982
Employment (in units)	60	310	600	1,159	3,500	12,201

-Source: as in Table 3

*On behalf of the CEBA Czesochowa Cotton Plants, seven foreign firms spent 119,800 dollars on spare parts for looms and spinning machines. They were Top-Mart, Danpol, Tuni-Pol, Steros, Triangel, Revis, and Elivs. Finntex bought 47,200 dollars' worth of spare parts, gimp, labex, xerodern, and thread zinc (cina do nici) for Fasty, Biruna, Runotex, Zampol, Lentex, and Vistil plants. Atarex bought 14,000 dollars' worth of zipper components for Zampol. In 1982 overall foreign companies stated they made 2.2 million dollars' worth of foreign-exchange purchases for state companies (the research was based on a questionnaire to which 107 foreign companies responded).

In 1982 wages in foreign companies were close to the national average and amounted to about 13,000 zlotys nationwide and 14,000 zlotys in the capital voivodship of Warsaw. This level is somewhat higher than the mean for similar branches, but it is not very different from wages in other plants with similar difficulties. The difference is the result of higher labor productivity, consisting of good management, discipline, and so on. For example, in the foreign companies production growth often occurs through an increase in wages and not a rise in employment. It must be remembered that foreign companies have employment limits, and after that limit is reached any rise in production can come about only through coproduction or labor productivity.

Foreign Trade

Foreign small-manufacturing firms should manifest great activity in the realm of foreign cooperation development. It turns out that despite that institutional incentives exist for making exports greater than imports -- 50 percent of this net surplus can go for imports -- after half the foreign exchange is turned over to the Polish bank at the official exchange rate, not many enterprises are interested in such a transaction.

The situation is a difficult one. The Central Union of Labor Cooperatives met 89.8 percent of the export target in 1982, the Central Union of Invalids' Cooperatives reached 83.4 percent, local industry reached 87.4 percent, and it was only in the crafts and trades that the target was exceeded by 7.8 percent. Foreign companies shipped 8.3 million dollars' worth of exports, which means nearly a six-fold increase in size in comparison to 1981, when exports amounted to 1.3 million dollars.

Table 6. Export Figures for Foreign Small-Manufacturing Firms (in millions of \$)

Year	1977	1978	1979	1980	1981	1983
Exports			0.2	0.63	1.3	8.3

Source: Based on RZECZPOSPOLITA, 9 March 1983.

Since the beginning of their existence, the companies have been able to carry on export-import activity through the intermediary of foreign-trade enterprises, except that the Remex Foreign Trade Office was specially created to serve the foreign companies,* and the Polimar Foreign Trade Association was created as a representative company which currently specializes in fulfilling the role of foreign-trade representation.** At the present time companies can make agreements with any foreign-trade firm. They can also apply for concessions in conducting foreign-trade activity to export their own products or bring in imports to meet their own needs. A dozen and some foreign companies have applied for a foreign-trade concession, but the only firms to win concessions up till now have been Damari, Natalex, and Daned.

*Directive No 106 of the Minister of Foreign Trade and Maritime Economy, dated 21 December 1976.

**Directive No 26, dated 31 July 1972.

The existing system of large companies in foreign trade does not seem to be adapted to handling small export-import transactions such as those which come into play with respect to single companies. Their products are goods which are more or less individualized to the needs of specific markets of sales. There are no long series involved. Therefore, maybe there should be intermediate links which could prepare the contract and send it for execution to a company with foreign trade authority.

Income and Taxation

The foreign small-manufacturing companies pay income and turnover taxes. Up until the end of 1981 there was a 2-year income-tax exemption, but beginning on 1 January 1982 the exemption was extended to 3 years. It has been suggested that after the income-tax exemption period ended, foreign companies' owners would shut down, but up until now no company has ceased operations on this account. On the other hand, there are been instances where a change was made in the branch or in the production of specific items. The companies which began operations during the period when the 2-year tax exemption was in force did not receive extensions. The date of onset of operations from which the tax exemption period is calculated is the date operations begin and the first invoice is presented. The turnover tax was not high, amounting to barely a few percent, depending on the type of activity. The income tax is progressive, amounting to 50 percent beginning with 500,000 zlotys, from which point it reverts to a linear tax. This is an important, forceful incentive to invest in our country. The income tax which the foreign investor pays is far more favorable than the tax paid by the craftsman, for example (85 percent of the amount over 480,000 zlotys). The income which remains is just about the equivalent of the percentage rate on a long-term bank deposit. There is the expectation that the Sejm will pass new income- and turnover-tax laws. In the socialized economy, where the income tax often does not play any significant role (because of lack of income), an important role is played by the turnover tax, which the merchant pays through the intermediary of the price. In 1982 income tax was paid by 26 companies out of 252 companies in operation (as of 31 October 1982). In 1982 the companies paid more than a billion zlotys in income and turnover taxes. The balance-sheet profit during this period amounted to about 22.7 percent, and the income that remained in the firm amounted to 17.7 percent. These are good results from economic activity that can be achieved particularly for market production.

