

*CCP*

**CENTRAL INTELLIGENCE AGENCY**

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

**S-E-C-R-E-T**

25X1

**COUNTRY** Poland

**REPORT**

**SUBJECT** Publication of the Polish Ministry of Foreign Trade: Information Bulletin, Issue No. 12

**DATE DISTR.**

**BY FFB**

**NO. PAGES**

1

**REFERENCES**

RD

**DATE OF INFO.**

**PAGE & PAGE ACQ.**

25X1

25X1

**SOURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.**

[Redacted]

English translation of a publication entitled Information Bulletin, Issue No. 12, put out by the Polish Ministry of Foreign Trade

2. The contents of the document as taken from Page 1 of the Bulletin are as follows.

25X1

Report of Minister of Foreign Trade W. Trampczynski on "The Foreign Trade Plan for 1958 in the Light of Fulfillment for the First Five Months, and Export and Import Tasks for the Remainder of the Year"

**Discussion**

Comments of Deputy Ministers and Departmental Directors of the Ministry of Foreign Trade

Comments and Discussion by Chiefs of Missions

I. Evaluation of the Recession in Capitalist Countries

II. Export

- A. Capitalist Countries
- B. Socialist Countries

III. Import

IV. General Problems

V. Prospects of O&T Trade

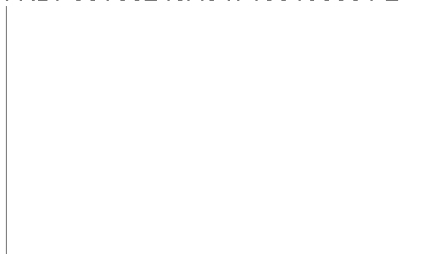
Conference Summary

[Redacted]

25X1

[Redacted]

**SECRET**



**INFORMATION BULLETIN OF THE MINISTRY OF  
FOREIGN TRADE  
for chiefs of Polish trade missions abroad**

**Warsaw, 26 July 1958**

**No 12**

**PAGE**

**FROM THE EDITORS**

**REPORT OF MINISTER OF FOREIGN TRADE W. TRAMPCZYNSKI  
ON "THE FOREIGN TRADE PLAN FOR 1958 IN THE LIGHT OF  
FULFILLMENT FOR THE FIRST FIVE MONTHS, AND EXPORT  
AND IMPORT TASKS FOR THE REMAINDER OF THE YEAR"**

**DISCUSSION**

**COMMENTS OF DEPUTY MINISTERS AND DEPARTMENTAL  
DIRECTORS OF THE MINISTRY OF FOREIGN TRADE**

**COMMENTS AND DISCUSSION BY CHIEFS OF MISSIONS**

**I. EVALUATION OF THE RECESSION IN CAPITALIST COUNTRIES**

**II. EXPORT**

- A. CAPITALIST COUNTRIES**
- B. SOCIALIST COUNTRIES**

**III. IMPORT**

**IV. GENERAL PROBLEMS**

**V. PROSPECTS OF OUR TRADE**

**CONFERENCE SUMMATION**

**Edited by a board.**

**Published by the Press and Information Section of the Ministry of Foreign Trade  
Warsaw, ulica Wiejska 10, Room 21, telephone 2103, extension 373**

**SECRET**

FROM THE EDITORS

In accord with the announcement in the previous issue of the Information Bulletin, this issue is exclusively dedicated to the conference of chiefs of foreign trade missions which took place on 23 and 24 June 1958. This number of the Information Bulletin includes the following:

1. Report of Minister of Foreign Trade W. Trampczynski on the subject, "The Foreign Trade Plan for 1958 in View of Fulfillment for the First Five Months, and Export and Import Tasks for the Remainder of the Current Year." This address was given on the first day of the conference.

2. Comments and discussion by members of the management of the Ministry of Foreign Trade and departmental directors supplementing the report of the Minister.

3. Comments and conclusions reached during the discussion by chiefs of foreign trade missions.

The information and recommendations addressed to the foreign trade missions which was included in the previous issue of the Bulletin should also be considered as part of the total reporting on the conference, although this was not included in the report nor was it definitively discussed during the conference. The above-mentioned information and recommendations were made by interested organizational units of the Ministry.

The information included in this and the previous issue of the Bulletin will enable readers who did not take part in the conference to fully orient themselves with the problems discussed.

- 1 -

SECRET

At the same time, participants in the conference will receive an organized and systematized compilation of the essential problems discussed at the two-day conference.

On 23 and 24 June the Ministry of Foreign Trade in Warsaw was the scene of a conference of chiefs of its European foreign trade missions. In addition, the chiefs of the following non-European missions were invited to attend the conference: Canada, Turkey, Egypt and China. The basic subject of the conference was the fulfillment of the Foreign Trade Plan for the first five months of 1958, and the export and import tasks remaining during the current year. The basic report on the above subject was delivered by Minister of Foreign Trade Professor-Doctor W. Trampczynski. It was the job of the chiefs of the trade missions during the discussions to explain the market situation in the countries in which they were stationed, with special emphasis on export and import problems.

The comments and recommendations on the part of the individual interested organizational units of the Ministry were reported in previous issues of the Information Bulletin. This type of presentation of recommendations and conclusions was dictated by the necessity of leaving more time for discussion and for concentrating attention on the basic subject of the conference by the participants. This eliminated separate reports from each department.

Members of the Ministry management and departmental directors also took part in the discussions on the report of the Minister, and their comments constituted a supplement to the basic report. Because of the nature of these comments they are organized thematically in the sections devoted to discussion.

- 2 -

SECRET

REPORT OF MINISTER OF FOREIGN TRADE W. TRAMPCZYNSKI ON THE  
FOREIGN TRADE PLAN FOR 1958 IN THE LIGHT OF FULFILLMENT  
DURING THE FIRST FIVE MONTHS, AND  
EXPORT AND IMPORT TASKS FOR THE REMAINDER OF THE YEAR

Tasks for 1958 [the National Economic Plan and Decree No 74/58 of the  
KERM (Economic Committee of the Council of Ministers) of 27 December 1958]

In discussing the Foreign Trade situation on the basis of the still tentative results for the period January-May, I consider it worthy to recall the tenets of the National Economic Plan for 1958 in the foreign trade sector. I would also like to present the evolution of the plan as a result of the development of a different world market situation than that existing at the end of last year, that is at the time that the National Economic Plan was prepared for the current year. A supplement to the plan was formerly expressed in Decree No 74/58 of the KERM of 27 March 1958, concerning supplementary means for improving the payments situation in foreign trade for 1958.

The National Economic Plan imposed a difficult task on the Ministry of Foreign Trade. Imports, which increased 22 percent in 1957 over 1956, or to 5 billion foreign exchange zlotys from 4.1 billion, were slated to remain at not much lower a level during the current year, or at more than 4.7 billion foreign exchange zlotys. Exports however, which last year (in current prices) showed no increase over 1956 and therefore remained static for two years and even fell in comparative prices, were slated by the National Economic Plan for 1958 to increase only slightly, from 3.9 billion zlotys in 1957 to 4 billion foreign exchange zlotys in 1958.

~~SECRET~~

Although it is true that in the plan for the current year the unfavorable trade balance is decreased to 680,000,000 zlotys as compared to more than 1.1 billion zlotys in 1957, or less by 420,000,000 zlotys, this deficit nevertheless is a difficult problem in our payments balance and effects the flexibility of our import and export policy. We must remember that the more than one billion zloty deficit in our foreign trade balance in 1957 was covered 100 percent by increasing our obligations abroad, wherein our short term credit obligations abroad doubled last year to a total of 212.6 million foreign exchange zlotys, which constitutes more or less the total amount of our quarterly receipts from our free currency exports. Therefore, we began 1958 with much greater obligations in our payments balance than we had in the beginning of 1957. The fact that the above increase in our debts equalled our trade deficit, confirms the fact that the balance of our non-commodity trade does not influence our payments situation. There cannot be any [net] income from services in our trade with socialist countries and where we had a credit balance at the end of the year, when [at the same time] in our trade with the capitalist countries we have payments on long and short term credits to be made and where we have a debit balance in services. Therefore, the formation of the trade balance is of decisive significance to our payments balance, especially the volume of exports which can limit possibilities of import. Aside from the large deficits in our trade balance set by the plan, additional difficulties also appeared stemming from the unfavorable development of the competitive situation in goods exported by Poland, primarily in coal, zinc, rolled goods, sugar, butter, bacon, hams, woolen fabrics, and a number of other commodities. The prices for these commodities dropped significantly, and moreover difficulties were encountered in selling the planned quantities on the capitalist market. This particularly applies to coal, where customers have been hesitating in accepting even amounts they have contracted for.

~~SECRET~~

**SECRET**

I will return to this essential problem in my discussion of the fulfillment of the basic sections of the plan during the five-month period.

Although it is true that there has also been a certain decrease in prices of certain import commodities such as rubber, wool, and flax, there has also been an increase in commodities such as cotton and fats. In our reanalysis of the basic sections of the plan in March of this year, we said that we were losing several tens of millions of zlotys as a result of unfavorable price changes. These losses could not be covered by the price reserve which was established [in the plan] in the amount of 58 million foreign exchange zlotys. At the same time a portion of investment imports which was included in the National Economic Plan as conditional imports totalling 100 million foreign exchange zlotys, and which were tied to additional credits in capitalist countries, was incorporated into the actual plan. This was necessary both because of earlier contracting, and because it was impossible to defer these investment deliveries (inspite of the higher quotas on investment imports set in the 1958 plan as compared with 1957). In addition to the unfavorable price situation and the increased investment imports, our worsened situation was also caused by the necessity of making changes in the geographic distribution of the commodities. At the time that the 1958 plan was prepared we did not yet know the results of trade negotiations with socialist countries. As a result of the negotiations it became necessary to make changes in commodity lists, and in addition a number of commodities either were eliminated or else were obtained in quantities smaller than those provided for in the plan. Among others this applies to cotton, copper, hides, rolled goods, and fats. These changes resulted in an unfavorable payments balance with capitalist countries exceeding 80 million foreign exchange zlotys.

- 5 -

**SECRET**

SECRET

It is also true that as a result of agreements for 1958 with the socialist countries we obtained greater quantities of some commodities than planned. For instance, we obtained 400,000 tons of grain from the USSR instead of 300,000 tons, as well as manganese ores, zinc concentrates, flax, petroleum products, etc., for a total value exceeding 50 million foreign exchange zlotys. These increases however do not help to improve the trading balance with capitalist countries, since we purchase the grain on credit and the additional quantities of raw materials in the current year may only be designated for increasing reserves, and foreign exchange expenditures can only be decreased in the coming year.

At the same time there were other circumstances which also affected the payments situation. These include the 98 million dollar long-term loan from the United States, which was not provided for in the plan, and the carry-over to the current year of a significant portion of the consumer goods credits (mainly French and Austrian) obtained last year. Our expenditures for services were also affected by the lower cargo rates, although we all realize that these same low cargo rates have resulted in less income from coal exports.

All of these circumstances meant that the Ministry of Foreign Trade had to propose a decree of the KERM to obtain an amendment to the plan to enable us to obtain financial means to improve the payments situation in foreign trade. The decree was adopted on 27 March 1958 and provided for the following changes in foreign trade tasks for 1958. Imports were increased by 146 million foreign exchange zlotys, figured in plan prices. This increase mainly consisted of including the conditional investment imports in the obligatory limit; actually therefore, imports only increased by 48 million zlotys. Export was increased by 144 million foreign exchange zlotys by designating additional [amounts of] commodities for export to



**SECRET**

capitalist countries, mostly consumer commodities (lard, butter, sugar, casein, livestock, potatoes), chemicals (nitrogen fertilizers, carbide, toluene, carbonelectrodes, etc.), building materials, wood products, paper products, and four trawlers. Therefore, the revised plan for 1958 looks as follows, in plan prices:

	Million Foreign Exchange Zlotys					
	1957 Fulfill- ment	National Economic Plan	1958 After changes by KERM	1957 equals 100	% Share 1957	% Share 1958
Investment imports	1,189.8	1,245.6	1,389.3	116.8	23.8	34.9
Current imports	3,816.2	3,455.6	3,458.0	90.6	76.2	65.1
Total imports	5,006.0	4,701.2	4,847.3	96.8	100	100
Investment exports	780.6*	1,031.5	1,034.5	132.6	19.8	24.8
Current exports	3,119.9	2,991.7	3,132.9	100.4	80.2	75.2
Total exports	3,899.9	4,023.2	4,167.4	106.8	100	100
Total turnover	8,905.9	8,724	9,082.4	102.0		

\*excluding Korea

The characteristics of the foreign trade plan for 1958 as compared with 1957, and the basic problems which we have to solve during the plan period may be said to be as follows:

In imports:

a. We must supply [import] machinery, equipment, and other investment goods to an amount 200 million foreign exchange zlotys greater than in 1957. The main problem here is to obtain significant imports from capitalistic countries, which in view of our payments situation means that we will encounter significant difficulties.

b. We must realize very significant imports of raw materials and other materials for production, more or less on the same level as 1957, but in a number of articles greater quantities. The situation is not improved by the significant decrease in planned imports of grain as

- 7 -  
**SECRET**

SECRET

compared to 1957, since we purchase this commodity on long-term credits.

c. Scheduled imports of consumer commodities for this year are somewhat lower and easier to fulfill, since the domestic market shows an overall balance of supply and demand and does not require such significant deliveries as were required last year, when during the first half of the year supplying the market with goods was the primary plan target in our trade operations.

