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RFE RESEARCH AND EVALUATION DEPARTMENT

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Background Report

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POLAND OPTS FOR DOLLARS

Problems of foreign trade, and particularly of trade within the framework of Comecon, are currently commanding considerable attention in the Polish press. The dissatisfaction with which the Gomulka regime views the Comecon organization is once again being vigorously asserted. Now however the official press has taken a step further and has obliquely criticized the Soviet Union's practices as being particularly obstructive to efficient trade relations among socialist nations. The threat which the Common Market poses to the East European economy is also being emphasized.

Essential Exports

Polish foreign trade is currently expanding, but not with the proper balance between exports and imports, not always with the proper partners or in the most essential commodities, according to the official press.

Where essential commodities are concerned, the daily "Zycie Warszawy" (February 13) points out that although the tasks of the Five-Year Plan for 1961 were exceeded by ca. 2.5 per cent, the export of such a major commodity as machinery fell short of the 1961 plan to the sum of 50 million foreign exchange zloty.

That the value of Polish exports in 1961 was in excess of the plan can be accounted for by the enormous increase in food exports (35 per cent) over 1960. However, the export of foodstuffs cannot always be expected, for meteorological reasons alone, to offset shortcomings in the export achievements of more durable commodities. The progress of machine exports for 1962 is still running behind the Five-Year Plan.

Comecon Criticized

The "Zycie Warszawy" article, which is actually a summary of some remarks on the subject of exports made by Foreign Trade Minister Witold Trampeczynski, indirectly lays part of the blame for the unfulfillment of the 1961 machine export plan on the doorstep of Comecon:

"The growth of the export of machines is slower than envisaged in the Five-Year Plan. The difference between the achievements and the planned quotas amounts to the not inconsiderable sum of more than 50 million foreign exchange zloty. All this difference applies to our export to the socialist countries."

"Zycie Warszawy" maintains that the reason for the failure to meet the export plan for machinery was a "result of difficulties in getting adequate machinery from our industry". But why was the export plan to the West fulfilled, while Comecon obligations were not met? Hard currency is very important, but so is, or should be, the Council of Mutual Economic Assistance - at least to its socialist members. The answer would seem to be that the Polish regime is somewhat dissatisfied with the development of Comecon to date. Also it would appear that the regime would prefer to do its business on a normal cash basis with the West. It is often the case that if production of a given commodity fails to keep pace with the export plan, it is the Comecon countries which have to make do with less. Even when Polish production is high, as in the case of food in 1961, exports continue to make their way mainly toward the West. Fully 90 per cent of last year's production of foodstuffs for export was sold to Western nations.

#### The USSR Criticized

The Gomulka regime has openly registered its dissatisfaction with the Comecon organization on a number of occasions during the past two years, but only recently has it elected to single out some of the practices of the Soviet Union as an obstacle to smooth trade relations among the socialist nations. An article in "Tygodnik Demokratyczny", the organ of the Democratic Party (the issue for the week ending February 20), takes the USSR directly to task:

"This exchange (of consumer goods) enables us first of all to offer our partners the surplus goods of our production and market in exchange for goods which are in demand in our country. However from time to time this commercial exchange encounters obstacles which ought to have been overcome and removed long ago. The fact that these obstacles still exist is the result of the tardiness of certain links of our commerce and of one of our partners. It was impossible, for example, to sign a contract for several thousand TV sets ordered in the USSR, because the instructions for the maintenance of these sets were printed in Russian. The representatives of our commerce, defending a correct principle, demanded instructions in Polish."



"Tygodnik Demokratyczny" offers other examples of obstructions to effective Polish-Soviet trade relations. In one case, Polish officials are charged with obfuscation and delay. The larger measure of blame is, however, reserved for the Russians:

"The mutual exchange of market goods between the socialist countries has an important economic and political meaning. In spite of a considerable amount of initiative shown by our ministries of internal and foreign trade, this exchange is not exploited in full."

### Wage Policy Criticized

According to estimates from a Politburo report to the Polish Central Committee in November of last year, the Polish foreign trade deficit in 1961 amounted to something like 550 million foreign exchange zloty. According to the "Zycie Warszawy" article cited earlier, the reason for the current absence of dynamics in exports cannot be wholly ascribed to Comecon difficulties. The wage squeeze, which has been particularly tight in recent months, is apparently impeding progress in the production of commodities for export:

"All the difficulties encountered by the enterprises in the implementation of export goals should be removed. These are first of all difficulties in obtaining supplies both from national and foreign sources (in certain cases). Then there are difficulties connected with employment and wage restrictions. These restrictions are not adapted to export needs and, if they are not modified elastically enough, they hamper the implementation of export tasks."

"Tygodnik Demokratyczny" takes the same view:

"It would appear that all possible incentives and means should be mobilized to overcome industry's self-appeasement and to attain again a quick progress in export production."

### The Threat from the "Economic Commonwealths"

The Polish press contrasts the ineffectuality of Comecon with the vigor of the West European markets. "Zycie Warszawy": "Within the framework of the 'economic commonwealths' of the capitalist countries, the exchange of articles manufactured by those countries is larger and much more effective (than ours)." But not only is West Europe presently a better trader than Comecon, it poses a very definite threat to the future of socialist bloc exports. As the Common Market takes more and firmer decisions, and as restrictions begin to mount against

outsiders, the socialist camp will have to look for a reorientation in its trade structure.

First of all, the socialist countries will have to learn to trade among themselves. In the future they will not always be in a position to turn their backs on Comecon and be free to sell to the West. They will not always be able to export huge quantities of foodstuffs, once tariff barriers are raised and once West Europe becomes more self-sufficient in this area. The production of capital plant and machinery will have to be increased and maintained on a high standard of quality. "Zycie Warszawy":

"... we should look for new markets, we should raise the quality of goods, we should adjust our products more to the requirements of foreign importers, etc. The extension of the export of goods which will be less affected by the integration processes should bring about very important results. Machines and durable goods belong to this group of goods... The integration of West Europe is a fact today."

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