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FOREIGN TRADE AND THE PROSPECTS FOR  
POLAND'S ECONOMIC DEVELOPMENT

By Maciej Deniszcuk

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FOREIGN TRADE AND THE PROSPECTS FOR POLAND'S  
ECONOMIC DEVELOPMENT

[Following is the translation of an article by  
Maciej Deniszczyk in Handel zagraniczny (Foreign  
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pages 514-517.]

Work on the economic development plan for the years 1961-1965 has now entered the last stage preceding the discussion in the Sejm (parliament) and the enacting of suitable legislation by the Sejm. However, the planning and research work concerning the development over a longer period of time will not be completed at this stage, for, as is known, further work is being done on a perspective plan to 1975.

Lately the results of two-year's work in this field were summed up (for the second time), and contained both the guiding principles for the 1961-1965 plan (adopted by the Third Congress of the PZPR [United Polish Workers' Party]), as well as forecasts for the economic development of Poland in the two following five-year plans. It is necessary to explain that the five-year plan has the character of a directive plan, while the 15-year plan has for its task the presentation of an economic development plan for Poland in a wider, with regard to the time span, perspective. Planning for such a long period is important in those branches of the economy in which the investment cycle lasts five or ten years or even longer (particularly in mining), and in those fields which demand a long-range program for natural reasons (for example, forestry). In adopting the goals (for example, the achievement by 1975 of a standard of living comparable to that of the highly developed West-European countries) the tasks of the five-year plan are to be a part of a wider perspective in the development of particular parts and branches of the national economy.

What place do the issues and assumptions bearing on the development of Polish foreign trade have in this perspective plan? The answer to this question is the object of these considerations.

The assumptions bearing on foreign trade fulfill two functions in the actual version of the perspective plan. First, the score of the balance of payments as an integral part of the synthetic balance of the national economy will be one of the controlling elements making it possible to test the inner harmony and

co-ordination of particular parts of the plan. Secondly, the perspective plan of foreign trade will be, to some degree at least, an upshot of the investigation and studies undertaken previously on the perspectives of the development of certain goods' markets.

We shall deal here mainly with the discussion of the basic problems resulting from the first of the encompassments of the plan for foreign trade.

In the present phase of the planning work equilibrium is obtained -- in contrast to the results achieved last year -- in the payments balance for the year 1975 ([Note:] see Handel Zagraniczny No 9, 1958). This does not mean that a solution is achieved permitting the liquidation of the role of the payments balance as a restrainer on the general economic development, for the particular factors limiting the development of the Polish economy in the perspective of the 15-year plan find their final expression in the balance of payments.

There is no doubt that the basic factors limiting the rate of economic growth are the possibilities of developing the raw material base and the possibilities of developing organizational and technical ability. This reduces itself to the problem of mastering technical progress in the particular fields of production ([Note:] see Nowe Drogi No 8, 1959).

Inasmuch as the first factor makes itself felt on the growth of the import needs and the diminishing of the bulk of exports, the second factor causes limitation of export possibilities. It is clear that here enter exterior factors lying outside the direction of changes in the Polish economic structure.

According to the above-mentioned guiding principles of the perspective plan, the turnover of goods will increase in relation to 1960 as shown in Table 1.

Table 1  
(in 1958 prices)

Period	1960	1965	1970	1975
Total turnovers	100	135	170	207
Import	100	127	161	198
Export	100	145	180	217

The expected growth in the turnover of goods is slower than the growth in national income, which means that the share of foreign

trade in the creation of national income will not increase. We shall return to this later; here we shall present data bearing on the average yearly rate of growth of goods turnover in certain five-year periods and for the entire 15 year period (Table 2).

Table 2 (in percentages)

Period	1955-1960	1960-65	1965-70	1970-75	1960-75
Import	3.7	4.9	4.9	4.2	4.7
Export	4.6	7.8	4.4	3.9	5.3

However, the analysis of the growth of rate of the turnover of goods is not the most essential in the mentioned scope of the plan. It is to be kept in mind that the turnovers presented encompass only to a certain degree the results of the division of labor in the foreign branch (between Poland and the other socialist countries). These presented turnovers are, in the main, based on an evaluation of the magnitude of goods imported and exported with a balance foundation. It is justifiable, therefore, to assert that with the widening and deepening of the international division of labor (this process will pick up in the next five-year plan), there ought to be a significant growth in the level of goods exchange.