Figured in plan prices, total current imports this year are to be 358 million foreign exchange zlotys lower than in 1957.

Exports:

a. We are to export machinery, industrial equipment, and transportation equipment worth 250 million zlotys more than the amount exported last year. Exports of investment goods alone should exceed one billion foreign exchange zloty, of which at least 17 percent should be to capitalist countries.

b. We are to export 9 million tons of coal to capitalist countries as against 6.2 million tons last year. We are all aware of what this means in the present situation on the coal market.

c. We are to increase exports of agricultural and consumer goods by about 50 percent in value, mainly butter, meat, and sugar. This is also very difficult because of the tendency in Western European countries to limit imports of these goods and also because of the fall in prices.

The above are the basic commodity tasks for the current year facing our Ministry. Moreover, we are obligated during the current year to cut in half our obligations in short-term credits as compared to the situation as of 1 January 1957.

Since our conference is taking place toward the end of the half-year we still do not have concrete figures, but relying on the results of the five month period we can obtain a near accurate picture of fulfillment of the plan tasks for the first half of the year. On the basis of these

SECRET

**SECRET**

results and the development of the market situation in the world we can orient ourselves with the problems facing us in the second half of the year, and in connection with this we can get an idea of expected fulfillment of the plan for 1958.

If we examine expected fulfillment for the first 6 months of the increased plan tasks (according to the decree of the KERM of 27 March 1958), we note that both in export as well as in import percentage fulfillment of the plan is lagging. Fulfillment of imports is 47.5 percent of the annual plan, and of exports only 41.7 percent of the annual plan. It is also characteristic that imports have been better fulfilled with capitalist countries (54.6 percent) than with socialist countries (42.8 percent). This is especially true with regard to non-investment imports, where percentage fulfillment is 57 percent in the capitalist countries, and 44.2 percent with regard to the socialist countries. Fulfillment of investment import goals stands at about 40 percent for both areas.

In exports however, the situation is reversed. Both investment and current exports have been better fulfilled with socialist countries. There is no great difference in fulfillment of goals for export of machinery and equipment, however, in current exports the percentage fulfillment of exports stands at 50.4 percent for the socialist area and 39.5 percent for the capitalist area. It is disturbing that the fulfillment of total investment exports for the first six months of 1958 is barely 35.6 percent of the annual plan. Of course the above figures are influenced to a certain degree by changes in the realization price as compared with plan price, but the above percentages on fulfillment of our import and export goals would not undergo any basic changes even if we adjusted the prices. Therefore, without fear of committing any serious error we may conclude that the realization of plan tasks is proceeding too slowly and irregularly as regards geographic areas, which worsens our payments situation and makes the fulfillment of tasks during the second half of the year more difficult.

- 9 -

**SECRET**

SECRET

The following table better illustrates the comparison between the planned trade balance and expected fulfillment for the first six months of 1958:

<u>Plan</u>	<u>Total</u> -680 [mil- lion zloty]	<u>Socialist</u> <u>countries</u> <u>-832</u>	<u>Capitalist</u> <u>countries</u> <u>-152</u>
<b>Expected fulfillment during first half:</b>			
<b>Total</b>	-565	-324	-241
<b>Remaining for second half:</b>	-115	-508	-393

The above figures clearly indicate that although we have utilized barely 40 percent of the planned debit commodity balance in turnover with socialist countries, in trade with the capitalist area instead of ending up with a trade credit we have ended up with a significant trade deficit. In the second half of the year the situation with regard to commodity deliveries must be reversed if we are to fulfill the plan.

The above picture of fulfillment of the plan for the first half of 1958 proves that neither the departments nor the trade missions are coordinating imports and exports made by the central foreign trade offices, and that they are proceeding according to lines of least resistance<sup>9</sup> and are attempting to buy and sell on the easiest market and not where the payment situation requires such purchases and sales. To the extent that reestablishment of [the system] issuing of import and export licenses by the Ministry of Foreign Trade should be an instrument in the hands of branch departments to assure the required coordination of imports and exports in particular directions - the task of trade missions is also one of carefully noting the realization of the [planned] proportions between imports and exports. This is the first task I would like to emphasize at today's conference.

- 10 -

SECRET

**SECRET**

There doubtlessly exist a number of other known and previously cited reasons which have contributed to such a fulfillment of the plan for the first half of the year. I will not however, stop to discuss them now, since I shall proceed to the basic part of this report, namely to a discussion of the situation which faces us in the second half of the year, to a presentation of expected fulfillment of the annual tasks.

The estimate prepared by the planning department, after consulting with the central foreign trade offices and based on existing contract quotas with socialist countries (including contracts concluded and anticipated for seasonal commodities), indicates that the overall annual goal in import will be exceeded by about 4 percent and will not be fulfilled in exports by at least 3 percent. Import of investment goods from socialist countries however, will not be fulfilled by at least 6 percent. The reason for this is that the central foreign trade offices have refrained from concluding contracts under pressure from domestic customers, who demand deliveries from capitalistic countries especially free currency areas. Another reason is the extension of delivery dates.

In view of contracts and delivery possibilities, fulfillment of investment imports from capitalist countries may be estimated at 100 percent, but considering our payment capacity we must figure that realization will not exceed 80 percent of the annual task. The limits assigned the central foreign trade offices for investment imports are too meager, which result in delayed contracting and therefore makes planned realization of purchases impossible; for the investors this creates uncertainty as to delivery dates and actual delivery of goods. This significant threat to the fulfillment of investment imports from capitalist countries is one of the main problems which should be solved in the second half of the year, and we must openly state that even in the event that payment means are found for the deliveries the goods will not arrive on

**SECRET**

**SECRET**

time. This will result in unavoidable delays in investment projects and difficulties in exploitation.

In non-investment imports it appears even now that there will be a significant over-fulfillment of the annual tasks (by about 7 percent). This is the result of higher quotas which have been set in agreements with socialist countries stemming from carry-overs from deliveries of raw materials for light industry from last year, as well as grain deliveries and cotton deliveries from the US greater than those which had been planned.

The estimated nonfulfillment of export goals stems from an expected nonrealization of tasks in export to capitalist countries, for these tasks will only be fulfilled 90 percent, while exports to socialist countries will be over-fulfilled by 3.5 percent.

In spite of increased overall goals, the targets for export of investment goods will be exceeded by 7 percent, as a result of greater-than-planned deliveries to capitalist countries. In spite of this favorable overall result, a number of targets in machinery and transportation equipment exports will not be fulfilled. This applies to machine tools, railway rolling stock, agricultural machinery, passenger automobiles, and other goods. The nonfulfillment of export targets for certain goods is also the result of delayed deliveries of machinery and equipment imports.

In the sphere of current exports it appears that overall annual goals will be fulfilled at 94 percent, 106 percent for the socialist countries and 90 percent for capitalist countries. This stems both from the decrease in prices as compared to the prices in the plan, as well as from difficulties in obtaining certain commodities such as alcohol, soda, zinc, and sugar for export. It is also the result of additional large sales on the socialist market of agricultural and food products (butter and meat) received in above-plan quantities. From a geographic standpoint

- 12 -

**SECRET**

**SECRET**

the above estimate also conceals one unknown quantity, namely there is no certainty as to whether or not a part of the commodity stocks worth several tens of millions of foreign exchange zlotys still remaining at the disposal of the central foreign trade offices will be sold on the capitalist market, and whether or not it will improve our payments situation.

Among the major items I refer to here are about 800,000 tons of coal, about 7,000 tons of meat and livestock, and about 10,000 tons of butter. The quantities mentioned above may be significantly increased in view of consistent exceeding of production and purchasing plans. Sale of these commodities on a planned market is one of the basic tasks for the second half of the year.

From what I have said it appears that the realization of tasks will vary considerably from plans because of: a) the unfavorable development of competitive conditions and a fall in prices greater in export than in import; b) a partial shift in commodity trade from one geographic direction to another; c) and a lack of proper coordination of operations among the central foreign trading offices in imports and exports.

There will be a 220 million foreign exchange zloty increase in our unfavorable trade balance, and the trade balance with capitalist countries will worsen by 420 million zlotys in comparison with the plan. On the other hand, it appears that the planned unfavorable trade balance with socialist countries will not be achieved. This is partially explained by our obtaining the second portion of the long-term loan from the US totalling about 390,000,000 rubles. A significant portion of this loan will increase our commodity reserves and lessen imports in 1959, but will not improve our payments balance in the current year.

- 13 -

**SECRET**

Means to Improve The Trade Balance and to Ensure Filment of The Annual  
Tasks

Of course the picture presented above of expected commodity turnover cannot be accepted, and it is our job to find means and methods to change the development of our exports and imports in order to assure a better payments situation during the second half of the year, and to better fulfill the tasks in foreign trade.

There are a number of such means. Utilization of these means will require significant efforts on the part of the entire foreign trade apparatus, that is, by the central foreign trade offices as well as by departments and foreign trade missions. It will also require close coordination of work among the various organizational units and strict adherence to financial discipline. This means primarily that goods must be bought and sold on planned markets in accord with assigned foreign exchange limits and established quotas. The foregoing is the general guide from which a number of more detailed directives, orders, and recommendations stem.

Revisions in the structure of Polish foreign trade require the introduction of significant changes in the work of our foreign trade apparatus in socialist countries. The significant increase in our exports of investment goods during the current year, especially to industrialized countries such as Czechoslovakia, the USSR, and the GDR, confirms a further greater potential for sales of investment goods to these countries, in spite of the fact that heretofore this did not seem possible in many cases. Further strenuous endeavors would undoubtedly disclose further possibilities of this type.

In connection with the import of machinery and equipment, certain foreign trade offices are purchasing too many investment goods from

- 14 -

SECRET



~~SECRET~~

capitalist countries, while at the same time the same or similiar machines and equipment can be purchased in countries of our camp. This is a very damaging phenomenon from the point of view of our interests, since on the one hand this results in payment difficulties in clearings with capitalists countries while on the other hand credits accumulate in our turnover with socialist countries. In purchasing investment goods, both the central foreign trade offices as well as the trade counselors should first investigate all possibilities of purchasing the required machinery in the socialist countries. In the event that our socialist contacts do not at a given moment possess the necessary assortment of goods, we must at the same time urge them to establish such production in order to satisfy our import needs in the future.

Both in import and export of machinery and equipment, we must in the future place greater emphasizes on the problem of earlier contracting. In export, earlier contracting will assure proper utilization of the production capacity of our industry and will enable a more systematic fulfillment of the orders of our customers. In import on the other hand, this will enable us to find and to purchase more attractive types of machinery and equipment. This in turn will eliminate cases of sudden and necessary purchases from capitalist countries, while the production of our socialist partners is being sold to other customers. This pertains not only to contracts for this year's quota agreements but especially to quotas anticipated in the multi-year agreements, that is for the years 1959-1960 and later.

In addition to machinery and equipment, contracting for other goods (non-investment) is not proceeding properly. In trade with a number of countries there still remain very significant goods quotas which have not yet been contracted for. Among others, import contracts have not yet been concluded with the Soviet Union for flax, chrome ore, zinc

**SECRET**

concentrates, tires and tubes, lumber, and consumer goods. With the GDR and Czechoslovakia the same is true for various machines and equipment, and with China for a number of important raw materials (iron ore and wolfram, tin, silver, and others). With Rumania the above applies to cement, and with Bulgaria to zinc concentrates, lead, pyrite concentrates, and iron ores. With Vietnam, contracts have not been concluded for commodities other than rice and sesame seed.

In export, contracts have not yet been concluded for sugar for the Soviet Union, salt and calcium soda for Czechoslovakia, and spare parts for automobiles, tractors and engines, a 10,000 dead-weight-ton vessel, and sheet steel for China. We have also not yet concluded contracts for W2-400 engines and butter for Rumania. We have not concluded agreements with Bulgaria for coke and metallurgical products. These delays must be looked into as soon as possible and the contracts must be signed. Moreover, in trade with socialist countries we have observed a phenomenon of not contracting for further quantities of those goods where existing contracts cover current requirements, inspite of the fact that the quota agreements provide for larger quantities. We should also note the fact that each year significant difficulties develop in deliveries of goods for the first quarter, and we should therefore endeavor through further contracts for these commodities to ensure continuity of deliveries for the first quarter of 1959. The same applies to export commodities.

The past character of our foreign trade with socialist countries indicates that there still exist significant possibilities for increasing this trade, which is evidenced by the numerous protocols and supplementary agreements concluded in recent years. In the current year possibilities of this type have been clearly evident in the case of Czechoslovakia, Yugoslavia, Hungary and the GDR. We have recently

- 16 -

**SECRET**

**SECRET**

received a proposal from China which indicates possibilities of expanding our trade by at least one-third the present volume. There also exist possibilities of sales to China of sheet, pipe, and other rolled goods at free currency. Likewise, the matter of expanding trade with the Soviet Union is also being worked on and doubtlessly will bring significant results. With regard to other countries there also exist significant possibilities for increasing bilateral goods quotas, which subject requires extensive detailed study.