Foreign companies in most cases allocate their profits for investments in zlotys. It must be pointed out that up until 1982 it was difficult for foreign companies to obtain credit for their investments or operations. The situation was revised on the basis of directive no 9 of the Minister of Finance and the Chairman of the Polish National Bank dated January 1982. This document permitted foreign companies to avail themselves of turnover (circulating) credit and investment credit. In 1982, 15 companies were granted credit amounting to 38,176,400 zlotys.

The foreign companies have joined in many of the social volunteer projects, subsidizing the construction of the Polonia House in Pultusk (conservation-construction work has been going on there for several years), sending gifts to the Child Health Center, sending funds to assist the children's homes and old-people's homes,

and equipping hospitals, setting up housing accounts for orphans, and donating funds to the National Fund for Aid to Children. Some firms have given assistance to the children's homes and have helped the sports clubs. Initiative has been undertaken to construct a preschool in Lodz with the idea of turning it over to city officials partly with the notion of meeting the needs of employees of the company.

10790

CSO: 2600/1276

INDUSTRY HEADS BEMOAN REVIVAL OF CENTRAL PLANNING BUREAUCRACY

Warsaw ZYCIE GOSPODARCZE in Polish No 41, 9 Oct 83

[Article: "Doubts in Spite of Everything" by Slawomir Lipinski]

[Texts] "The changes now being introduced into the mechanisms of the reform are not a change in its directions but bring us closer to the desired model," said Minister W. Baka at a meeting of the directors' council of the Ministry of Chemical and Light Industry. From the discussion, however, it became apparent that not everyone at the meeting shared that view.

This time, besides the council members (directors of 43 enterprises), others also attended the meeting, directors of associations and representatives of what are called social activist groups (representatives of employee councils, PZPR plant committees, and trade unions). The activist representatives were only observers, but the association directors dominated the discussion half the time. And although the discussion centered on the concrete mechanisms which will be in effect beginning next January, many of the statements also contained broader reflections about the level of the reform and economic policy in general.

The greatest emotion was evoked by the principle of dividing depreciation allowances between the enterprise and the budget. The great undercapitalization of production assets alongside a labor shortage is the major problem of the chemical industry and of many enterprises of light industry as well. Some people taking the floor, although they even understand the need to transfer part of the depreciation to the budget owing to the need for the government to conduct a central policy of restructuring (although, as it was pointed out, it is not very clear just what this restructuring is to be like) and the desire to balance the investment market, nonetheless suggested that certain modifications be made in the principles proposed for the distribution. For example, it was suggested that the enterprises be left with all depreciation allowances on those fixed assets which have been bought out of the enterprises' own funds since 1 January 1982, and also that a mechanism of each year updating the value of fixed assets be introduced. There was also a proposal that the principle be adopted whereby all depreciation in the enterprises be left right there, letting the central office determine (providing justification) those branches from which part of the depreciation needs to be collected for restructuring purposes. It is true

that mathematically spaking this proposal seems no different from the solution presented, but from the viewpoint of clarity of goals and central policy the difference would be by no means small.

The central office must once and for all decide what must be protected and what must be sacrificed, according to some of the speakers. After all, manual controls are simpler.

There were two currents which came up in the discussion on changing the principles for calculating the income tax. Representatives of those enterprises with high profitability levels came out unilaterally against maintaining the progressive income tax (at the same time expressing disapproval for the attempts by the Minister of Finance, who they feel would like to place the ceiling too high), but on the other hand the directors of low-profit firms were equally decisive in demanding that the progressive tax be maintained with respect to them. Only one of the parties to the discussion noticed the variant proposed by the consultative economic council, but it was his opinion that to apply it would be to give preferential treatment to those enterprises that have not yet taken advantage of their real production capacity.

There was also a good deal of uneasiness about the new proposals in the realm of the FAZ, that is, in particular the idea of basing it only on the payroll fund without the FAZ tax. It was pointed out that this drastic tightening of wage discipline will take place in a year in which food-price increases will go into effect. This tightening of wage discipline will not make it any easier to construct a wage system geared more to incentives either. We could be faced with wage stagnation, which could bring with it stagnation of the entire economy.