It is also necessary to make clear that in connection with the growth of the share of income from transport services (sea and railroad), it would be incorrect to compare the rate of growth in goods exchange with the rate of growth of the national income. [See Note]. Independent of this, there is an assumption of a conscious increase in an independence from imports in fields of the national economy where this is possible (by avoiding ineffective investments). This is also necessary in view of the prospects for developing markets for certain raw materials.

([Note:] A correct evaluation of the share of the transport value in both total and net production will require the carrying out of suitable accounting conforming the methods of transport between the different branches of the economy. The fact is that the arrangements of given statistics are not suited to the requirements of such an accounting, and such an analysis is complicated; nevertheless, work in this field has started.)

We shall now turn our attention to the structural changes in the exchange of goods; these changes are definitely a result of the corresponding assumptions bearing on the development of the parti-

cular fields of the economy.

The export and import structure of goods in the basic groups resulting from the estimate of the import needs and export possibilities is presented in Table 3.

Table 3  
comparative prices  
(in percentages)

Period	1955	1960	Export		
			1965	1970	1975
Total	100	100	100	100	100
Machines, equipment, and transport implements	13.7	29.5	33.6	43.4	47.1
Raw materials, semi-finished goods and fuel	63.1	46.9	36.1	36.1	32.2
Food and food raw materials	15.8	18.4	18.2	16.3	16.6
Industrial con- sumption articles	7.4	5.2	4.6	4.2	4.1

Table 3 (continued)  
same as above

Period	1955	1960	Import		
			1965	1970	1975
Total	100	100	100	100	100
Machines, equipment and transport implements	38.9	25.8	28.5	26.6	24.3
Raw materials, semi-finished goods and fuel	45.2	54.2	53.0	53.4	53.8
Food and food raw materials	11.9	14.0	13.3	15.0	17.0
Industrial con- sumption articles	4.0	6.0	5.2	5.0	4.9

Before we pass to a more detailed discussion of the structure of future good-turnovers against the background of the development of particular divisions of the economy and particular branches of production, it is necessary to indicate certain precursors of a general nature.

In the first place, it is necessary to turn our attention to the fact that during the period of the coming 15-year plan, greater shifts will occur in exports than in imports.

The basic shift in the structure of imports dependent upon the diminishing of the investment share in raw materials, semi-finished goods, and food will take place in the current five-year plan. In the following five-year periods the decline in the share of machines, equipment, and transport implements in the total import value will be insignificant; instead, more basic shifts will take place within the group of raw materials and semi-finished goods, as well as within the group of comestibles and agricultural raw materials.

In exports on the other hand, the changes will be more basic. The development of machine exports was only begun in the current five-year plan; this is expressed in the increase of this group of goods in the total export value (because of the lower starting point in 1955, the dynamics of the development of this group is high -- a 22% yearly average). At the same time the fall relative to 1955 in coal exports will be the main cause of the decline in the share of raw materials and semi-finished goods in the export structure. The growth in the export of investment equipment in the years 1961-1965, compared with the much slower import growth of the same goods, will permit the achievement of a surplus in exports over imports in this group.

Considering the importation of raw materials, semi-finished goods, and fuel, the structural shifts in this import group will be a consequence of the changes in the development of a native raw materials base (including substitute raw materials,) as well as of the further development of the transportation industry based on imported raw materials.

The expected changes in the structure of this group of goods is presented in Table 4.

Table 4  
(1958 prices (in percentages))

	1955	1960	1965	1970	1975
Total of raw materials, semi-finished goods, and fuel	100	100	100	100	100

in this:

Iron ore	11.4	13.2	15.2	16.2	16.1
Mining products	4.6	8.7	6.6	4.4	4.6
Colored metals (together with ores and concentrates)	8.9	10.4	10.9	9.7	7.0
Chemical articles and raw materials (except artificial and synthetic fibers)	8.9	9.3	6.7	5.6	5.5
Lumber	0.4	1.3	1.8	3.5	5.0
Procelain	14.9	13.3	13.1	12.0	11.0
Wool	7.3	6.8	5.0	6.6	7.4
Other fibers	3.6	4.4	3.7	3.2	4.0
Raw materials for fertilizers and chemical fertilizers	4.3	3.8	4.9	5.5	6.3
Petroleum	2.4	2.1	7.8	9.5	13.6
Others	33.3	26.7			

The changes shown in Table 4 together with the more general presentation in Table 3, are a confirmation of the assumptions discussed above.

