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SEPTEMBER

1981

THE WORLD BANK GROUP
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Bela Balassa's chron files - September 1981

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B. BALASSA CHRON FILE SEP 1981

Mr. Henri Bourguinat
Universite de Bordeaux 1
Faculte des Sciences Economiques
Avenue Léon Duguit
33604 Pessac
France

My dear friend:

I enclose the revised version of my paper together with the list of references as you have suggested. I hope that everything will be clear to the printer.

It was good to see you in Paris and I much enjoyed the discussions we had at lunch.

Yours sincerely,

Bela Balassa

Le 30 septembre 1981

Monsieur Henri Bourguinat
Université de Bordeaux I
Faculté des Sciences Economiques
Avenue Léon Duguit
33604 Pessac
France

Cher ami,

Je vous adresse ci-joint la version révisée de mon article, accompagnée de la liste de références, comme vous l'avez suggéré. J'espère que ces deux documents ne poseront pas de problèmes à l'imprimeur.

J'ai eu beaucoup de plaisir à vous voir à Paris et garde le meilleur souvenir des discussions que nous avons eues à l'occasion de notre déjeuner ensemble.

Veillez croire, cher ami, à l'expression de mes sentiments les meilleurs.

Bela Balassa

Abstract

This author shows that trade in manufactured goods with the developing countries has benefited the developed countries and that these countries would derive further gains from the future expansion of this trade. It is also shown that trade with the developing countries will increasingly involve intra-industry specialization that has a relatively low adjustment cost. On the basis of these considerations, the author suggests lowering industrial protection in the developed countries.

Résumé

L'auteur montre que les échanges de biens manufacturés avec les pays en développement ont profité aux pays développés et que ces derniers gagneraient à développer encore ce type d'échanges. Il démontre par ailleurs que les échanges avec les pays en développement s'orientent de plus en plus vers la spécialisation intra-industrie, dont le coût d'ajustement est relativement peu élevé. A partir de ces considérations, l'auteur estime que les pays développés devraient réduire les mesures de protection de leur industrie.

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September 29, 1981.

Mr. Jose E. Santos
4613 Spruce Street
Philadelphia, Pennsylvania 19139

Dear Mr. Santos:

"The Newly Industrializing Countries After the Oil Crisis" is out of print. There will be another run of this paper in about two or three months time. I will be glad to send you a copy at that time.

Yours sincerely,

Norma Campbell
Secretary to
Mr. Bela Balassa

Enclosures



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September 28, 1981.

Mr. Ed Hewett
Brookings Institution
1775 Massachusetts Avenue N.W.
Washington, D.C. 20036

Dear Ed:

As a follow-up to my letter to Paul Marer, of which I sent you a copy, I enclose my review paper on the Hungarian Reform. Your comments would be greatly appreciated.

With best regards,

Yours sincerely,

Enclosure

Bela Balassa

P.S. I could invite you for lunch once you have read the paper. This would also permit us to talk about the Conference.

Enclosed: The Hungarian Economic Reform, 1968-81

Mr. John H. Duloy, DRC

September 28, 1981.

Bela Balassa, DRC

Roger Bowden

Mr. Bowden has done outstanding work during the six months period following his arrival on February 3, 1981. He has carried out his full share in developing the research project, Changes in the Pattern of Comparative Advantage in Manufactured Goods. Due to my other obligations, including leading a large bank mission to Turkey in May-June, he has done practically all the work on the project since its approval in June. As part of the research project, Mr. Bowden has written an outstanding paper "The Conceptual Basis of Empirical Studies of Trade in Manufactured Commodities: A Constructive Critique."

BBalassa:nc

September 25, 1981.

Ms. Ellen V. Seiler
Editor
Princeton University
International Finance Section
P.O. Box 644
Princeton, New Jersey 06540

Dear Ms. Seiler:

I wish to order an additional 160 copies of my paper "The Process of Industrial Development and Alternative Development Strategies," Princeton Essays No. 141.