There was also criticism of the project to include compensation in wages. First because we do not know whether along with the food price increases, which after all will occur at some point, the whole recompensation cycle will not repeat itself, and second because the compensation surcharges bring about a rather substantial increase in product costs. This objective rise in production costs disturbs exporters the most, especially in the context of tying export facilitations to export profitability.

Several of the parties to the discussion brought up in this connection the matter of compensating exporters for losses caused by the fact that domestic raw materials which cost more than world prices (this pertains, for example, to phloem textiles). Attention was also given to the rather low level of efficiency of foreign trade enterprises which also, after all, have an impact on export profitability. The fear was expressed that there could be a restoration of the practice of reducing foreign-exchange allowances for those enterprises which save up foreign exchange funds in order to modernize their assets.

Everyone who spoke agreed that a systematic manner of awarding all sorts of privileges and facilitations is once and for all necessary, in place of a system of rewards.

"The enterprise's penetrating power is still what counts at the central level, not economic rationale, and this cannot go on," said Jan Biel, director of the Petrochemia industrial association. Other parties to the discussion said the same thing, emphasizing the need to come to clear rules of play.

Unfortunately there has even been loss of progress in this area.

The Polski Len [Polish Linen] industrial association representative said, "According to the laws the determining criterion in assessing the enterprises is profit, but a situation has been created in which high profits are cause for tightening the screws." Other standards like net production are being introduced.

"Obviously, because of the postwar development of the economy, the market in our country is not any regulatory device," said Jerzy Reszka, director of the Nitrogen Plants in Chorzow. "I therefore can understand that in our country artificial regulators are created to replace the absence of market regulators, but there must not be so many of them that the system loses its transparency and clarity to the extent that the standards for appraising the work of the enterprises change every year."

Policy based on the "wall to wall" principle and the multiplication of more and more new parameters (like justified costs, technical economic indicators, and so on) make it easy to return to manual economic steering with all the consequences implied by that method.

Several directors pointed out the restoration of the central bureaucracy, the increase in inspection and control groups in various central bodies. Each of these is becoming more and more involved in the administration of the enterprises, and management is being asked to create more and more documentation, because each auditor has his own ideas. But then later on the growing central machinery (it was stated that the Ministry of Chemical and Light Industry was no exception) says the enterprises has too many white-collar workers. Meanwhile these very same central bodies demonstrate an astonishing low level of efficiency in their work.

Director Reszka presented examples of how matters presented to the various central institutions wait not so much to be handled as for any sort of response, which may take 5 or even 7 months.

Several statements reflected impatience to know when finally the changes promised 3 years ago for the central structure would be made and the nervousness over what direction the changes would take. There was much opposition to the draft laws reaching the enterprises with regard to the centers (like the draft law on the Planning Commission).

Thus, despite the fact that many concrete solutions in the reform mechanisms proposed by the central office for next year were accepted (partial cancellation of regulated prices, reserve wage fund, and basically linear tax) or were understood (depreciation distribution, linking priority given to exports to their profitability), there was more uneasiness in the statements of the directors, sometimes related to concern for the interests of the enterprise but more often to broader values.

10790

CSO: 2600/131

APPLICATION OF OVERALL CONTRACT SYSTEM IN AGRICULTURE

Bucharest AGRICULTURA SOCIALISTA in Romanian 13 Oct 83 pp 1, 5

[Interview with Ion Zoican, director of the Directorate for the Organization of Production and Labor in the Ministry of Agriculture and the Food Industry, by V. Stancu: "Through the Generalization of Overall Piecework--Higher, Efficient Agricultural Production"; date and place not given]

[Text] [Question] On the basis of the provisions of State Council Decree No 100/1979 (Appendix 1, Point 2) and of State Council Decree No 335/1983, the technical standards with a methodological character for applying overall piecework in agriculture were recently prepared. What are the general principles and the organizational levels at which overall piecework is applied in the agricultural units?

[Answer] Overall piecework is the form of organization of and payment for labor that is applied in a generalized way in all state and cooperative agricultural units, in which a staff (work formation) of working people, as well as the agricultural specialists in the CAP [agricultural production cooperative], paid by the state, assumes, on the basis of a contract, the obligation to completely fulfill, on the stipulated dates, a quantitative production task, under the conditions of staying within the consumptions set for the main raw materials, supplies, fodder, fuel and energy and of achieving the quality indices and the production meant for exportation, without exceeding the production expenses, for which it receives a sum determined on the basis of the piece rates set per unit of product. All personnel of the unit are included in overall piecework--that is, the directly and indirectly productive workers, the foremen, the engineers, the technicians and the other categories of personnel, including the management personnel in the units and subunits who participate in fulfilling the plan indicators.