In examining these specific possibilities of increasing trade, in every individual case we must consider the structural changes taking place in Polish foreign trade. The impossibility of further significant increases in traditional Polish export items (coal, coke, zinc and its derivatives, and other raw materials) means that we cannot increase trade by offering these goods. In their place we must stress investment goods produced by us. It is of course much more difficult to sell machinery and equipment than raw materials. Finding markets for these goods requires significant effort. Nevertheless possibilities are great, the more so since, in contrast to raw materials, these possibilities have not been sufficiently studied. We should note that in this connection we have had much success, and the conference of commercial counselors a year ago, which was exclusively devoted to the subject of sales of machinery, yielded results. Our work and efforts in this field must be increased.

Besides the export of machinery and equipment we should also emphasize export of agricultural products, in connection with the steadily improving situation of our agriculture and therefore increasing export surpluses. This particularly applies to the export of commodities such as butter, meat, and fruit and vegetables. Increasing our exports in this line will also create significant possibilities for expanding trade with socialist countries. To a certain degree this is tied in with our attempts to increase trade with neighboring countries, which attempts have already

- 16a -

**SECRET**

SECRET

yielded certain results. However, our export possibilities in fresh fruit and vegetables, etc., are significantly greater than existing trade indicates. Proper efforts in this problem will doubtlessly yield further important increases in trade with our neighboring countries.

We must also not forget a field which has been continuously neglected -- it is possible to significantly develop so-called small exports. It appears to me that in this field the work of our trade missions can be of great service.

The trade missions in the capitalist countries, mainly European, must also develop maximum activity to aid us in locating purchasers on this market for uncontracted goods such as coal, butter, meat, and other agricultural commodities, where we expect our (export) capacity during the second half of the year to significantly increase.

During the recent period coal exports to Europe have encountered serious difficulties. The long-term coal contracts concluded between importers and American exporters, the slower tempo of industrial production, the relatively mild winter, the existence of large stocks of coal as a result of previous feverish purchases, all these have resulted in a lower demand for our coal, which in the past has constituted a significant percent of our export to a number of western European countries. This has resulted in additional payments difficulties in our trade with these countries. This situation may be improved by a change in the existing coal sales policy. The creation of "Weglokoks" agencies, the reorganization of the agency apparatus, the change in the price of our coal to a competitive price level, and the establishment of the coal council in "Weglokoks" to properly organize export deliveries, doubtlessly should improve the coal export situation.

- 17 -

SECRET

**SECRET**

In connection with the establishment of the Common Market, our exports of agricultural and food commodities are beginning to encounter increasing restrictions in the form of higher tariffs and import quotas, especially in the German Federal Republic and the Benelux countries. An expression of this is the recently published total quotas for socialist countries for certain import commodities by Benelux countries.

In connection with export difficulties simultaneously increasing imports, our short-term and long-term obligations to these countries are increasing. The acceptance of credits is not always tied in with assured possibilities of their payment. This creates a situation where an ever increasing percentage of the income from our exports must be used for settling rather rigid payment obligations. It appears that we should state that acceptance of further credits from these countries must be utilized for simultaneous creation of additional sales possibilities for our export. The present discussions on placing large investment contracts with large concerns in the German Federal Republic, Sweden, France, and other countries, must be used to obtain concessions for our exports.

The recession in capitalist countries is clearly reflected in the situation on the world market. It has resulted in a significant decrease in the price of raw materials, while the prices of machinery and equipment, inspite of the decrease in the number of orders, has been falling more slowly and insignificantly. This situation must be utilized to increase our trade with economically under-developed countries, in order to radically increase exports of machinery and equipment in exchange for needed raw materials.

A basic problem for the second half of the year is how to most rapidly utilize the American loan for planned purchases, since it appears

- 18 -

**SECRET**

**SECRET**

that there is a danger that as a result of inadequate organizational efficiency this credit may not be fully utilized by the end of the year, and would therefore not play its proper role in the balance of payments. This is a task which faces the trade mission in Washington and the entire domestic foreign trade apparatus. The above-mentioned directives and tasks rather pertain to the fulfillment of this year's tasks in foreign trade. We must however, also think of the future and prepare the ground for the realization of further trade operations in future years. I have in mind here primarily four problems. The first problem is the preparation of data, materials, and an atmosphere for the expansion of long-range agreements with socialist countries for the period 1959-1960, and for the conclusion of agreements for the following five-year plan, 1961-1965. In accord with the understandings reached during visits of our party-government delegations in Moscow, Budapest, Bucharest, Sofia, and Prague, these agreements are to be signed at the end of this year and next year. These agreements, besides setting mutual goods quotas, should also resolve a basic problem of the socialist countries, namely regulation of the principle of extensive economic cooperation and specialization in production. This will in turn result in possibilities for increased goods exchange.

The second problem concerns our coal exports to capitalist countries. It appears necessary to conclude multi-year contracts for the delivery of this continuing basic commodity in our export, a commodity of decisive import to the volume of our trade with European countries, of decisive importance to our import and payment possibilities.

The third problem is that of increasing our efforts in locating markets, especially in the western countries, for agricultural and food commodities and the so-called small and numerous export assortments.

- 19 -

**SECRET**

SECRET

The fourth problem is that of preparing the ground for exports of machinery, which show a very low level of contracting in capitalist countries for the year 1959, with the exception of vessels and complete industrial objects (where goals for the coming year have already been completely covered by orders).

To fulfill the goals set for future years of increased exports of machinery it is necessary to expand our work in the sales of investment goods. Appropriate organizational changes and a policy of economic incentives for central foreign trade offices and production plants is already under discussion. However, the trade missions also have an important role in ensuring exports of machinery and equipment in future years. They should:

1. Provide an accurate analysis of the situation on a given market for the purpose of establishing a proper trade policy.
2. Transmit accurate trade information serving to acquaint us with the market situation, the competitive situation, elimination of unnecessary agency firms.
3. Transmit the opinions of foreign customers concerning our exports of technical equipment as compared with similar equipment produced by capitalist countries and socialist countries; they should also provide information on technical matters such as introduction of new production technology and use of plastics, to enable us to continuously modernize our export production.
4. Exchange information and coordinate their operations with the trade missions of other socialist countries, especially in machinery and equipment exports to capitalist countries, within the scope established by the foreign trade commission of CEMA (conference of representatives

- 20 -

SECRET

**SECRET**

of foreign trade ministries and of directors of foreign trade organizations held in Budapest on 28-31 May 1958, concerned with the problem of further improvement of forms and methods of coordinating operations in exports of machinery and equipment to capitalist countries). Uniform operations, based on mutual benefits, will eliminate unnecessary competitive struggles, and will bring agreement on methods to be followed in proceeding against and countering all evidence of trade discrimination.

Referring once again to the prospects for our goods exchange with foreign countries, they appear as follows:

1. Increased exports of machinery and equipment.
2. Maintenance (of the same level) of coal exports.
3. Increased exports of agricultural and food products.
4. Expanded export of various so-called small export commodities.
5. Import of raw materials, to the extent possible, from the area of their origin.
6. Increased machinery imports.
7. Increased raw material imports.
8. Extensive cooperation and development of trade with socialist countries and with economically under-developed countries.
9. Also, development of trade with capitalist countries, but on the principle of paying for imports with exports to a given country.
10. A very significant increase in trade (in excess of 10% per year).

#### Summary

Summing up my discussion of the foreign trade situation in the current year and the tasks which face us in the second half of the year I must say that:

- in spite of the unfavorable development of our terms of trade in comparison with the previous period;

**SECRET**



~~SECRET~~

- inspite of very difficult commodity goals;
- inspite of significant failures on the part of industry and our trade apparatus;
- and inspite of the shortage of foreign exchange reserves and significant payment obligations from previous years and especially last year,

we have managed to achieve fair results and have taken a step forward in improving our work, primarily in export, in planning, and in the coordination of financial matters.

We can today be proud of the fact that in spite of great difficulties, the machinery export goal planned will be exceeded. We will meet and exceed the coal export plan, and we will significantly exceed the export plan for agricultural products and food. De facto, what we have been given to sell we have sold.

We are aware of the numerous difficulties and obstacles standing in the path of the development of our foreign trade. We have taken courage and can with greater certainty say that both the high import goals as well as the export goals (particularly exports of investment goods, which goals at one time disturbed us with their very rapid increase) are in principle fulfilled. We have been helped in our work and in the future will be helped to an ever increasing degree by the increasingly evident effects of the model changes in industry and agriculture, which are reflected in increased production, higher productivity, and savings in the material economy.

The purpose of our conference will be achieved if, after we recognize our tasks and the results which have already been achieved, we proceed with a coordinated and consequential effort to assure conditions for the full realization of foreign trade goals for the current year, and prepare ourselves for operations in future periods. The discussion following

SECRET

SECRET

this report will doubtlessly add more information to the problems I have mentioned, and will develop and specify practical recommendations for further work.

## DISCUSSION

- Comments of the Undersecretary of State and of departmental directors of the Ministry of Foreign Trade.
- Comments by chiefs of trade missions.

Since it is appropriate to tie-in the tasks outlined in the report with the actual economic situation, [the section which follows] does not separate discussion on the report from information given by the individual chiefs of foreign trade missions. Thirty speakers took part in the discussion, including twenty representatives of trade missions and eight ministry representatives. The following is a list of the speakers in order of their appearance:

1. T. Kowalkowski, commercial counselor in Switzerland
2. J. Stroczan, commercial counselor in France
3. L. Sobkowski, commercial counselor in Italy
4. Z. Bidzinski, Director of the Finance Department of the Min. of For. Tr.
5. F. Jarzebski, chief of the trade mission in the GDR
6. E. Mordzinski, commercial counselor in Yugoslavia
7. B. Olszewski, commercial attache in Albania
8. T. Checinski, Deputy Director of the Goods Turnover Dept. of the Min. of For. Tr.
9. B. Szymanski, commercial counselor in China
10. W. Sedziwy, commercial counselor in the USSR
11. J. Kutin, Deputy Minister of Foreign Trade
12. F. Fabijanski, commercial counselor in Sweden
13. A. Wolynski, commercial counselor in England
14. T. Kropczynski, Deputy Minister of Foreign Trade
15. Switala, representative of the office of the commercial counselor in Finland
16. K. Strabel, commercial counselor in Denmark
17. S. Strus, Director of Treaty Department II in Min. of For. Tr.
18. K. Jezierski, Commercial attache in Greece
19. M. Buch, commercial counselor in Turkey
20. St. Halicki, Director of the Machinery and Equipment Dept. of the Min. of For. Tr.
21. J. Dylewski, commercial counselor in West Germany
22. F. Modrzewski, Deputy Minister of Foreign Trade
23. M. Adamski, commercial Attache in Belgium
24. K. Sobolewski, commercial attache in the Netherlands
25. J. Burakiewicz, Deputy Minister of Foreign Trade
26. L. Lachowski, commercial counselor in Austria
27. L. Kleszcz, commercial attache in Norway
28. W. Zawidzki, commercial counselor in Canada
29. J. Rakoczy, commercial attache in Czechoslovakia
30. T. Dorota, commercial counselor in Hungary

SECRET

SECRET

The following report on the course of the discussion is in an objective form; it is limited to a presentation of the essential problems in the discussion and does not include a subjective reflection of the discussion.

Comments of Deputy Ministers and Departmental  
Directors of the Ministry of Foreign Trade

1. Organization of the work of the offices of the commercial counselors, and distribution of work and cooperation between the offices of the commercial counselors and the central offices of foreign trade and their representatives:

The basic function of the office of the commercial counselor is to implement trade policy within its area. In practice, the offices of the commercial counselors oftentimes overemphasize practical trade operations, encroaching on and sometimes assuming the functions of the central foreign trade offices and their representatives while at the same time neglecting their own elementary obligations. The problem is to find a middle ground which will permit a proper proportion of interests. The offices of the commercial counselors should, through their operations, create conditions ensuring the proper implementation and fulfillment of the plans of individual central trade offices in their sphere of operations. This however, does not mean that the office of the commercial counselor undertakes the practical realization of these tasks, eliminating the competent apparatus of the central foreign trade office.

The offices of the commercial counselors should through their operations aim at increasing both the geographic and the goods profile of trade. We should remember however, that this increase should not be an end in itself, and should proceed according to rational economic principles. Increase in turnover cannot be treated from the particular point of view of the interests of the specific geographic market, but from the point of view of the overall economic interests of Poland.

- 24 -

SECRET

**SECRET**

We must always remember that gains on one market may at times result in difficulties on another market, which in effect may transform the gains into net losses. The commercial counselor should maintain a broad economic prospective rather than one limited to his own area and market. A characteristic example of the lack of such perspective is the heretofore inadequate penetration of the nearby and fruitful socialist markets, as regards both export and import possibilities. In a word this means that the office of the commercial counselor must give more consideration to [overall] political policy in its fullest sense.