With best regards,

Sincerely yours,

Bela Balassa

September 25, 1981.

Mr. Martin Wolf
Trade Policy Research Center
1 Gough Square
London EC4 3 DE
England

Dear Martin,

I wish to congratulate you on the excellent job you have done on your chapter. It needed little editing. An edited copy has been sent to you by your former secretary. Please let me know by mid October if you wish to make any changes.

I would like to use the opportunity to wish you the best in your new position. Good luck!

Yours sincerely,

Beis Balassa

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CITY/COUNTRY ODAKULE IS MERKEZI ISTIKLAL CADDESI, 286 BEYOGLU, ISTANBUL, TURKEY

MESSAGE NO

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VISITORS BADGES WILL BE ISSUED TO YOU AND TWO COLLEAGUES BY CAROL
BABER AT THE ANNUAL MEETINGS REGISTRATION DESK AT THE SHERATON
HOTEL ON WOODLEY ROAD. THIS WILL PERMIT ATTENDING PLENARY SESSION
BUT SEATS MIGHT NOT BE AVAILABLE FOR OPENING SESSION ON TUESDAY
MORNING. REGARDS, BALASSA

Please also say to Mr. Calika that Mr. Balassa
would like to have lunch with him on Thursday,
October 8th at 1 p.m. and would he please meet
Mr. Balassa at his office at 12:50. His office
number is 16-158 - 1850 I Street N.W.

THANK YOU.

END
OF
TEXT

NOT TO BE TRANSMITTED

SUBJECT:

DRAFTED BY:

CLEARANCES AND COPY DISTRIBUTION:

DELA BALASSA
AUTHORIZED BY (Name and Signature)

DELA BALASSA
DEPARTMENT:

DBalassa:nc

DRC - Director's Office
SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

September 24, 1981

Mr. Paulo Nogueira Batista Jr.
Centro de Estudos Monetarios
e de Economia Internacional
Fundacao Getulio Vargas
Instituto Brasileiro de Economia
Caixa Postal 9052
20.000 Rio de Janeiro, RJ
BRAZIL

Dear Mr. Batista:

I was glad to learn from your letter of September 10th that you will be able to supply a revised version of Part 1 of the Brazil study within a short period of time. As regards Part 11, I will consult with Fendt as you have suggested.

Looking forward to receiving your study, I remain,

Sincerely yours,

Bela Balassa

September 24, 1981.

Professor Göran Ohlin
Nationalekonomiska institutionen
vid Uppsala universitet
Strandpromenaden 10
S-131 50 Saltsjö Duvnas
Sweden

Dear Göran:

It was good to hear from you and I appreciate the suggestion to visit Chez Georges. This will help in my search for lower priced restaurants.

Not much is happening here. We are awaiting the Annual Meeting.

Yours sincerely,

Bela Balassa

September 24, 1981.

Professor Walter Galenson
Cornell University
168 Ives Hall
Ithaca, New York 14853

Dear Professor Galenson:

While I have made considerable progress in the paper on Korea, I welcome the opportunity to submit the paper after the first of January as this has certain tax advantages. May I suggest January 31 as the date of submission.

Yours sincerely,

Bela Balassa

September 24, 1981.

Mr. Martin Wassell
International Chamber of Commerce
38 Cours Albert 1^{er}
75008 Paris
FRANCE

Dear Mr. Wassell:

This is a follow-up of my letter of September 14th. I would like to raise two questions at this time.

First, due to a back problem, I have to swim on a daily basis. I wonder if it could be arranged that I would be put in a hotel in Manila that has a swimming pool. Second, I have been informed that ICC will provide me with a first class round trip ticket to Manila. As it is time that I made reservations, I would suggest that you send ticket authorization to Northwest Airlines. I plan to fly Northwest Airlines to Manila and to return on China Airlines through Taipei.