The sums due in overall piecework are established in direct relation to the physical output achieved, without being limited, both in the case of overfulfilling and in the case of not fulfilling the plan targets; they are awarded completely, regardless of the number of workers who composed the formation, if the conditions provided in the contract were fulfilled.

The overall-piecework contract is concluded for a calendar year, with the physical-output targets and the periods for awarding the pay rights being

established, through appendices to the contract, monthly, quarterly, per production cycle or annually, as the case may be.

The organizational levels at which overall piecework is applied in the agricultural units are: the crew or brigade, the formation led by a foreman, the farm and other units like them; the section, the production shop, the mechanization section; the service or processing sector, the production complex (zootechnical, sericultural, vegetable). Other levels: the factory or slaughterhouse in the state agricultural units; the state agricultural production unit (IAS's state agricultural enterprises), ISCIP's state enterprises for the raising and fattening of hogs, experimental teaching stations, hothouses and other such units), piscicultural enterprises, state and cooperative economic associations, agricultural mechanization stations; in addition, the research and production stations and other units with the status of an enterprise, agricultural production cooperatives and the farms within them (it is a question of the state-paid personnel), and the state and cooperative combined agroindustrial councils, the specialized county trusts (IAS's, SMA's agricultural mechanization stations and horticultural units), other units and subunits with agricultural activity.

Question What technical and organizational steps must the managements of the units take to achieve higher, efficient agricultural outputs in overall piecework?

Answer The proper application of overall piecework requires that in all units there be provided: the sensible allocation of the quantitative and qualitative tasks to the work formations from the unit's plan; the specification of the rates of consumption for seed, fodder and fertilizer and for the main materials, fuel and energy or of the material expenditures needed for achieving the contracted physical output; the establishment of the substantiated labor norms and personnel standards, for the directly productive and indirectly productive, service, repair and auxiliary workers and for the other categories of personnel; the proper correlation of the main indicators of the labor and labor-remuneration plan; the determination of the piece rates per unit of product or activity, prepared on the basis of the manual labor set by means of norms and standards for achieving each product, for all categories of personnel, in accordance with the organizational level at which the contract is concluded; compliance with the pay fund and the number of personnel planned, on the basis of the production planned, according to products, activities and so on, and of the consumption of manual labor set per unit of product; the supplying of materials, fodder, liquid fuel and lubricants, energy, various equipment, manpower and so on, needed for fulfilling the production tasks; the specification of the responsibilities that devolve upon the functional departments in applying overall piecework and carrying out strict supervision of the manner of performing the activity in overall piecework, with a view to providing the anticipated efficiency.

Question What elements does the overall-piecework contract contain?

Answer The overall-piecework contract is concluded, on the formation's behalf, between its head and the unit's head or the person delegated by him; at

the level of the unit, including the specialized county trusts, between the unit's head and the higher-ranking body; at the agricultural mechanization sections within the SMA, the contract concluded with the station is also signed by the management of the cooperative agricultural unit served, for assuming the responsibilities that devolve upon it in providing for the achievement of the physical output; at the CUASC [state and cooperative combined agroindustrial council], the contract is concluded with the county general directorate for agriculture and the food industry.

In the overall-piecework contract there are specified: the quantitative production task, expressed in physical units, in the assortment structure, and the terms of execution; the physical output for exportation, for all units and formations, respectively, with tasks in this field; the work formation, according to categories of personnel; the sum for paying the personnel in the formation, determined on the basis of the piece rates per unit of product or activity, calculated in accordance with the manual labor set by means of norms and standards; the conditions under which the stipulated physical output must be achieved and the percentages of reduction, according to categories of personnel, in the sum due for each percentage of failure to meet these conditions; the mutual obligations of the contracting parties for fulfilling the stipulated tasks.

The sum due the work formation in direct relation to the quantities of physical products achieved, the reduction that is applied in the case of failing to meet the stipulated conditions (which, in all, cannot exceed 10 percent of the sum determined), and the apportionment of the sums to the members of the formations are calculated monthly, quarterly or at the end of the cycle or the calendar year, as the case may be. The personnel who work in overall piecework receive monthly, in accordance with the law, an advance from the rights due for the work done or, as the case may be, from the base pay, including the management allowance, with the definitive rights being determined at the end of the stipulated period, in relation to the degree of fulfillment of the tasks assumed by means of the contract.