In trade operations you cannot be a slave to theories on the existence of different types of socialist and capitalist markets, and of markets governed by the usual rules. Trade operations are always subject to changes which emanate both from organizational changes as well as structural changes in these markets. Only the commercial counselor, who "sits" on a given market and who is an extension of the Ministry, can and must give expression to the policy of the Ministry. He also must have an organizational understanding of a given market which he should share with the trade organs at home. From the very nature of things, the Ministry is not in a position to specifically define the organization of the work of a counselor on a given market, since specific characteristics of a market oftentimes require varied and separate solutions. For instance, the problem of working through agents and intermediaries, depends on the peculiar conditions and needs of a given market. At any rate you cannot apply extremely schematic solutions.

In connection with the problem of organization of the work of the offices of the commercial counselors, we must also emphasize that the general opinion is that the assignment of delegates from the central foreign trade offices to the offices of the commercial counselors has

- 25 -

**SECRET**

**SECRET**

brought about significant gains. Unfortunately, not all central foreign trade offices have their delegates, and they should take care to see that these delegates are provided to the extent possible. The foreign trade offices however, complain that the commercial counselors have been using the delegates for various work which is basically not connected with their functions, for instance, using them as replacements for employees of the office on leave, etc. We must emphasize here that these delegates must be treated differently. It is true that the delegate is a worker of the office of the commercial counselor (with the exception of "Weglokoks"), however, since he is an agent of the central foreign trade office on a given market, he must be afforded working conditions which enable him to perform primarily that work which is necessary from the point of view of the interests of the central foreign trade office.

Besides the delegates, the foreign trade enterprises should have, where this is required by the market, reliable agency firms in the countries served by the foreign trade mission. These firms, in addition to their contacts and the fulfillment of specified functions, doubtlessly facilitate the further development of export.

The commercial counselor should have a deciding voice on the fitness and the activities of the agency, and he should share any information he obtains in this regard with the central foreign office or if necessary with the Ministry.

The final problem pertinent to the organization of the work of the offices of the commercial counselors and enterprises of the foreign trade offices, is the matter of visits by representatives of the central foreign trade offices. We have much evidence that these trips are unprepared and therefore last much longer than is necessary. The central foreign trade offices should spend more time on their preparation and should previously

- 26 -

**SECRET**

**SECRET**

advise the counselors of the expected visit by the representative. On their part the offices of the commercial counselors should prepare for the visit of the delegate of the central foreign trade office, and thus enable him to quickly complete his mission and return quickly. This would also result in effective savings in foreign exchange. Of course we must warn that this does not mean that we should go overboard in the other direction as concerns economies.

2. The problem of credits:

The problem of credits is part of trade policy. We do not mean that special measures must be taken in this field, but it is both necessary and well that accurate studies be made of the disposition and credit possibilities on individual markets. We should hold to a policy whereby the credit initiative in every case would come from the market itself. The recession in Europe undoubtedly has created a favorable situation insofar as increasing credit offers. Credit centers are undoubtedly showing an ever increasing interest in our market, which means that we should make use of the most attractive propositions. In every case where consideration is being given to accepting credit we must have a thorough understanding of the situation of the individual credit markets, the policy of a given government on the subject, and the opinions of authoritative circles and economic centers.

The above three factors will enable us to evaluate and eventually utilize those credit possibilities which give us the best results and assure favorable possibilities of repayment through our exports.

Minister W. Trampczynski explained the position of the Ministry with regard to our credit interests in an interview granted to one of the press representatives from West Germany. He stated that we are not interested in credits where current trade turnover and at the same time

**SECRET**

**SECRET**

our export is endangered by these or other conditions. In every case we must be able to clearly see prospects for covering payments with our exports.

3. The problem of increasing trade with economically underdeveloped countries:

The current situation moves us to give greater attention to the development of trade with under-developed countries. There presently exists a favorable competitive situation, which we should utilize by directing our purchases of raw materials directly from the producers. At the same time we must give special attention to our exports, particularly of machinery and equipment, in this direction.

The percentage share of trade with these countries is not great in comparison with our total trade. In 1957 this trade amounted to about 500 million foreign exchange zlotys, or 5.7 percent of total Polish foreign trade turnover. The goals of the next plan provide that in 1961 this trade will amount to one billion foreign exchange zlotys, or in excess of 10 percent of the total value of our trade. This means that new tasks face our commercial counselors in these countries, as well as the commercial counselors in other countries. The majority of our central foreign trade offices exhibit a certain disinclination towards direct purchases on the producer markets, of goods from the production of under-developed countries. Our associates in these countries should assist the Ministry of Foreign Trade by indicating direct sources of purchases and by facilitating direct contacts with suppliers, so that the task of developing trade with economically under-developed countries is rapidly accomplished. For instance, the Netherlands had a well-developed Indonesian market but now the Netherlands are inactive on this market. We

- 28 -

**SECRET**

**SECRET**

have a whole series of contacts there and it would be well if the counselor in Indonesia would help us. Activation of trade with these countries should be viewed not only from the standpoint of developing our purchases, but also from the standpoint of increasing our exports to these countries.

In general, the problem should be so resolved that in the future the counselors in the economically under-developed countries step-up their efforts in purchasing raw materials for our market, as well as in locating markets for our export production. The commercial counselors are requested to supply appropriate information to the Ministry of Foreign Trade and the central offices of foreign trade on this subject.

4. The problem of prices and re-export:

In practice, we should aim at the conclusion of long-term contracts, justifying this policy on the basis of prices. Maintenance of our position on a given market requires that the office of the commercial counselor conduct a thorough analysis of competitive prices on a given market. We must adopt such a policy whereby our export can be adapted to this competition. More attention should be given to a thorough and current study of the structure of the terms of trade.

On the subject of prices we must have a prepared concept, to which concept we must obtain the greatest number of adherents. We should influence the formation of prices to the extent possible, knowing when we can raise and lower prices. Particular attention should be given to this problem by commercial counselors in those countries with which we have a balanced trade situation, that is, in Sweden, Belgium, Switzerland, Denmark and Norway. Our position on these markets must be used as certain means of pressure for preferred treatment for our exports.

**SECRET**



**SECRET**

The next problem tied in with the above is the matter of re-export. This problem is of special significance to representatives in the socialist countries, both the commercial counselors as well as those from the central foreign trade offices. Pressure should be applied to central foreign trade offices so that in their operations they not limit themselves merely to the realization of planned tasks, but show actual operational initiative in trade, utilizing possibilities and initiating the conclusion of re-export transactions. The commercial counselors also have a fruitful field for operation here.

5. The problem of stabilization of trade and economic relations:

The most characteristic problem in our trade relations with capitalist countries is the lack of stability. They show a very irregular course. If the actual pattern of overall trade relations does not show any actual breaks, there is not a single country with which such actual breaks have not occurred for individual commodities. We feel this lack of stability very much not only in our treaty and trade policy, which for the treaty department is very painful, but also throughout the entire Ministry. It is even felt deep within other ministries and in industry. There is a tendency to systematize and stabilize this policy with regard to capitalist countries. Minister Trampczynski reminded us in his report that the commodity mass is to be sold on planned markets. This indicates the direction of our trade policy, although not all trade conditions favoring such a policy have been regulated in our Ministry.

Two basic problems should be emphasized:

The first problem, which was mentioned counselor Fabijanski, is the lack of data and instructions from the Ministry as to the amount of goods at our disposal in a given sector. The Ministry of Foreign Trade also

- 30 -

**SECRET**

**SECRET**

feels the lack of such data, which makes management of a proper trade policy impossible. In the future we will arrive at the point where we will be able to conduct a trade policy according to certain principles, enabling us to stabilize relations with capitalist countries. These are objective factors which depend in part on the Ministry of Foreign Trade.

The second problem, which depends on the commercial counselors, is the matter of relations with firms with which the counselors maintain contact. Contacts with business firms, which in many countries influence to an important extent the decision of governments, is either nonexistent or very loose. We have relatively little contact with important firms in the capitalist countries. This problem should be given serious consideration. For instance, after three years of cooperation with Brazil we had to change all of our representatives in the sphere of investment goods exports. Such a situation does not encourage stability in trade relations.

The ideal in our planning would be a situation where we could plan on the basis of relations with those customers who are our continuous important partners. The commercial counselors should indicate the most appropriate manner in which we may obtain continuing important customers with whom we could work over longer periods of time.

The following subjects were also mentioned during the discussion:

Commercial counselor Wolynski stated that British imports have not decreased, although the costs of imports were about 10 percent less than in the same period of the previous year. We unfortunately, do not even have estimated figures in this sphere.

The problem of tariffs was not mentioned at all during the discussion, although this is a vital and essential problem in foreign trade.

- 31 -

**SECRET**

SECRET

We also heard nothing on matters concerning the free currency market. This problem is not only important to the department, but to the entire Ministry. Such information is necessary for a proper trade policy.

6. The problem of activating exports and export production:

Today we have discussed the difficulties which we will have in our trade balance during the current year. The first estimate of the long-range foreign trade plan to 1957 [sic], indicates that the difficulties will continue to exist. The preponderance of the value of imports over exports is clear. Naturally, such a plan cannot be accepted. This is the reason for the stress on the activation of exports, both from a quantitative and qualitative standpoint, and the expansion of assortments. The Ministry of Foreign Trade has already accomplished much in this direction. One such move has been the realization of investments of a character such as to bring a quick return from the standpoint of foreign exchange. Data which has been collected indicates that we have succeeded in finding enough goods for exports to balance the increasing imports. However, to produce goods is one thing, to sell them is another. Signs are appearing in all central foreign trade offices that difficulties are being encountered in the sale of goods, whose quantities [available for] exports are slowly increasing. I shall give a few examples in chemicals. Difficulties are evident in finding markets for dyes and pharmaceutical, although there is no difficulty with calcium soda. However, when within two to three years the chemical industry provides us with 200 or 300,000 tons, then there will undoubtedly be difficulties in export. The examples indicate that difficulties in finding markets for goods will increase.

Existing difficulties are caused in part by the American recession and the uncertainty on world markets, which to some degree is reflected in the economic situation of other countries. Another reason is the

- 32 -

SECRET

**SECRET**

increasing production in other European and non-European countries, which increases difficulties in finding markets for goods.

In order to implement activation of export, we must avail ourselves of all available forms of trade activity, for instance, tying exports with imports. The central foreign trade offices have not been adequately utilizing these forms of trade practices [although] significant amounts of goods are purchased by us abroad. Often one foreign trade office is buying while another is selling, and neither of these transactions are coordinated. In such cases it is up to the office of the commercial counselor to tie-in such purchases with our exports. We know of examples in operations of Czech and German foreign trade offices where they tie in the purchase of commodities with sales, and set conditions where "we purchase 1,000,000,000 dollars worth of goods and you must purchase a like sum of goods from us." This is not a question of just tie-ins or compensatory agreements, this is a matter of a good trade policy, a matter of a purchaser being able to set conditions.

7. Various commodity problems:

A. Rolled goods.

We have significant quantities of rolled goods for export each year, about 500,000 tons. From the standpoint of total trade our share in worldwide foreign trade is not great, about 1 percent. However, in the sphere of export of rolled goods Poland is listed among the powers of Europe, that is, with West Germany, England, and France. Having at our disposal such an instrument which can influence the trade structure of certain countries and facilitate trade balance, especially in the free currency area, we should properly utilize this instrument and develop a proper trade policy for this commodity. This requires concentrating exports of rolled goods mainly on particular markets; West Germany,

- 33 -

**SECRET**

**SECRET**

England, Egypt, Brazil, and Argentina. Thus far the direction such exports have developed spontaneously. Changing this state of affairs requires extensive work and important representatives. After undertaking a long-range effort to obtain these markets, we should start thinking about assuring this export for further years, and after 1960 we should reserve an appropriate pool of such goods for capitalist countries as well as economically under developed-countries.

In coming years there will be a favorable change in the assortment of rolled good exports, by initiation of thin sheet production at Nowa Huta. In the current year we have 20,000 tons of welded pipe and conduit pipe for which we lack customers. We must solve this rapidly, so that foreign exchange receipts will begin flowing in the second half of the year.

B. Railroad rolling stock, ships, agricultural machinery, and complete industrial objects.

At last year's conference of commercial counselors we noted the surplus production capacity existing in the railroad rolling stock industry and in the shipbuilding industry. In the meantime we have concluded transactions which have exhausted our production reserves in these industries until 1960, and with the conclusion of the agreement with Indonesia, until 1962 in the shipbuilding industry. Therefore, in the present period, we must emphasize acquisition of orders for individual machines, especially agricultural machines in which we are specialists.

Having concluded multi-year agreements for machinery deliveries for the USSR, the Chinese People's Republic, and Czechoslovakia, we should now center our main efforts on the acquisition [of markets] in economically under-developed capitalist countries.

- 34 -

**SECRET**

SECRET

**C. Purchases and sales of machinery.**

Information which we possess and an analysis of contracts for 1959 indicate that there has been a significant increase in [our] purchasing of machinery in capitalist countries, without utilizing purchase possibilities in socialist countries. In order to convince industry and to a certain degree to make possible openings for our exports on capitalist markets, we should organize a rapid and efficiently operating information [service] in the socialist countries, to report on possibilities of covering our import requirements.