Yours sincerely,

Bela Balassa

CABLE
MBAN 23111

SEPTEMBER 24, 1981
61991

MR. CALIKA, NEBAN SECURITIES BROKERAGE AND FINANCE CORPORATION
ODAKULE IS MERKEZI ISTIKLAL CADDESI, 286 BEYOGLU, ISTANBUL, TURKEY

VISITORS BADGES WILL BE ISSUED TO YOU AND TWO COLLEAGUES BY CAROL
BABER AT THE ANNUAL MEETINGS REGISTRATION DESK AT THE SHERATON
HOTEL ON WOODLEY ROAD. THIS WILL PERMIT ATTENDING PLENARY SESSION
BUT SEATS MIGHT NOT BE AVAILABLE FOR OPENING SESSION ON TUESDAY
MORNING. REGARDS, BALASSA

BELA BALASSA

BELA BALASSA

DRC - Director's Office

BBalassa:nc

Ms. Carol Baber, Registration Desk, Sheraton Hotel

September 24, 1981

Bela Balassa, DBRD

Visitors Badges

This is to confirm that you have undertaken to issue visitors badges to Mr. Mehmet Gun Calika, of Meban Securities Brokerage and Finance Corporation, Mr. Serif Egeli, and Mr. Selim Egeli, all three from Turkey. They will contact you at the Sheraton Hotel.

BBalassa:nc

Mr. P. Hasan, AEMWP

September 24, 1981

Bela Balassa, DRC

Papers for Korea Volume

1. As the enclosed letter indicates, the Korean Development Institute plans to publish consultants' papers on the Fourth and Fifth Development Plans and the 15-Year Perspective Plan. Among my papers listed in the enclosure, numbers 1 and 2 appear in my earlier book, Policy Reform in the Developing Countries, and 3 and 4 have been published in my recent book, The Newly Industrializing Countries in the World Economy. They will be reprinted in the KDI collection.
2. As to my fifth paper, Mr. Kim Mahn Je has indicated to me that he wishes to publish it in the version that has been submitted to the Korean authorities. I enclose this version, dated November 26, 1980, together with an earlier draft, dated July 31, 1980. The November version incorporates the results of discussion I had in Korea as well as comments by Messrs. Agarwala, Westphal and others.
3. Needless to say, additional corrections could be made in the paper before publication, if so desired. I would like to have these corrections by October 6 as the paper should reach Seoul by October 15.
4. I wish to add that I am planning to write a journal article that would examine recent Korean policies as well as policy changes in the Fifth 5-Year Plan. I have also been asked by the Academic Council of Learned Societies to write a review paper on "The Role of Foreign Trade in the Development of Korea."

cc: Messrs. Agarwala, and Flood, AEA

Enclosures
BBalassa:nc

Papers on the Fourth and ifth Development Plans
and the 15-Year Perspective Plan

Bela Balassa

- No. 1 Korea's Development Strategy for the Fourth Five-Year Plan Period, 1977-81 (1975)
- No. 2 Incentives for Economic Growth in Korea (September 1976)
- No. 3 The 15-Year Social and Economic Development Plan in Korea (September 1977)
- No. 4 Inflation and Trade Liberalization in Korea (October 1978)
- No. 5 Korea during the Fifth Five-Year Plan Period (1982-86)

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
September 23, 1981

Guarionex Press
201 W. 77th Street
New York 10024

Dear Sir:

Please send me a copy of Instant Oral Biographies to the above
address and bill me at the time of delivery.

Yours truly,

Bela Balassa

September 21, 1981.

Ms. Sharon Pickrel
6404 Camrose Terrace
Bethesda, Maryland 20034

Dear Ms. Pickrel:

The enclosed letters are self-explanatory. Please have the delivery of the Washington Post restarted and adjust my bill excluding the period August 1 to September 21.

Yours sincerely,

Enclosures

Bela Balassa

September 21, 1981.