According to law, in the case in which, during the year, the higher-ranking body, together with the Bank for Agriculture and the Food Industry, ascertains that there is estimated a result in the planned agricultural output smaller than the proportion in which the advance was awarded, it will be reduced accordingly, beginning with the month in which these estimates were made, so that the pay fund due may be correlated with the physical output achieved.

12105

CSO: 2700/25

USE OF UNCONVENTIONAL ENERGY SOURCES IN AGRICULTURE

Bucharest AGRICULTURA SOCIALISTA in Romanian 13 Oct 83 pp 1, 4

Interview with Engr Ion Ivanoiu, deputy director in the Technical and Investment Directorate of the Ministry of Agriculture and the Food Industry, by Emilian Albulescu: "New Measures Regarding the Utilization of Unconventional Energy"; date and place not given

Text Question On the occasion of the working visit, on 13 May 1983, to the pavilion of the National Exposition in Bucharest, where some solutions regarding the utilization of biogas, methane gas and oil-well gas in machines utilized in transportation and in agricultural work were presented, Comrade Nicolae Ceausescu directed the specialists to concern themselves with increasing the cruising range of the means of transportation that utilize gases and made the recommendation that the solutions that have been reached be extended to interplant, construction-site, interurban, short-distance and freight transportation. In addition, the leader of our party and state asked the specialists and the responsible factors to continue the concerns in the direction of harnessing and expanding the utilization of new sources of energy (solar, wind and geothermal energy and the energy resulting from the production processes), with a view to sensibly managing all resources.

What is being done to fulfill these tasks?

Answer On the basis of the instructions received, a program has been drawn up regarding the utilization of methane gas, oil-well gas, biogas and methanol to run means of transportation, agricultural tractors, stationary motors and other installations that consume liquid and other petroleum fuels. According to it, there devolves upon the Ministry of Agriculture and the Food Industry the task of taking steps to proceed to adapt a large number of tractors to run on biogas, natural gas and oil-well gas, on the basis of the experiments that will be concluded in the fourth quarter of 1983, under the guidance of the CNST National Council for Science and Technology. The adaptation of the tractors will be done in the shops of the SMA's agricultural mechanization stations, in cooperation with the specialized enterprises within the MICM Ministry of the Machine Building Industry, from the documentation that will be provided by the Pitesti Institute of Higher Education, in collaboration with the Bucharest National Institute for Heat Engines, the Brasov Scientific Research and Technological Engineering Center for Tractors and the Bucharest Research, Design and

Technological Engineering Institute for Agricultural Machinery and Equipment. In order to provide the cylinders with gases under high pressure for agricultural tractors, according to the instructions given, the MICM, together with the MIM [Ministry of the Metallurgical Industry] and the MAIA [Ministry of Agriculture and the Food Industry], has the task of establishing, under the guidance of the CNST, the solutions and the organization of the production of cylinders for gases beginning with the first quarter of 1984. In addition, the compressors needed for bottling the gases are to be assimilated and made at a unit of the MICM in the first quarter of 1984, on the basis of the prototype that will be achieved and approved by the Pitesti Institute of Higher Education in the fourth quarter of 1983.

[Question] What savings will be achieved?

[Answer] Due to changing the stipulated tractors from diesel oil to biogas and gases, a savings of about 50,000 tons in 1984 and 275,000 tons in 1985 is predicted; the changing of means of freight transportation, including special work trucks, from the consumption of liquid petroleum fuels to the consumption of gases will lead to a savings of nearly 8,000 tons in 1984 and 9,000 tons in 1985; the matter of running on gases the diesel shunting engines utilized in the big food-industry enterprises and the enterprises for contracting for, purchasing and preserving agricultural products will lead to a savings of about 1,500 tons in 1984 and 3,000 tons in 1985; the replacement of liquid petroleum fuels with gases on the breaking-in and test stands for motors and vehicles in the MAIA network will result in a savings of 500 tons in 1984 and 600 tons in 1985.

[Question] At present, the processes of conditioning cereals and technical plants, of producing mixed feed and of drying vegetables and fruit consume big quantities of diesel oil and other petroleum fuels. What steps are being taken to reduce them?

[Answer] In these technological processes, the MAIA and the Department for Contracting for, Purchasing and Preserving Agricultural Products will take steps to replace petroleum fuels by the end of the first quarter of 1985, by adapting the installations to utilize biogas, oil-well gas collected in the area, solar energy and other local combustible resources at the units that possess such conditions. It is predicted that in this way the savings will total about 28,000 tons in 1984 and 32,000 tons in 1985.

[Question] Along with the expansion of the facilities for irrigation, the number of motor pumps that consume petroleum fuels will also increase. What will be done to reduce the consumption?