Beginning in July of this year, the Department of Machinery and Equipment will not be able to proceed with purchases of machinery in capitalist countries without first obtaining information from commercial counselors in socialist countries as to possibilities of covering orders there.

This is undoubtedly a problem of trade policy. We are now in a period of numerous offers from socialist countries concerning machinery purchases. In order to cover our purchases this must be paralleled by offers on our part in the same direction.

COMMENTS AND DISCUSSION BY CHIEFS OF MISSIONS

The comments of the chiefs of trade missions were directed toward the basic purpose of the conference -- illumination of the overall market situation with special emphasis on:

- evaluation of the recession in the capitalist countries,
- evaluation of the structure of our exports from the point of view of possibilities of marketing such commodities as coal, agricultural and food products, machinery and equipment, etc.,
- recommendations on expanding our range of export goods,
- recommendations on lowering import prices by direct purchases from raw material producers in economically underdeveloped countries.

The report which follows systematizes the discussion and generalizes individual comments in order to stress the recommendations stemming from these comments.

SECRET

**SECRET**I. EVALUATION OF THE RECESSION IN CAPITALIST COUNTRIES

The year 1957 in European capitalist countries was overall a period of relatively favorable conditions on the economic market. Production indexes, when compared with past years, indicated a definite increase. As a result of this, the tempo of this increase continues to progress in certain countries thereby concealing very frequently the first symptoms of a weakening of this development. From the information cited it appears that in some European capitalist countries an unfavorable market condition was noted by the end of 1957, in others at the beginning of 1958. With others it is still difficult to discern, as for example in France whose economy abounds in paradoxes and where the American recession has not had the effect it has had on other economies. Industrial production continues on a high level. Industrial expansion is taking place. However, the situation in foreign trade and the balance of payments is poor. The year 1957 brought about further inflationary pressures and a deficit in the balance of payments. Generally speaking, however, the American recession has had an insignificant and minimal effect on the French economy. In Spain, the American recession similarly has had very little effect.

The situation is different in Italy, where after a very favorable market situation in 1957, employment conditions in many branches of industry turned for the worse near the end of that year with the exception of the automobile industry. Because foreign trade plays such a major role in the economic life of Italy both from the standpoint of imports (a majority of the raw materials must be imported) and exports (the automobile industry produces every third automobile for export and in the synthetic fiber industry some firms export 90 percent of their goods) the recession is a very dangerous thing. Because a majority of the countries which import Italian products are either threatened or plagued with a recession the

- 36 -

**SECRET**

**SECRET**

prospects for this year do not look very good. As a result the Italian Government is trying to stimulate trade relations by introducing the multilateral lira in dealings with practically all countries. In addition, it is granting exporters permission for a delay (up to 6 months) in settling accounts of foreign exchange earned, is guaranteeing up to 70 percent and for a period of 5 years credits extended abroad by exporters of investment equipment, and finally it is encouraging economic relations with underdeveloped nations or with the more important potential importers.

It is also difficult to present an objective picture of the effect of the recession on the British economy. The production index for the first four months of this year is identical with the same period of last year. On the surface it would seem that things are not so bad but one must take into consideration the fact that this index is really being maintained with the aid of only one industry, namely, the automobile industry. In all other spheres there is a decrease. Speaking of the future condition of the market, it is generally felt in important economic circles that the recession has not had too adverse an effect in Great Britain, however, a significant deterioration in the situation is expected during the second half of the year.

Development of the situation in the capitalist world during recent months has also had a significant effect on West German economic life, especially on its exports. During the early stages of the developing recession West German exports, thanks to a backlog of orders maintained certain signs of continued increase, but in March they showed the first signs of a decrease. It was very fortunate that in the past West German foreign trade efforts were primarily directed at the European market. That is why the West European nations were not as affected by the recession as was the USA and the overseas nations who were primarily sources of raw

- 37 -

**SECRET**



SECRET

materials. That is why it should be assumed that West German exports are likely to be least affected by the recession. West German economic circles still see certain reserves in the necessity of additional investments in domestic industry, whose needs in the past were treated as long-term and which now can be viewed as a potential customer -- in case of partial displacement of its production it can be used for armament production.

During the past year the Belgian economy witnessed a period of revived economic activity because of preparations for the World Fair and the advantageous economic situation in the world. Beginning with February 1958 current industrial production has been undergoing a systematic drop as compared with its level during the same period last year. The drop in production is especially noticeable in heavy industry although certain branches of production (as for example chemicals, electrical machine industry) have not experienced any signs of the recession.

## II. EXPORT

Considerations and proposals in appraising the structure of our exports from the point of view of possible sales (primarily, coal, agricultural consumer products, machines and equipment) and proposals for expanding the current assortment of our goods.

### A. Capitalist countries.

#### 1. The French market

##### a) Possibilities of exporting investment equipment:

Efforts intended to place investment equipment on this market, despite certain achievements, have not yielded the desired results.

- 38 -

SECRET

SECRET

It is important to note that the French industry enjoys a respected position in Europe, especially in the production of machines and weaving equipment, electrical equipment, rail and motorized rolling stock. Despite this there are chances of placing on the French market for the year 1960, about 400,000 dollars worth of machines. An indispensable condition for the development of this export is improving the quality of electrical parts and continued acquisition and the organization of technical servicing facilities in Paris.

b) Floating stock:

Even though France has greatly developed ship-yards for ocean-going and fishing vessels, two factors create great possibilities for "Centromor":

- continuous and greatly changing competitive conditions, as a result of which during recurrent "peaks" the number of contracts for local industry is great and therefore foreign competition is not considered a threat but on the contrary it complements the production base,
- Polish floating stock is of good quality and it has quickly achieved a good reputation in professional circles.

The present period is not a very good one, especially for larger units. However, the situation is subject to constant change and that is why we should continually keep abreast of events. In selling floating stock on this market we should use the significant weapon which we have at our disposal -- our very important purchases on that market.

SECRET

**SECRET**

## c) Coal:

We still have 250,000 thousand tons of coal which has not been sold. The majority of the deliveries are coal dust. We should expect that the demand for coal will decrease in 1961-1969, therefore, we can at the same time expect difficulties with coal dust. Expected orders for 1959 will remain the same as in 1958.

## d) Agricultural and Food products:

The current export of pork (2 million dollars) is a temporary thing. There are also possibilities of exporting seed potatoes (total imports are 100 thousand tons- Poland provides 3,000 tons), seeds, apples, onions, fruit pulp, corn, beef, lamb.

## 2. The Spanish market

Spain, ever since it left the economic isolation in which it remained until 1954, has strived to modernize its national economy and industrialize. This offers possibilities of exporting to that country investment equipment, raw materials, consumer goods, foodstuffs and fuels - coal. The Spanish market is relatively undemanding and offers a possibility of achieving profitable prices. This is a seller's market. However, one should keep in mind the necessity of making the proper purchases there. Export possibilities can be carried out by the following central foreign trade offices: "Motoimport", "Metalexport", "Centrozap", "Varimex".

## 3. The Italian Market

The most important of our export items to Italy are coal, machine tools, alcohol, benzol, naphthalene, aniline oil, naphthene, eggs, casein, poultry, swine, horses, potato meal, sugar beet seeds, deal-board, oak friezes.

## a) Coal:

It is expected that during this year contracts should amount to

- 40 -

**SECRET**

**SECRET**

about 700,000 tons. This is a result of the correctness of the present policy or prices and sales. These elements are emphasized in talks with our contractees (that is with the exception of the group in favor of returning to the system of exclusive [rights]). It should be emphasized that the benefits accruing as a result of selling without using exclusive [rights] are significant and this policy should be continued. The present uniform prices charged should be varied in the sense that for quantities less than 10,000 tons the price should be increased by about 5 percent.

b) Animal products:

In this field the Italians undoubtedly present a very interesting market for us.

The export of fresh eggs should reach at least 800 carloads by the end of the year (until now it has been 364 carloads). The export of this item during the second half of the year is more profitable because of the higher prices, about 15-20 percent, than during the beginning of the season. Besides fresh eggs we can also count on exporting frozen bulk and certain quantities of powdered eggs. The combined export of fresh eggs and egg products should reach an annual sum of 3.5 million dollars. Another traditional "Animex" article for the Italian market is poultry (chicks, chickens, turkeys). During the 1958-1959 season the export of these articles should reach about 800 tons valued at 650,000 dollars. Other "Animex" export items are casein and live swine. The Sniaviscosa firm, importer of casein and producer of synthetic fibers has given assurances that they will import greater quantities of this item depending on a similar increase of our purchases of synthetic fibers. A contract has been signed calling for the sale of 8,000 live swine, of which 6,000 have already been

- 41 -

**SECRET**

SECRET

supplied while the remaining 2,000 will be delivered in the fall. At present there are real possibilities of compensating FIAT for buses (about 30-40 thousand swine) which should provide a total of 1.7-1.8 million dollars in one direction. There is a further possibility of exporting such articles as lactose and preserved meats such as ham. There are good prospects for "Rolimpex" to export seeds (especially fodder beets). There is also a possibility of increasing the export of seeds to about 800 tons. On the Italian market we have a quota of 1,000 tons without a license.

The Italians are a major importer of potato meal. We also have an increased quota (2,000 tons) for this product without a license. It should be emphasized, that there is a special quota of 11,500 tons with a lower customs duty of 22 percent, whereas over the quota the duty is 49 percent. If "Rolimpex" can supply the meal within the specified times, i.e., within the period of the division of the entire quota (2 January) we are assured the sale of the entire 2,000 tons (240-250 thousand dollars).

Another "Rolimpex" export item is chicory. There is a possibility of selling 2,000 tons (120,000 dollars of chicory), 2-3 thousand tons of brewery barley (150-200 thousand dollars), and 300 tons of mead without a license.

c) Machines and investment equipment:

The sale of machines (machine tools) to a country which produces them without including in this sale the purchase of investment equipment on our part would encounter significant difficulties. The possibility of exports in this field would greatly depend on our industry being able to deliver on time. At present there is a backlog of almost 2 years. It should be remembered that Italian consumers can acquire such machines almost immediately directly from the factories.

- 42 -

SECRET

SECRET

The Italians have informed us that we will get further contracts only when the first consignments are received which fulfill the required standards of quality.

There are prospects of selling on this market machine tools valued at 400-500 thousand dollars provided we fulfill the above mentioned demands. "Metalexport" should continue to try to export textile machinery completed by Italian producers and based on the principle of reciprocity.

#### 4. The West German Market

Because Poland has been a constant debtor of West Germany since 1955, the efforts of our foreign trade should be directed not only at achieving a balanced trade with West Germany but it should also facilitate an increase of investment purchases on that market.

The basic items of our export to West Germany are:

##### a) Coal:

Despite the fact that West Germany is one of the principle coal producers (annual production of about 135 million tons), it imports large quantities of coal, in 1957 about 21 million tons. This year we plan to export about 2 million tons ( a four-fold increase compared to 1957).

The present situation is not very favorable for talks on this matter. The shortage of coal on the West German market during the Suez crisis in 1956-57 caused them to import American coal within the framework of long-term contracts covering as much as 10 years. The import of American coal according to signed contracts through 1960 total 15 million tons of coal annually. Besides the West German coal industry has stocks of coal at the mine which amount to about 6 million tons. As a result they [the mines] have had

- 43 -

SECRET

**SECRET**

to declare so-called "holidays." In addition, the trade unions and government functionaries are intervening to halt the import of coal. Because of the liberalization in the import of American coal, the government functionaries have not been influential in curbing this import, however, they can exert a certain pressure on importers against signing new contracts.

One should also include the competition provided by liquid fuels which has resulted in industrial enterprises changing over to the use of fuel oil, the use of liquid fuel to heat homes, on the railroads, etc. The present economic stagnation in the West Germany is affecting the coal situation on this market. It is therefore understandable why disposal of 2 million tons of coal on the West German market in the present situation is a very difficult problem. The sale of Polish coal on the German market is accomplished by a company called "Polimport," established for the purpose of importing Polish coal and consisting of 18 German importers. The organization of sales is at the moment uniform, i.e., all exporting is carried on by this group. Because of the necessity of carrying on a proper policy on the market, the trade mission advises against any related direct transactions, which in the opinion of the trade mission would introduce disorganization on the market by offering coal to consumers from various sources and in this manner compete against our own coal.

In this situation it is necessary to establish a representative of "Weglokoks" in West Germany and to reorganize "Polimport". The representative should establish contact with industry and try to tie-in import transactions with our exports of coal, and seek further possibilities for the sale of coal (in this way carrying out its own sales policy while limiting the sphere of influence of

- 44 -

**SECRET**

**SECRET**

"Polimport"). In trying to link the sale of coal with imports, the central import offices would try to establish direct contact with trade mission. In addition, attention should be paid to the necessity of entering into long-term agreements (treaty and license insurance) for the export of our coal to West Berlin, to initiating inland navigation, and to the competition of Soviet coal on the West German market.

b) Agricultural and food products

Agricultural and food products are our basic export goods to West Germany (annual export is about 170 million DM or about 60 percent of the total export to the GFR). This group has a good chance of expanding depending on:

- the possibility of receiving increased trade agreement quotas;
- our production capabilities, especially improving the quality of goods, packaging, promptness of delivery, flexibility of payments etc.,
- the proper organization of the market by the foreign trade central offices such as direct representation, consignment arrangements, etc., special attention should be paid to the coordination of work between the central offices because instances have occurred where two central offices as for example, "Rolimpex" and "Hortex" offer to the same consumers the same products but at different prices;
- avoiding the granting of agencies to insignificant firms, of which there are many in West Germany.