Pergamon Press Ltd.
Fairview Park
Elmsford, New York

Dear Sir:

Please send a copy of the paperback edition of my book
"The Newly Industrializing Countries in the World Economy" to Mr. Brendan
Horton, c/o Mr. Moumile, Director, Ministère du commerce et de l'industrie,
Rabat, Morocco, and bill the same to his address.

Yours sincerely,

Bela Balassa

September 21, 1981.

Professor Paul Marer
School of Business
Indiana University
Bloomington/Indianapolis
10th St. & Fee Lane
Bloomington, Indiana 47405

Dear Paul,

Many thanks for your comments on my paper. They will be very helpful in the revision.

I am sending you under separate cover the three papers you have requested (the titles differ slightly). I am also publishing a small book on the subject with the OECD in the near future.

I am familiar with the research proposal you have prepared at the request of the Bank on the evaluation of national accounts statistics in centrally planned economies. We are also interested in doing research on some micro issues. I will be in touch with you once things move further.

Finally, I am happy to inform you that I will be able to participate at the March 1982 conference on the Hungarian economy. I am informing Ed Hewett with a copy of this letter as you have requested. As to a paper, I could present a revised and updated version of my review paper on the Hungarian reform you commented on. Let me add here that the paper has been well received on the part of Hungary's officials and academicians I visited last month. I should have the new version of the paper available in a month or two.

Yours sincerely,

Bela Balassa

cc: Mr. Ed Hewett

Sending: The Newly-Industrializing Developing Countries after the Oil Crisis
Weltwirtschaftliches Archiv
The Policy Experience of Twelve Less Developed Countries, 1973-1978
W.P. No. 449
Adjustment to External Shocks in Developing Economies W.P. No. 472

OFFICE MEMORANDUM

TO: Pasquale Scandizzo, AGR

FROM: Bela Balassa, DRC

SUBJECT: Agricultural Chapters

DATE: September 21, 1981

1. The chapter contains much interesting material but the quality of the writing deteriorates in the later sections, requiring considerable editing. I have also tried to reduce repetition and have eliminated some material that has a limited interest to the general reader. (This includes, in particular, the description of policies that are no longer applied and their welfare effects.) As a result, I have been able to reduce the length of the chapter to more manageable proportions.

2. Sections A, B, C, and E do not require further revision. Section C would, however, benefit from rewriting. One gets easily confused with reference prices and tariffs on fruits and vegetables in the early and the main seasons; despite the reference to non-EEC markets in the outline, the prospects in these markets are hardly covered; the discussion on Turkey's possibilities to export processed fruits and vegetables is perfunctory; nothing is said about livestock. Finally, on the whole, you appear overly pessimistic about market prospects that is in conflict with the discussion in Section E which makes no allowance for market limitations.

3. You may also wish to review Section F. I have eliminated repetitive discussions of past policies, overly detailed recommendations as well as recommendations I disagree with. The latter are noted in my specific comments. I further enclose a redrafting of the Introduction and the initial paragraphs of the recommendations.

4. Please note the sources of the tables and renumber the paragraphs following the deletions. The numbering should include the introductory paragraphs.

cc: Mrs. Girardot-Berg, AGR; and Swamy, EPD.