[Answer] The MAIA will take steps to reduce the consumption of petroleum fuels in irrigation by about 30,000 tons in 1984 and 50,000 tons in 1985, through the adaptation of the motor pumps to run on bottled natural gases or biogas, the utilization of electric motors, wind energy and water wheels, gravity-flow irrigation and so on.

[Question] How has the action started out?

[Answer] Within the ministry, coordinators have been established for each particular problem, coordinators who have begun to work on finalizing the research initiated for this purpose, performing the trials with a view to approval, and preparing the documentation.

The changing of 12 motor vehicles to gases is among the first achievements; solutions for increasing the cruising range by trying to use gases at higher pressures and for utilizing methanol are being sought. In this direction, continual contact is being maintained with the research institutes and the sectors that coordinate the activity in the economy under the direct guidance of the CNST.

Regarding the use of gases to run motor pumps equipped with heat engines, research is being done by the ICPITMUA [Research, Design and Technological Engineering Institute for Agricultural Machinery and Equipment]; it is working, concurrently, to replace diesel engines with electric motors and to find other solutions that would eliminate the consumption of petroleum fuels.

With a view to drying cereals with solar energy, we will take steps to expand the solution approved at the Oltenita ICAPPA [Enterprise for Contracting for, Purchasing and Preserving Agricultural Products]; in addition, a fodder-drying installation, which, after approval, is to be expanded, will be achieved at the Balotesti IBNA [expansion unknown].

We mention that solutions that are in testing for establishing the functional indices and the conditions for generalization were achieved at some units in agriculture and the food industry. In particular, the problem of altering tractors to be able to run on biogas concerns us--a problem regarding which we feel that the research has not yet provided definitive and viable solutions. As a result, the measures for testing motors with biogas under production conditions and for achieving the bottling stations must be intensified.

12105

CSO: 2700/25

SHORTCOMINGS IN HOUSING CONSTRUCTION DEPLORED

Bucharest ROMANIA LIBERA in Romanian 4 Oct 83 pp 1,5

/Article by I. Butnaru: "Housing Construction in the 1983 Quota"/

[Text] Housing construction is a basic element in the strategy of harmonious development of all localities as an essential factor for raising the quality of life to the level of the current requirements, and of course it has a priority in the activity of the people's councils. It should be noted from the start that this special effort is due to concern for a higher degree of comfort and for the highest possible living standard in continuous progress. And in support of this assertion it is sufficient to say that over two-thirds of the nation's population are now living in new houses and that the growth rate of the number of dwellings has surpassed that of the population and especially the qualitative factor of the annual increase in the proportion of apartments with more rooms in a suitable ratio with the present family structure, ensuring the latter's harmonious development under good material conditions. Let us also note that while in the middle of the last decade over a third of the apartments built had two rooms and those with three rooms barely exceeded 16 percent, in this decade the situation has been reversed, and that too while the number of apartments built has increased by 3 times. And finally the considerable increase in the useful space per person is also significant.

The party and state administrations and Nicolae Ceausescu in person pay constant attention to continued housing construction at a steady pace in this decade, so that in general the problem of dwelling space will be solved by the end of it in accordance with the party program by building about 2.5 million more apartments. Nicolae Ceausescu has analyzed this sector and repeatedly guided it in direct dialogues with the regional administrators, as on the occasion of the National Conference of Chairmen of People's Councils, with the builders, with the workers in the construction materials industry, and with the citizens, their beneficiaries, on working visits. Each time the party secretary general pointed out the existence of some major reserves that are still insufficiently exploited in this field. Moreover the necessity of concentrating efforts both in physical construction of the planned number of dwellings and in providing for their higher quality, from the elements of architecture and location in the environment to their finishings and equipment, requires a constant high standard on the part of all echelons. The people's councils, in their capacities as regional plan