5. The English market.

In exports we are maintaining the same level as last year with a slight increase in exports [sic] this year. However, an undesirable phenomenon should be noted, namely, the drop in prices. Besides, the central offices are not trying too hard to export those articles which were placed on the export list upon their own suggestion.

- 45 -

**SECRET**



SECRET

The principal items of our export are: agricultural and food commodities, bacon, ham, and butter. There is a possibility of introducing such items as: onions, vodka, and other agricultural consumer goods. It would be worthwhile to emphasize the export of vodka to Great Britain above and beyond the existing quotas.

In exporting the products of the chemical industry we should try to assure their continued export with the aid of long-term agreements. Concerning the work of central trade offices, the work of "Cetebe", "Minex" and "Skorimpex" is disturbing.

6. The Swedish market.

The Swedes are stressing development of export of their own products. As a result one can notice on this market a significant drop in imports, including our exports.

a) Coal:

The possibility of supplying more coal is not too bright because of the modernization of industry by switching to the use of liquid fuels. However, based on the current agreement there is a possibility of increasing our export by 50 percent.

Export other than coal:

This export should be doubled. Sweden could become a good market for sales (the prices of our exports in Sweden are about 50 percent better than on the markets of the free foreign exchange countries) and therefore various central foreign trade offices should increase their exports at least by the following ratios: "Centrozap" - 3 times, "Ciech" and "Metalexport" - 3 times, "Cekop" - 5 times, "Varimex" - 10 times.

Many of our transactions are not realized because of the poor quality of goods, irregular deliveries and failure to fulfill contracts

- 46 -

SECRET

**SECRET**

on time. Central offices should maintain close cooperation with trade mission, not only through representatives. The Swedish market requires permanent "Centrozap" and "Ciech" delegations as well as the organization of a network of export agents.

7. The Finnish market.

The difficult situation of Finland has moved that government to take several radical steps of an economic nature, among others, greater attention to making purchases in the countries of the socialist camp. This creates possibilities for our exports which appear as follows:

a) Coal:

We plan on exporting 1.5 million tons this year. At present we feel the competition of Soviet coal, purchases of which are aided by official factors. We should expect sales to be more difficult in 1959, and that is why establishing a permanent "Weglokoks" representative is becoming an urgent matter. We should try to arrange long-term agreements.

b) Machines, equipment and metallurgical products:

The liberalization of machine imports and equipment has resulted in our ouster from the Finnish market. Another reason was the poor quality of our products. One of the main tasks now is to reestablish confidence in our products on the Finnish market. Besides that we should try to tie-in our purchases with the export of investment equipment. We should try to avoid Finnish suppliers who are not interested in our exports. Another means of expanding the export of investment goods is a good advertising campaign showing that our machines are exported to many capitalist countries. In addition we should use a flexible policy in arranging credits to Finnish consumers. In connection with the intended reconstruction of industry and

- 47 -

**SECRET**

SECRET

transportation there are possibilities of selling the appropriate products of our industry. "Metalexport", "Elektrim" and "Centrozap" Central Trade Offices should pay special attention to this matter. Metallurgical products have a good chance on the Finnish market and their sales can increase 3-fold.

c) Chemicals:

Our chemical exports are completely neglected on this market. A permanent "Chiech" delegate should be appointed to that market. The heretofore sporadic system of sales by trade missions is not at all effective. The Finnish market can use chemical items for the lumber, cellulose and paper industry such as: soda ash, aluminum sulfate, extractive rosin, water glass, calcium chloride, creosote oil, sodium thiosulfate, zinc white etc.

d) Agricultural consumer goods:

Besides the traditional goods such as sugar, salt, alcohol, fodder yeast, potato meal, and casein, there is also the possibility of selling feathers, dextrine, brewery barley, mead, fruits, onions, fish etc.

e) Textile and other articles:

The liberalization of the import of textile goods has created difficulties for the export of our goods. Increasing the flexibility of prices, and adhering to quality requirements of consumers would yield possibilities of placing a number of goods on the market. Finland is especially interested in the purchase of rags paying for them in free foreign exchange. As our trade counselor knows, in the past year Finland purchased Polish rags from England, while "Textilimport" does not want to negotiate on this subject with Finnish importers. Another example of lack of coordination is the case where

- 48 -

SECRET

**SECRET**

"Ciech" sold small-caliber cartridges which "Varimex" is buying on that market.

8. The Danish market.

An increase of exports to Denmark should be accompanied by a similar increase in imports ("przerzuty" [literally transfers] to Denmark from free foreign exchange countries). Because there are no permanent Central Office representatives in this B.R.H. there is a need for more frequent acquisitioning visits. Our basic export item to Denmark is coal.

a) Coal:

As in other European countries, Danish industry is also making great efforts to change over to the use of liquid fuels. This presents an adverse situation for the export of our coal. This process can be restrained only by employing a coal price policy that will be able to compete with the prices of liquid fuels. The Danish market to a certain extent is concentrating its attention less on sorted coal and is directing its interests on assortments [word missing] and coal dust. Our coal industry should especially weigh possibilities of maintaining competition between the prices of coal dust and the prices of liquid fuels. There are also possibilities of selling coal gas and coke on that market. We should look into the possibility of importing coking coal from the USSR and Czechoslovakia and concentrate on the sale of our coal gas, which presently is used in the production of coke. We should also look into the possibility of exchanging our coal used for power purposes for coal gas from Czechoslovakia.

b) Other export products:

The export of our machines is only in the infancy stage. The central export offices should increase their interests in this market.

- 49 -

**SECRET**

**SECRET**

Certain items from re-export, as for example, fuel oils, artificial fertilizers, etc., can be easily sold in Denmark. The central offices should devote more attention to the problem of re-export.

9. The Norwegian market.

The economic recession (cargo) and the ensuing worsening of the Norwegian balance of payments has resulted in decreasing imports by this country. The decrease first of all affects the socialist countries. This is true in decreased import of our textiles. Now they are taking measures to decrease the import of porcelains and glass. The fundamental difficulty in placing our export is the lack of a consistent policy in this field. It should be emphasized that although trade with Poland is decreasing, turnover with the USSR, GDR and Czechoslovakia is constantly increasing. The basic difficulty in placing our exports on the Norwegian market is the lack of a poised and consequential goods policy. The basis of our export are such goods as: steel, iron, grain, cement, coal and sugar. However, the quantities of such goods are subject to significant fluctuations during certain years, while in other years they completely disappear from export. Great effort is required to re-enter the [Norwegian] market. The conclusion - more concern with maintaining the market.

a) The export of coal:

Just as on other European markets here too we notice a change-over to liquid fuels. In addition, in Norway, there is natural competition from "white coal" as well as from the price of American coal:

US coal - 101 crowns cif \$14.10  
 Polish coal - 113 crowns cif \$15.80

As a result of the constantly decreasing possibilities of exporting coal we should seek new commodities to cover our imports.

- 50 -

**SECRET**

SECRET

## b) The Possibilities of exporting other commodities:

They are: sugar, metallurgical products, chemicals - the latter have an especially good chance of being sold. It should be noted that "Ciech" has not exported to this market for several years. However, "Ciech" is showing a lot of interest in imports from this market. The Norwegians are very much interested in our investment equipment and the "Syrena" and "Mikrus" type automobiles. In exports the Norwegians demand agents. "Centromor" should establish its own agency in Oslo for the purpose of making contracts for the repair of ships in the entire Scandinavian region.

## 10. The Belgian market.

The basic problem troubling the Belgians is coal. The rapid increase of stocks is limiting its production and import. This is having an effect on our ability to fulfill our export tasks in this commodity. This year we will be able to sell 50-60,000 tons of coal (dust and slurry) - we have already received a license for 35,000 tons.

Besides coal, our export includes goods of "Animex" (about 1.5 million rubles), "Paged" (about 6 million rubles), "Polimpex" (7 million rubles), "Ciech" (.5 million rubles), "Metalexport" (.7 million rubles).

"Cetebe", "Hortex", "Coopexim", "Varimex", and "Ars Polona" central foreign trade offices represent lesser exports. The central offices should make sure that deliveries are fulfilled, because if a commodity should lose its place on the Belgian market, there is no chance of getting a license for this commodity in the future. Because of increasing competition it is necessary to comply with the demands of consumers in the matter of delivery dates, the proper quality of

- 51 -

SECRET

SECRET

exported goods, and prices. Exports should be expanded to a maximum by means of tie-in transactions. The present time is especially opportune for entering the Belgian market with investment products. Much attention should be devoted to pioneering exports. The "Centrozap", "Metalexport", "Paged" central offices do not use tie-in transactions at all, even though possibilities do exist in this respect. The commercial counselor is ready to coordinate in this matter.

11. The Dutch market.

One of the means of increased exports to Holland is tie-in transactions. Many firms propose this sort of arrangement, among others, the Phillips firm offers its products in exchange for coal. In addition, other consumers offer textile machines for gabardine cloth, coal for agricultural machinery, etc. In connection with the significant investments planned, it is possible to place large quantities of cement on that market. The "Prodimex" Central Office should become interested in trade in luxury goods, as for example, furs, stockings.

12. The Austrian market.

As a result of investment contracts already concluded we owe Austria about \$30 million dollars. If we add to this figure repayment of consumer credits plus current imports, then we have adequate incentive for increasing our exports and taking advantage of the inclination of Austrian economic circles which are in favor of increasing the exchange of goods with us. It is too bad that our export is of a noncultural nature, namely, 90 percent coal. Granted the assumption that we must expand our trade, we should think of increasing the variety of goods and we should especially support the tendency toward export of finished goods of our industry. The possibility of increasing our

- 52 -

SECRET

**SECRET**

exports depends on whether or not we want to take advantage of the changes in the Austrian economy. Despite the signs of recession in certain branches of industry, others are showing a definite upswing, as for example, the petroleum industry. The construction of a refinery presents good opportunities for exporting pipes. If "Centrozap" can assure a wide assortment of pipes, we can profit immensely. Regarding the export of machines we can establish possible sales by relying extensively on tie-in transactions, which the USSR and Czechoslovakia have used so successfully. This is the only way of increasing exports of machines at present. However, it is necessary that the central offices inform commercial counselors of the intended purchases.

The Austrian market can be regarded as a prospective importer of our agricultural consumer goods, therefore, the central offices should devote more attention to this market. In addition we should look into the problem of using our ports for trade between Austria and Scandinavia. Austria imports about 200,000 tons of iron ore from Scandinavia and ships it by way of West Germany. The commercial counselor is preparing some suggestions on this matter.

Finally, we should look into the possibility of selling our coal franco Austrian border and not like at present to the Czechoslovak border. This would result in about \$2 million dollar income annually.

### 13. The Greek market.

Greek importers place great emphasis on linking our export with the purchase of their goods. In this manner we have placed 100,000 tons of coal on this market for Greek railroads. Beyond this there is a chance of placing 6,000 tons of coal and 3,000 tons of coke on the private market. In addition there is a chance of placing an

- 53 -

**SECRET**



**SECRET**

additional 100,000 tons of coking coal if we purchase zinc concentrates (Cassandra pyrite) in Greece. We can sell them more coal for their railroads if we purchase tobacco from them.

There is a good possibility of exporting agricultural consumer goods, as for example, a total of 300 tons of poultry products. Small amounts of butter have found a good market and can be exported to the Dodecanese Islands where the customs duty is lower than in the metropolis. Small hams have not made out too well due to strong competition from Bulgaria and Argentina. The packaging should be improved and eventually the prices. There is also a chance of placing mutton and sugar on that market. "Cekop" has good possibilities in exporting investment exports (sugar mills, refrigerators, railroad cars). In addition, "Metalexport", "Elektrim" and "Varimex" should devote much attention to this market. Central offices should improve their efficiency and techniques to facilitate the quick and prompt settlement of matters.

#### 14. The Turkish market.

The present difficult economic situation in Turkey has resulted in the curbs on the import of consumer and industrial goods. We receive high prices for our exports to Turkey. The structure of our exports to Turkey is advantageous just as our present policy in this field has been successful. Economic circles demand that our imports from Turkey be increased. If we do not undertake this directly then we should develop the re-export of several goods (as for example, hazel-nuts, cacao etc.)

#### 15. The Canadian market.

The present economic recession has had its effect on the Canadian economy. The new government, based on a new program, is taking several economic measures, among others in foreign trade, intended to rescue the Canadian economy from the present recession.