Iron ore, lumber, and petroleum are raw materials whose share in the total value of the group's imports will increase considerably. As far as iron ore is concerned, the assumed growth in its importation will be a result of the corresponding growth in steel production (to increase by about 120% when compared with

1960), as well as a result of limitations in native mining development. The expected introduction of modern technology in steel smelting will lessen the need for steel ore and will permit a more convenient use of this import.

In the field of liquid fuels, the structural changes are based on the assumption of a complete covering of internal needs based on oil refined in the country (the first refinery will be ready during the period of the next five-year plan); the increase in the need for oil products is clear as a result of the expected developments in motorization, the mechanization of agriculture, dieselization of railroads, the development of the fleet, etc. [See note].

([Note:] Concerning the share of liquid fuel in the fuel balance, the assumptions have taken into account the fact that the energy situation in Poland differs basically from the situation in a number of other countries; there is still a lack of real indications of an increase in oil extraction in the country).

The importation of lumber will increase to important levels. This will result from restraining wood felling and improving reforestation, as well as an increase in the stocks of lumber. Consideration of the lumber balance takes into account the savings which will be effected in use of wood, substitution of wood for other raw materials (steel, tworzywa), used lumber, and scrap. Lumber economy, in view of the import curtailment, should become an object of constant attention, and the search for economically sound substitutions for this raw material should be steadily carried on.

A certain increase in the share of exports is shown by the group of artificial fertilizers and raw material for fertilizers. This increase is a consequence of the growing need of fertilizers in agriculture; fertilizer production, because of a lack of materials in the country, must depend on imports.

The decline in the share of colored metals imports is connected with the development of a raw material base in the country, primarily the mining of copper and aluminum.

The decline in the share of imports of one of the most important groups of goods, fiber raw materials, is a result of the assumptions bearing on the development of a native industry for artificial and synthetic fibers. The anti-import character of the chemical industry is shown in the declining of chemical products and raw materials imports; it is further expected that some of these chemical materials which were imported up to now, will find themselves during the period under consideration on the export list (Indian rubber, mass plastic, sulphur). It is possible, however, to believe that the total volume of chemical imports will increase.

An important structural shift may occur in the group of agricultural raw materials and food products. The import of grain will increase only slightly, so that in 1975 it will be only 36% of the total for the group, whereas in 1955 it was over 60%. In connection with the basic improvement in the consumption structure, the import of fruits (especially Southern fruit), coffee, tea, and cocoa will increase considerably, so that they will comprise 30% of the group in 1975, as against 18% in 1960 and 8% in 1955.

The structural changes in exports of the group of raw materials, semi-finished goods, and fuel which will occur in the period of the perspective plan are characterized by a decline in the export of coal, the surplus character of the export of mine products, and strong dynamics in the export of chemical raw materials and products. The export structure according to the assumptions of the perspective plan is presented in Table 5.

Table 5  
1958 prices (in percentages)

	1955	1960	1965	1970	1975
Total	100	100	100	100	100
in this:					
coal, brown coal, and coke	74.2	54.6	48.1	41.0	38.1
mining products	6.1	18.4	19.0	25.6	28.5
zinc and zinc products	4.2	4.2	4.1	3.4	2.9
chemical raw materials and products	3.3	7.0	10.7	14.2	18.2
remaining	12.2	15.8	18.1	15.8	15.0

The decline in exports of hard fuel as shown in the table is, as has been mentioned, a result of the expected decline in coal mining. Independent of this, the prospects for Polish coal exports are also dependent on changes which will take place in

European markets during the period of the plan.

The increase in the use of liquid fuels will further decrease the need for Polish coal, despite the fact that the need for fuel as a whole will increase in both Western Europe and the European countries of the people's democracies.

The above is behind the export shift tending to increase the exportation of energy-absorbing goods. This will find an expression in the expected increase of mining products, as well as chemical products and raw materials. The export of these two groups will increase considerably, compensating at least partially for the decline in coal exports.