administrators and decision-making authorities within their jurisdictions, have difficult tasks in implementing housing construction. A recent analysis of the results for 8 months of this year and of the capacities under construction, an exacting analysis in a constructive, critical and self-critical spirit which was organized by the Committee on People's Councils' Problems and in which the vice chairmen of the county people's councils participated, has permitted an exact evaluation of the stages reached, the successes and failures, the still existing defects, and the measures that were taken or must be taken from now on. It was found that the large volume of investments in this sector (about 16.5 billion lei invested by the people's councils) exceeds the plan task on the whole by more than 3 percent, and in construction-installation it was even exceeded by about 4.5 percent, about 74,000 apartments having been made available between 1 January and 31 August 1983. The reality of these important results (equivalent to those of an entire five-year period three decades ago!) is apparent at every step, since many of us are direct beneficiaries of some new housing space. The conclusion is that really immense construction is going on at an intensive rate and that more and more is being built better, more functionally and more beautifully. But in the spirit of the high standards we mentioned some shortcomings are also recorded. It was found, for example, that in the past two-thirds of this year the housing construction plan was not fulfilled in 14 counties, and greater shortfalls were found in Giurgiu (35 percent below plan), Mehedinti (27.3 percent below plan), Satu Mare (21.6 percent below plan) and other counties. Fulfillment of the physical plan in the first 8 months is very unsatisfactory in 22 counties and in Bucharest, as the apartments have been made available at unsatisfactory rates compared with 1982. To be sure the situation can be remedied in the last quarter of the year, but unfortunately that is unlikely because of the lags recorded in preparing the work load, since about 16,000 apartments in the people's councils' plans are still in the stage of laying the foundations! Over a third of them are in only two counties, Iasi (1,511) and Galati (1,068) counties, and in Bucharest (3,228), which will consequently have to make special efforts to recover the arrears. Not very different situations are also found in Prahova (650), Mehedinti (656), Hunedoara (600), Timis (626), Botosani (638), Harghita (519) and other counties.

Lags were also found in preparing the work load for next year. The number of apartments where operations have started (less than 33,000) is still insufficient and the progress is clearly unsatisfactory, since most of them are only in the stage of laying the foundations.

As for the final inspections of the dwellings, the analysis showed that an older transgression still persists, that of delaying them for various reasons, the most frequent and genuine of which is the builders' preference for going on to jobs that are more advantageous in regard to the volume and value of the operations that can be performed rapidly and with fewer men (such as excavations and foundations) and evading finishing operations of low value and involving much processing. And so it happens that out of the 181,000 and more apartments that were awaiting final inspection on 30 June 1983, less than 25,000 were inspected in the next 2 months (or a little more than an eighth!), and about 50 percent of the remaining ones were uninspected since the beginning of 1980! A great many of the apartments without final inspection, due on 31 August 1983, are in Dolj, Iasi, Hunedoara, Bihor and Mehedinti counties and in Bucharest city, and Arges and Tulcea counties are the only ones that have completed the inspections due. Since

the closing date for this action is very near (30 October 1983), the executive committees of the people's councils must consider it most urgent and take firm measures to complete it.

The analysis of these shortcomings brought out a number of causes, of which we recall the essential and more influential ones. Short of classifying them, we shall begin by pointing out that improper use of the existing material resources in the counties and especially of the prefabricating capacities affected the volume of constructions, as well as the late start in performing the tasks assigned by the party administration for finishing in the factories for reinforced concrete prefabricates for housing. This was accompanied in many cases by improper use of the equipment and resources in the inventories and of the maximum available working time, dispersion of the resources and labor force over too many worksites, expansion of the overall contract system to only 76 percent in this sector, the disorder and indiscipline still existing at many of the worksites, and waste. Accordingly it is primarily a matter of organizational defects. Therefore the people's councils can and must remedy matters immediately and decisively by measures of support and control at all construction sites in order to concentrate the forces and direct them rationally at each worksite and capacity on the basis of construction schedules and programs to recover the arrears. Pursuant to the Decree of the State Council on Application of the Overall Contract System of Remuneration and other methods of remuneration characteristic of some sectors or activities, the people's councils must take steps to organize the work thoroughly in order to secure growth of labor productivity, the quality of the operations, and observance of the deadlines. And finally, quality control must be tightened and legality and the pertinent regulations must be enforced. In other words a more efficient, more dynamic and more direct approach is needed that will bring about a greater sense of responsibility on the part of all forces and a better concentration on the local level. And last but not least the people's councils must use all strategic resources and possibilities of self-management to secure the citizens' most extensive and effective participation in the implementation of this priority program, which has a major social effect and in which we are directly and vitally interested. Moreover it is significant that the ones who produced notable results in housing construction were in the lead in the 1982 socialist competition among the people's councils. Analysis and regular control, determination of precise individual responsibilities, and especially exploitation of the entire existing local potential are what the people's councils must now set out to accomplish in this field which, as we said, is vital to the enhancement of the Romanian quality of life.