**SECRET**

SECRET

Despite competition from the USA and Japan, Polard has a chance of selling some of its products on this market: "Metalexport" can sell machine tools, however, quick action and decisions must be made because Czechoslovakia may beat us to it. "Minex" has a chance of selling cement provided it first submits some actual prices which have been lacking thus far. There is a chance of selling glass if we maintain good quality and provide transportation. "Ciech", "Animex", and Rolimpex" should show greater interest in this market. "Metalexport" has a chance of selling some "Warszawa" autos. A combined group of representatives of the interested central offices should visit in Canada because this would make it easier to hold talks with prospective customers.

B. The Socialist Countries

1. The USSR market.

The Soviet Union is our chief importer of a wide variety of goods. The structure of our turnover should be changed in order to conform to the needs of that market. Even though items of our export (excluding coal) are chiefly transportation means (railroad rolling stock and ships) we should presently introduce new goods for export: electrical equipment, textile machinery, laboratory and surveying equipment, and complete plants. Possibilities of selling this group of commodities surpass the agreed quotas. The reconstruction of USSR industry and the development of the chemical and agriculture-food industries offer great possibilities for exports of appropriate investment equipment.

We should try to raise and expand the present agreed-upon quotas. Of 450 items, we import 150 and export barely 53. There are also

SECRET

**SECRET**

items which appear on the GDR and Czechoslovak lists but which do not appear on ours such as, confections and furniture which will sell very easily. The problem of expanding our exports should be the joint task of the trade mission, the central offices, and the Ministry.

### 2. The Chinese market.

During this year we have witnessed a great breakthrough in our trade with the Chinese. The increase of our exports has been significant and shows promise of greater expansion. At present we are experiencing difficulties not in placing goods but in lack of goods.

The tremendous needs of the Chinese market are the result of the development of industry on a scale unheard of till now. The Second Five-Year Plan calls for an annual average increase of industrial production of 20 percent. In 1962, production of the basic branches of industry will be as follows:

steel	- 15 million tons
coal	- 300 million tons
electric power	- 700 billion kwh.

In China one does not talk of a "recession" or "prosperity" but of the "big leap". This leap is to be achieved, i.a., by increased imports. Another factor which increases our export possibilities is the suspension of the Chinese trade agreement with Japan and decreased purchases from West Germany. In order to benefit by this situation we should exploit every means at our disposal to increase exports. The trade counselor especially suggests frequent (mutual) personal contacts, strengthening the embassy in Peking, and coordination in the field of prices.

### 3. The GDR market.

The principal items in our export are solid fuels and raw

- 56 -

**SECRET**

SECRET

materials, of which the basic commodities are: coal, coke, zinc, rolled products, and agricultural consumer goods. The export of machines does not play a significant role because our assortment of goods is being produced by the corresponding branches of GDR production. The problem boils down to expanding the assortment of export goods because there are 537 items on the import list and only 60 on the export list. This is all the more surprising since the possibility of increasing our exports is real and possible.

In connection with this we should:

- develop border trade, especially of agricultural consumer goods (fruits, vegetables, etc.);
- expand the export of railroad rolling stock for which the GDR has expressed great need;
- develop cooperation on third markets in the field of complete factories and machines, especially in complementing the supply of electrotechnical equipment;
- use the principle of tie-in purchases with our exports.

#### 4. The Czechoslovak market.

Czechoslovakia, because it has a well-developed industrial base, is a difficult market for the sale of our industrial products. Therefore, we should concentrate all our attention on the export of goods which find a market here, therefore an extensive assortment of agricultural consumer goods as well as coal. In addition efforts should be made to place mining, construction, and textile machinery on this market. Attention should also be devoted to the possibility of cooperating with Czechoslovakia in third markets, especially in the construction and supply of complete factories - mutual cooperation in this field can benefit both sides.

- 57 -

SECRET

**SECRET****5. The Yugoslav market.**

Our trade with Yugoslavia is developing disproportionately, because while imports have increased sharply, exports have remained almost the same. Among Yugoslav buyer circles there is a tendency to seek out ways of increasing imports from Poland, however, the central offices are holding back on exports not knowing what kind of payments situation exists on that market. The activization of investment export should begin with the Investment Bank, which is the center of payments for this type of purchase. There are good chances of exporting paper machinery, furnaces, sugar mills etc. However, the central offices must be more prompt in fulfilling deliveries. It should be noted that agents for investment equipment export should be discarded because their role in this matter is limited; instead they should be replaced by central office representatives.

**6. The Hungarian market.**

The present trade agreement and the supplementary protocol call for a significant increase in the export of investment goods. Industry, however, should observe delivery dates. The Hungarian market is a good customer for "Warszawa" autos; there are additional possibilities of selling 1,000 more cars annually.

The possibilities of increased coal exports are limited. Their own production as well as the development of hydroelectric power limits the increase of our export of coal. A good source of income on our part could be transit rights through Polish ports. As a result of the disadvantageous terms offered by us, this income has decreased 4-fold in comparison with the years 1952-1953. If we want

- 58 -

**SECRET**

**SECRET**

to achieve any benefits in this field we should be competitive with West Germany and Yugoslavia which offer 25 percent lower freight rates and agree on clearing accounts.

7. The Albanian market.

The development of this country's economy depends on credits granted by socialist countries. Our task amounts to forcing (forsowanie) the export of machines and complete factories on this market. Albania has made the proposal that Poland construct three glassplants and a nail factory in 1959-60.

### III. IMPORTS

In making purchases emphasis must be placed upon tying in these purchases with Polish exports. Taking this into account, purchase decisions must not be made at the last moment but only after certain previous considerations. Immediately upon starting negotiations, the central foreign trade offices should call upon the trade missions. Generally, however, no goods should be sold through tie-in sales which can be profitably sold through clearing agreements. In the transactions made, prices should generally be on the level of market prices.

The principle of reducing costs by purchases directly from the producer does not hold generally, since in many cases the prices demanded by the factories are higher than prices paid through official representatives of these factories. The majority of export firms generally maintain the same price regardless of whether the sale is made directly by the producer or through its representative. Obviously, this pertains to large branch offices with official representatives. All other intermediaries must be eliminated if we are to make any profit along these lines.

- 59 -

**SECRET**

SECRET

Central offices should have wide discretion as to usefulness and distribution of purchased raw materials and goods. Ignorance in these matters is often the cause of excessive costs. Central offices often purchase raw materials or goods of high quality, when lower quality goods, at lower cost, would be adequate for the purpose designated. This applies, for example, to recent purchases on the French market, where "Centrozap" purchased semi-hard wire when soft wire would have been perfectly adequate. Another example is the purchase by "Textilimport" of glass fiber and the repeated purchase by "Rolimpex" of cocoa (good fermented) of the highest quality while other countries purchase large amounts of cheaper cocoa (fair fermented), probably with vanilla. The quality purchased by "Rolimpex" is not even found in Paris stores.

In our trade policy we should view specific markets in true perspective and not simply from the point of view of the conclusion of one, or even several, export or import transactions. Hence, the recommendation to the central offices and pertinent departments of the Ministry that individual actions and decisions not harm our position on the market where cooperation heretofore has been profitable for both sides.

This problem is also connected with the problem of purchases (import) from individual markets. There is a clear indication of improper ratios in turnover on certain markets. Many central foreign trade offices are fulfilling their export tasks while ignoring purchase on a given market.

The trade counselors should utilize the tendency noted on certain markets of favorable purchase opportunities (competitive).

Purchases on certain markets should be geared to those times and seasons when the best prices can be obtained. Opposite tendencies on the part of certain foreign trade offices should be opposed.

- 60 -

SECRET

**SECRET****IV. GENERAL PROBLEMS****1. The matter of transport in export and import transactions.**

The central offices pay little attention to this matter when concluding contracts. The suggestion is made that every effort be made, particularly on imports, to retain for us [Polish bottoms] at least 50 percent of the cargo volume, or if such a share is impossible because of the fear of disrupting deliveries, then a stipulation should be made in contracts cif or caf Polish ports, that one-half of the cargo will be carried by Polish tonnage. Moreover, in our exports the central offices should take greater advantage of favorable terms and lower cargo rates that contracts with ship owners offer for the transportation of specified quantities of commodities during a certain time period.

2. The foreign trade organization should be concerned not only with gaining new sales markets, but also, through skillful and proper application of the trade policy, with maintaining markets on which we have made certain achievements. To safeguard this principle in a most effective and objective manner, the introduction of a branch-managerial type of an organizational structure in foreign trade enterprises should be considered. This would ensure proper care of the markets by the central offices. The gist of all this is that frequently it is easier to obtain new markets than to regain a lost market.

3. In discussing problems of the organization of the commercial counselors' offices attention was directed to the necessity of adjusting the new organizational structure to the very end, and of taking organizational steps to tighten mutual cooperation of the trade posts among themselves on the one hand, and cooperation between posts, central offices, and the ministry on the other hand.

- 61 -

**SECRET**



**SECRET**

Moreover, the matter of dropping representatives of central offices from budgets of the commercial posts, and of transferring them to the tables of organizations of central offices should be considered. A solution of this kind creates greater possibilities of control on the part of the central foreign trade office.

4. In the field of advertising, efforts should be made to use the means and forms acceptable on a given market, and toward the use of the language of the given market in advertising materials and leaflets.

5. The commercial counselor in East Germany is urging a faster decision on the opening of a store with books, record, and folk art at the Cultural Center in Berlin. An effective intervention by the Ministry of Foreign Affairs is necessary in this matter. (Czechs conduct a similar store, obtaining annually about 300,000 Duestch Marks [East] of annual income).

6. The ratio of operating workers to auxiliary workers at trade posts should also be considered. For example in East Germany, the number of operating-trade employees to the number of persons on the table of organization is 16 to 41. Undoubtedly, this ratio is incorrect, and efforts should be made to correct it. One way to achieve this would be to have the Ministry approve only the limit on employment, and to leave the placement of employees as to functions to the management of the commercial posts.

#### V. POLISH TRADE PROSPECTS

The basic aims of our long-range plans on foreign trade are as follows:

1. To achieve an equilibrium in the payment balance.
2. To increase the rate of turnover of Polish foreign trade, and to maintain a payment balance.

**SECRET**

**SECRET**

Further maintenance, however, of the ratio between the average annual rate of growth of imports to the growth of national income, which took place in the period 1949-1956, would have to lead to excessive autarky. This would be contradictory under our conditions with technical progress, production specialization, and international division of labor.

Actually, we do not as yet have the figures, but a commodity analysis shows that the basic tendency, observed now in the form of a smaller share in exports of basic raw materials and of a simultaneous increase in the share of investment export, will continue in the future. Simultaneously there will be an increase in imports of basic raw materials for industry. Of interest at the moment to the representatives of the foreign trade organization in respective countries is a geographic commodity pattern that would ensure an optimum limit, the attainment of which would make the fulfillment of the plan satisfactory. Unfortunately, there are many factors making the definition of this limit difficult. One of them, which should be rectified, is the lack of geographic perspective, or even its instability. This makes the stabilization of turnover difficult. Actually at the base of this, there are reasons connected with real difficulties; however, geography should today be considered, and its changes observed and reckoned with. Equally the changes in the structure of our export as well as the theory on the shifting of purchases of raw materials from industrialized countries to weakly-developed countries create the most favorable prospects for trade with these countries. This trend is most proper. However, we must remember that progressing industrialization will require imports of further significant quantities of machines and equipment from highly developed countries, which, undoubtedly, will force us to make great efforts in this sector. This is not a simple problem,

- 63 -

**SECRET**

**SECRET**

and if we take into consideration the processes of economic integration that take place in highly-developed capitalist nations, and the tariff and credit policies connected with this then it certainly is difficult. Joining GATT will not most likely solve this problem. As soon as there are prospects of exceeding turnover with undeveloped countries, then the problem of maintaining the present turnover level with capitalist countries becomes real.

Discarding the false theory that turnover with these countries will decrease, we now should place particular emphasis on the following two elements in trading with these countries:

1. The conclusion of long-term pacts. For example, we all know that in the near future lumber imports will be increasing. But, requirements for lumber in all of Europe will also be increasing. It is not appropriate to start creating conditions today to ensure this import. The situation is similar with Swedish ore. As is known, a long-term coal contract is now being discussed with Austria.

2. Of even greater importance is the problem of cooperation between countries of our camp. This especially means the necessity of broadening the cooperation between our countries through bilateral and multilateral pacts. Of no less importance is the necessity for cooperation in third markets. For example, the cooperation of Poland with Hungary and with Bulgaria would be very useful in the export of agricultural food commodities to Austria. It is known that these countries have, in comparison with us, a higher profit because of a more favorable location to Austria. Hence, a proper solution of this problem through meetings could perhaps ensure better conditions for us.

The problem of cooperation within the framework of CEMA should become a closer one to all of us. Therefore, it is necessary that counsellors be informed about the sessions of CEMA, and about the proposals that the Polish delegation plans to present.

**SECRET**

**SECRET**SUMMARY OF THE DISCUSSION - Minister W. Trampczynski

The conference is coming to a close; however, I would like to mention several problems which were mentioned in the majority of the speeches. I would like especially to emphasize those problems pertaining to the future of our trade turnover.