The fall in the share of zinc exports is the result of a sharp decline in its export. Despite a planned maximal use of native raw material sources (use of zinc from ruins, development of calamine mining), the development of zinc metallurgy will still depend on imported zinc concentrates. In connection with the plans of the suppliers of zinc concentrate to Poland -- an increase of their own zinc metallurgy and a decrease in exports of concentrates -- the zinc metallurgy has limited possibilities of developing production for export.

External factors will also influence and cause structural changes in the export of agricultural goods and comestibles. These changes are shown in Table 6.

Table 6  
(in percentages)

	1955	1960	1965	1970	1975
Export of agricultural goods and comestibles -- total	100	100	100	100	100
in this:					
Meat and meat products including animal fat, eggs, butter, and sugar	73.6	72.4	75.0	67.3	58.6
Remaining	26.4	27.6	25.0	32.7	41.4

Difficulties are expected in extending the market for articles which until now formed the basis for Poland's export of agricultural goods and comestibles (most animal products and sugar); the export of other articles, however, will increase (first of all, products with a high degree of transformation, such as fruit preserves, vegetable preserves, potatoe products, sugar goods, vodka and alcoholic beverages, plant seeds, fish, and poultry). The expected difficulties in extending the market for the traditional articles of Polish export are caused by the trends in production and consumption, mainly in Western Europe. It is understandable that the direction of development in the production and consumption of agricultural products in Poland will in the future be close to the corresponding development in industrialized countries. It is therefore difficult to predict an export surplus in those products whose sale on world markets should be easier (for example beef).

The expected structural shift in agricultural exports will mean an increase in the assortment of these goods; this will require organizational efforts in acquiring new markets. As is seen from the data in Table 3, the main effort in the perspective plan lies in the direction of increasing the machine industry for export. The achievement of the goal of raising the export of machines to 47% of the total value of exports by 1957 can be achieved by fulfilling certain conditions.

The first of these conditions will be the development by Poland of those divisions of export-machine industrial production which already today forms the object of our specialization within the framework of the existing division of labor among the member-countries of the RWPG (Council of Economic Mutual Assistance). These products are: sea vessels, rolling stock, certain industrial complements, certain kinds of machine tools, and others.

The further development of the international division of labor will no doubt create favorable conditions for a widening in the specialization of export goods. The search for opportunities in this field should be made in the direction of developing the production of those articles where the investment of labor is much greater than the investment of materials; for example, radio and tele-technical implements, automation equipment, and electric machines. Although these products should not exceed the directions of the new Polish specializations, their development will be basic to a realization of a fast growth in the export of machinery. The introduction of new technical ideas in general, and in this field in particular, may assure a market for the articles of the Polish machine industry.

The fast development in the export of investment equipment, and the preliminary agreements between Poland and other socialist countries, bearing on the exchange of goods until 1965, are toge-

ther with the assumption discussed above, the basis on which brave expectations can be adopted.

In finished articles, i.e., articles for consumption purposes, there is expected a relative fall in exports. This does not mean a curtailment in the export of consumption goods (in machine exports an increase is expected in durable consumer goods), but a shift in the structure of this group. The shrinking in imports of fiber raw materials, the relative unprofitableness in the export of fiber goods, the necessity to assure internal needs, and the expectations of a general shrinking of markets will cause, in the main, the liquidation of fiber exports. It is possible, however, that this assumption may still be revised, for a complete resignation from the fiber markets is undesirable.

However, not all possibilities are foreseen in the present phase of work on the perspective plan; there may still be possibilities in the exportation of furniture, ceramics, glass, and perhaps confections.

In the development of this export field, many internal factors should be utilized; for example, the high level of Polish plastic and the supply of labor in certain regions of the country.

The foregoing discussions have certainly not exhausted the theme of the perspective plan, particularly in such a complicated field as international exchange. They permit, however, a general orientation in the main directions of economic development and the resulting consequences in the plans for foreign trade. To a great extent, these changes will be a continuation of the direction begun with the process of Polish industrialization in the six-year plan and in the current five-year plan.

There is, however, no doubt that this process will in the future be characterized by a stronger effort to tie the Polish economy with the foreign market and primarily with the economy of the other socialist countries. Poland and the other countries which have entered into the composition of the socialist market perform the main part of their turnovers within this market, furthermore, there has been a general increase in the international socialist division of labor. These facts cannot fail to influence the future development of the economy.