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BRIEFS

STRIKES IN MACEDONIA--In the past months of this year there have been 35 work stoppages in which 2,559 workers took part in the Republic of Macedonia. These resulted in the loss of 9,810 work hours. Thus, there have been 25 more strikes than last year and 34 percent more participants, while the number of lost working time increased 9.4 percent. Most stoppages were in work organizations in material production which have been operating at a loss or on the border line of profitability for a long time. [Excerpt] [Belgrade RAD in Serbo-Croatian 28 Oct 83 p 8]

UNEMPLOYED WITHOUT INCOME--What do the unemployed live on? Last year (as of 31 December) 53,000 of the 107,000 unemployed had not accumulated any work service time so they had no right to monetary compensation, one-quarter of the unemployed had no income (either from agriculture or from the job of a close family member), and 78 percent of the unemployed had no land or were not a member of an agricultural household. Thus, if last year 25.6 percent of all unemployed had "no income," (and this percentage has continued to the middle of this year), what are they living from? It is very probably they are getting help from parents, living with parents, etc--but there are no statistics on this. It is known, however, that most of those "without income" are workers with a low level of education and the semi-skilled (35 percent of those without income), followed by the completely unskilled and those with advanced education. [Excerpt] [Belgrade RAD in Serbo-Croatian 28 Oct 83 p 24]

EXPORTS OF MEAT--In the first 9 months of this year \$272.5 million worth of livestock, meat, and meat products were delivered to foreign buyers, or \$65.9 million less than in the same 1982 period. Of this amount, \$238.8 million were exported to the convertible currency market and the remainder to the clearing account area. The most important buyers were Italy, Greece, the United States and Jordan, which countries purchased \$160.6 million worth of goods. The decline is the result of the fall in world meat prices and also reduced export of our most lucrative items--live young beef cattle and horses. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 27 Oct 83 p 1]

COOPERATION WITH USSR--A Soviet delegation led by Boris Vladmirovic Baljmondo, Minister for Tools and Machine Tools, recently visited the Prvomajska enterprise in Zagreb which delivers to the USSR much of its production, largely milling machines, turret lathes and several kinds of special machines. Contracts have been signed for delivering \$3.2 million worth of goods in 1984 and \$2.3 million worth of goods in 1985; but it is now expected that these amounts may increase. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Oct 83 p 3]

EURO-SIBERIAN GAS PIPELINE--The Yugoslav organizations working on this gas pipeline are completing the first compressor station in Gornozavodsk. The remaining two stations will be completed the beginning of next year, despite certain difficulties. The quality of work on all three compressor stations has been judged as very good. Preliminary discussions have started on expanding Yugoslav participation in building this gas pipeline. An agreement in principle has been reached for Yugoslav organizations to build six more compressor stations valued at about \$250 million. The problems of lodging and supplying the approximately 2,000 Yugoslav workers under the exceptionally harsh weather conditions there are being gradually overcome. Because of imprecise contracts and frequent delays in delivering Soviet reproduction materials and equipment, as well as some subjective weaknesses in organizing and coordinating workers, problems arose which contributed toward extending the construction deadlines. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Oct 83 p 3]

END-OF-YEAR EXPORTS--By the end of this year the value of exports to the convertible-currency market should amount to \$6 billion. Although this is \$400 million below the plan, this volume of exports can be considered substantial, according to statements made at the 25 October meeting Milenko Bojanic, federal secretary for foreign trade, had with the presidents of corresponding organs of republics and provinces. The plan to increase exports to this market 21 percent over last year is not being fully attained in most of the republics and provinces. Nevertheless, the coverage of imports by exports is considerably improved and the trade deficit reduced. Next year about the same rate of increase is planned for exports. Republics and provinces have listed items they want to import next year, the value of which now totals \$1.3 billion. However, it was said such imports cannot exceed \$1 billion. [Excerpt] [Belgrade BORBA in Serbo-Croatian 26 Oct 83 p 1]

INDEBTEDNESS OF UNDERDEVELOPED AREAS--The level of indebtedness of the economies of the inadequately developed republics and provinces in 1982 was considerably above the Yugoslav average, with the economy of Montenegro having the highest level of indebtedness, followed by the economy of Kosovo. This means that the funds for investment from current income were largely used to pay off obligations arising from investment credits. The share of interest (being paid on credits) in income earned is some indication of their high indebtedness: in Montenegro this percentage was 14.6, in Macedonia 12.8, and in Kosovo 12.2. The following regions were above the Yugoslav average level of indebtedness based on foreign credits (not including short-term credits) by the percentages indicated: Bosnia-Herzegovina 19.6, Montenegro 80.6, Macedonia 36.5, and Kosovo 168.2. In 1983 the level [in percentage] of indebtedness as regards foreign credits and short-term credits of Bosnia-Herzegovina is 94, Montenegro 139.4, Macedonia 96.0, and Kosovo 242.4. [Excerpt] [Belgrade KOMUNIST 14 Oct 83 p 14]

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