1. The Problem of trade turnover increase.

The first basic problem that the Ministry should consider and deal with is the steady increase in turnover as a whole -- with all countries. Considering the problem of prices, since they will have an influence on the increase or decrease of the turnover, it seems that a 10-15 percent increase in comparative prices will occur in the permanent price indexes. It seems that in the previous period this increase was low, because of known reasons. According to figures given by the Geneva Economic Commission, Poland in this sector is probably the last country in Europe on the list, and in our camp, too, it remains far below Bulgaria, as well as a number of other countries. This is a problem of percentage increase of our turnover. Percentage wise, the increase in the turnover of almost every country in our camp is higher than the increase in the production of national income. We are the only country in which the situation is reversed.

The first proposed long-range plans maintained a similar trend, one of very slow development. However, the matter has now been established in our economic management that turnover has to be significantly increased. The entire Ministry must prepare for these tasks. Also, the attitude of the people and the press should be prepared somewhat toward this. If we import a commodity which, at the same time, we export, then we have long demagogic articles on this subject, commenting that we needlessly spend foreign exchange.

- 65 -

**SECRET**

**SECRET**

As far as our camp is concerned, it seems that in recent period we have made efforts in this direction which are now producing favorable results.

The trend of the initial long-range talks, of the visits of party-government delegations, and of Moscow talks, is clearly toward a significant increase in internal turnover of the camp and it should be based on a far-reaching specialization in economy and on mutual coordination. We have to overcome certain elements of particularism which frequently appear in our industry, that is, the idea that we must produce everything; nothing must be imported; and industry must be expanded to produce every possible assortment. Unfortunately, it is impossible to produce everything. A good economic example is the fact that the greatest turnover is usually between countries that are highly industrialized. Large industries in the USA, West Germany, and England, -- and many West European countries -- do not place obstacles in order to hinder a high turnover between their respective countries.

The same attitude should be within the socialist nations sphere. The counselors should thoroughly explore their markets. In talks with industry, we must aim at fulfillment of that which was signed and approved in talks between delegations, in party and government meetings, and at the Moscow conference.

A significant increase in turnover, an increase in specialization and cooperation, and a reduction of production costs are the ways to increase national income. This is not a simple problem; there are certain habits, the necessity of starting production, and the need for certain investments -- all opposed what has been said above. But this is necessary; and we are going to travel this road.

## 2. Development of relations with economically-backward countries.

Another problem which deserves some attention is the expansion of our relations with economically backward countries.

**SECRET**

**SECRET**

We talk and write much on this subject.

The great majority of our raw materials, however, is not purchased at places where they are cheaper, or where our machine export can be directed. Ordinarily, raw materials are purchased at the most accessible points; places that we have become accustomed to. This is another problem that we have to consider. And in particular many obligations in this field rest on our representatives in trade posts.

It seems to me that neither an expansion in the turnover in our camp, nor an expansion in the turnover with economically undeveloped countries can, or should, or does reduce the turnover with better-developed capitalistic countries. The erroneous theory persists that if we increase the turnover with our camp, then the turnover with economically developed countries will drop. This is not true. On the basis of research conducted by the State Foreign Trade Institute and the ministry, it has been confirmed that the possibilities for developing the turnover are so great that expansion of turnover with our camp will definitely not cause a drop in turnover with more developed countries. We will and want to be closely connected with economically developed countries. We want to expand this turnover. We need highly efficient machines and licenses, as well as all kinds of commodities which can be bought only in those countries, and which will modernize our industry. Therefore we cannot subscribe to the theory that by increasing turnover within our camp, we reduce turnover with these other markets.

This problem is the one which usually seems to deeply affect the western press. This is the first question that journalists ask me and the workers at the Ministry of Foreign Trade. This theory is incorrect;

- 67 -

**SECRET**

SECRET

and although certain economic circles in the west may be enthusiastic about it, we must fight it by word and deed. The proposed plans for the next few years envisage no drop in turnover in these markets; in fact, a marked increase can be seen. If this is so, then we must consider what we will sell, and what we want to sell in order that the turnover may increase.

### 3. Problems of Export

#### a. Coal

Coal always heads the list of our exports. Despite pessimistic statements on this subject by a number of counselors, we will export coal; we have coal for export and every effort should be made to maintain coal as the basic commodity for some time to come. In this direction, we have accomplished much and we have changed the policy of prices, and we have improved the quality. In the near future, there will even be a greater improvement. We will designate special coal mines that will extract coal for export; we are creating special organizations which will export; and we are establishing special quality control. We have expanded the "Weglokoks" network. We start out in each country with sales running not into billions of tons, but running into thousands of tons of coal. Traditional markets and trends are changing. [At the present time, we should strive to create permanent sales markets, not repeat past errors. Therefore, in spite of American competition, we must maintain our coal markets. Of all the European coal industries, we have the lowest production costs, which is the greatest competitive power. Up to now, we have the possibility of American coal competition. [With proper effort, there is nothing to prevent maintaining, or even increasing, the coal supply and sales on the European market]. As an example, many markets can be cited, such as Denmark, Finland, Italy, Greece, and Argentina, on which the turnover did not drop, but increased significantly. All theories on the non-competitive power of Polish coal are wrong. It is a cover for our failure; this can frankly be said here.

SECRET

**SECRET****b. Machines and equipment**

The next commodity group in export includes machines and equipment. The general opinion, is that we have attained much--more than we expected a year ago--in this field during the recent period. Last year's conference of counselors was the turning point for this subject. This year, everything that industry has supplied has been contracted for; and we have a number of spheres reserved for succeeding years. At the moment, the problem is the adjustment of our industry to the needs of foreign trade. This problem is difficult and to a greater extent rests on industry than on us. If these tasks are not fulfilled soon, then we could possibly lose our machine trade.

I draw attention to the problem that we all--in the ministry and the trade posts--must be specially conscious of. We must do everything possible to maintain good quality and scheduled deliveries. At the moment, this is the basic problem of our machine turnover. It most certainly would be a bad joke to say that the reason our machines sold so easily on some markets was that their reputation did not as yet precede them. We can be certain that if in this early stage we will start to supply bad machines, then we certainly will lose the markets. The problem of the quality of goods and of timely deliveries is our constant task, in addition to energetic and effective canvassing. All deliveries should be carefully watched and each bad delivery should be reported. For this task, we make the counselors responsible. This is a very responsible task, considering that today our exports amount to over a billion rubles, and that each year they increase. Machines will be one of our basic export commodities. I speak of machines and equipment, as well as of complete factories and plants. In the broad sense this means the variety of commodities under the management of the Department of Machines and Equipment.

- 69 -

**SECRET**



SECRET

I want to draw attention to this problem, and to emphasize it clearly. Today our export of machines and equipment is extensive, but its specialization has been weakly defined. In the initial phase of the development of export, there was a broad assortment and this was fully understandable. Our specialization is now clear in the sector of floating stock and railroad rolling stock. This is, however, too little for our production possibilities. At present, we should strive toward specialization in our machine export. Here, the trade missions can be of service by carefully watching to see which machines are of higher quality, which machines have prospects for expansion, and in which branch of industry special investment efforts should be made.

I ask that you please devote more space to this problem in your reports.

The next problem that needs attention is the erroneous "theory" that machines cannot be sent to countries that are better economically developed than ours. There are entire series of types of machines that could be, and should be, exported to England, France, and West Germany. In this situation, we are somewhat timid.

c. Agricultural food products

I will next talk about agricultural food products for export purposes. In succeeding years, our agriculture will be constantly increasing the quantities of these commodities. However, the kinds of commodities that are exported are extremely primitive. There is a lack of conserves and hams, but we have pigs, livestock, butter, lard, etc. In Poland, we are making great efforts and a large part of the American loan is directed to this sphere. Important investments have been started. We must remember that in the coming year, there will be an important improvement in this commodity group. The trade counselors should indicate the needs of the markets for agricultural food products.

- 70 -

SECRET

**SECRET**d. Miscellaneous commodities

We have become accustomed to talk about coal and machine trade; however, we should not forget that there are many countries that do not export coal or machines, yet these countries have a greater turnover than we do. We have great possibilities of developing trade in miscellaneous commodities. According to the State Foreign Trade Institute, we now have a broader assortment of commodities for export than we had before the war. We have further possibilities for increasing the assortments for export. To achieve this, a number of economic moves are needed within Poland. This will be a slow job, but some results have already been obtained. The results obtained include the export of fresh vegetables, fruits, greens, and a few other products. Here, too, we specially need the help of counselors. These are new commodities of export, and the entire Ministry is devoting much attention to them. If we were able to organize the export of coal and machines, then, I am sure, we will be able to manage the export of miscellaneous commodities. The range of commodities is very broad, ranging from books and vegetables to chemicals.

4. Problem of import.

Raw materials do and will continue to occupy the leading position on imports, followed by machines, equipment, licenses, etc. The theory that we can satisfy the demands of our expanding industry with machines produced by us is erroneous. Entire series of these machines will come from markets of Western Europe. Each year our imports of machines will increase. Particularly important are licenses and new machines, permitting us to modernize our industry. Here I want to call attention to an incorrect theory--the theory of various priorities--which arose under certain conditions and did much harm to us. At one time this theory protected the Ministry from unjust charges. This theory should now disappear.

- 71 -

**SECRET**

SECRET

5. The problem of the activities of trade missions abroad.

We cannot view the problem of foreign trade turnover from the viewpoint of each year separately. It is necessary to view the prospects over several years. This is tied in with the problem that I want to bring to attention. Other speakers stated that the duties of a trade mission are not entirely clear. Let us not request that a new directive, or instructions be issued which would systemically outline everything that a trade counselor must do. We do not want to enclose this problem in some kind of schematic structure. The role of a counselor in countries of our camp looks different from that of a counselor in capitalist countries. The problems are different in somewhat backward capitalist countries, than those in economically developed capitalist countries. In each country, the situation is different. We ask that a counselor be an extended arm of the Ministry, and that he implement trade policy. We should also bring to attention the problem of financial and credit policies. We do not have bank representatives, and this sector is greatly neglected. We should remedy these negligences very soon. A trade worker should also be a financier. All of us have had experience in negotiating with a West European purchases. The missions have to study the market and know its organization, have to supply us with data from the market, and have to inform the central offices of foreign trade the demands of the market. Should management be conducted in a bureaucratic way? No- Never! Should the central offices of foreign trade be hampered in their activities? -- Never! At one time, they criticized you -- now you criticize them. At one time it was vice-versa. New methods of operations must be found if a central office does not subordinate itself;

SECRET

**SECRET**

you have effective means; you approve the invoices; you are the authority; if you do not approve an action of the central office, the matter will not go through. You have the ministry behind you; you can notify us about these matters; however, not in laconic codes, but in letters. Codes are not always the best means of coming to an understanding because full explanations cannot be made in them. The present organizational structure is adequate enough to enable the counselor to have the market under control and to expand the turnover. A good trade consellor cannot limit himself to acknowledge of only his own market. If the central foreign trade office maintains there are better prices on another market, we cannot demand that it sell on its own market regardless of the cost. Also, there now are markets to which we export, and from which we will import. There are markets that we do not want, and we will not import from them. We must increase our purchases from the English market, and we will do this at the cost of the Swiss market, which does not purchase from us, and we support this. Likewise with Bulgaria. We will not support them, if they will not buy from us. At the present time during the recession period, western countries will be making bilaterial transactions. This form does not seems successful to us, but in a recession period it has application.

6. The Problem of Credits.

Deputy Ministers Kutin and Modrzewski both mentioned this problem; I would like only to emphasis that we want credits and we will take them, but we must be certain of their payments. We will not take credits from countries that we do not export to even though the conditions be favorable because there is always a limit to credit capacity. Particularly in this can trade counselors help us. There was a time when the western press was always writing that "Poland is seeking credits," now the time

- 73 -

**SECRET**

**SECRET**

has come that the West writes "Poland does not want credits." This is not true! We want to take credits, but we must tie them in with our export.

7. Relationship of trade counselors to central foreign trade offices

I have brought this to attention before, but I would like to return to this subject because there is always some doubt about this matter. Undoubtedly, the manager of a market is the trade counselor, and in this area nothing should happen without his knowledge. To know, does not mean, however, to replace the central foreign trade offices or their management. To know means to give full initiative, and to look favorable on their operations. If these operations are bad, then help the central office, but do not replace it. No central office would be opposed to such a system. Today's meeting we will extend to the central foreign trade offices, and we will talk with them on these subjects. We ask that counsellors watch when the central office are operating improperly, but in doing this I ask that they remember the following:

1. Not to observe the operations of the central office only from the viewpoint of our market, but also to observe the other markets, the situation as a whole, and turnover possibilities.

2. To observe closely when the central office reached a point that we consider further activity would be harmful. It frequently happens that a delegate has not as yet arrived and he is criticized beforehand that he behaves badly. Our opinion is that delegates of the central offices are lead too much by the hand by counselors; we should give them more independence.

We ask that your relationship with the central offices be one of care and concern about proper economic policy, and not one of formality and administration.

I now conclude the conference, and I thank all the participants for participating in the discussion. I wish you continued success in your work.

**SECRET**