Enclosures
BBalassa:nc

Specific Comments on Turkey Agriculture Chapter

Bela Balassa

- p.5 It is not always clear what period the calculations refer to. It should be 1960-79 everywhere.
- p.14 What periods do the labor productivity figures refer to? Transform them into annual rates.
- p.18 1981 support prices are available for most crops; please inquire by cable.
- p.22 On p. 41 it is noted that traditional export crops were, on balance, taxed. Correspondingly, I eliminated the relevant para. here.
- p.42 Information should be provided on stocks of tobacco in 1980.
- p.47 I doubt that the market for hazelnuts would be monopsonistic.
- p.53 A page is missing here.
- p.56 The price of domestically produced tin cans appears overly low.
- p.65 What is the EEC share in Satsuma?
- p.74 The 6% export expansion figure seems to be in error. Also, references in the text to the contrary, the table does not show total production and export figures.
- p.79 Can we speak of producer price protection in Turkey?
- p.80 If one adopts a free trade policy, there will be no need for stocks since imports can take place in times of need; nor is there need for export levies on products where Turkey faces infinitely elastic demand.
- p.81 This is not the place to discuss policies towards cotton textiles.
- pp.83-83 I doubt the usefulness of overly detailed recommendations.
- p.88 The foreign exchange allocation scheme allows dutyfree imports of inputs. In turn, tax rebates should be provided to all producers. Why exclude medium-size producers?
- p.89 I do not see the reason for charging less for water used in the production of vegetables by small farmers.
- p.90 This is not the place to suggest further studies.

I. Recommendations

7.137 It has been noted that agricultural growth was hampered by government policies in the past. To begin with, agricultural exports were taxed through overvalued exchange rates and/or levies and government policies that have chiefly benefited import substituting crops, such as wheat and sugar beets, to the exclusion of potential foreign exchange earners, such as horticultural products and livestock. Also, public capital formation was concentrated in large irrigation projects, neglecting investments in infrastructure while private investments were concentrated in mechanization that received direct and indirect subsidies were neglected. Finally, apart from favoring capital-intensive activities, subsidies to credit, machinery, fertilizer and water encouraged inefficient resource use and often benefited large farmers.

7.132 The 1980-81 policy reforms have brought improvements in several respects. The large devaluation of the exchange rate has provided incentives to exports; reductions in consumption subsidies have led to the more rational pricing of foodstuffs and to lower budget deficits; and increases in the prices of fertilizer and plant-protection materials have encouraged their more efficient use.

7.133 The following recommendations aim at further improvements in the context of Turkey's efforts at liberalization. Recommendations will be made on measures that may be applied in regard to individual products so as to exploit Turkey's agricultural potential. Recommendations will further be made in regard to import policies.

1. Product Policies

7.1 The inward-oriented development strategy followed by Turkey discriminated against agriculture in favor of industry. While credit subsidies and subsidies to major inputs maintained a flow of resources into agriculture, its share in GDP declined as a result. Within agriculture, import substituting crops were benefited at the expense of export crops, the bulk of government investment was for capital-intensive projects, and input subsidies to credit machinery, fertilizer, and water encouraged the expansion of capital-intensive activities and inefficient resource use.

7.2 The fact that agricultural production nevertheless grew at an average annual rate of nearly 3% indicates the advantages Turkey possesses in agriculture. Its considerable land and labor resources, favorable climate, and proximity to expanding markets would permit rapid expansion of production and exports into the future, provided that appropriate policies are followed.

7.3 This chapter will describe the main characteristics of agricultural development and exports in Turkey, analyze the market intervention policies applied, and examine the effects of incentives on market performance. The chapter will further consider the market prospects for agricultural exports and indicate Turkey's comparative advantages in agriculture by using a sector model.

2134 Wyoming Avenue N.W.
Washington, D.C. 20433
September 21, 1981.

The No-Load Fund Investor
Post Office Box 283
Hastings-on-Hudson, New York 10706

Dear Sir:

In accordance with your guarantee, I hereby return "The
Handbook for No-Load Fund Investors, 1981 Edition". Please refund me
the amount if paid, \$39.00.

Yours truly,

Enclosure

Bela Balassa

September 21, 1981.

Mr. David Kellogg
Pergamon Press Ltd.
Fairview Park
Elmsford, New York

Dear Mr. Kellogg:

I have written to you concerning the interest expressed in the French and Spanish translations of my book. I would appreciate your letting me know what has transpired and informing me of all future developments.

I have not yet received a copy of the flyer concerning my book. Please have a dozen copies sent to me, also let me know if the flyers have been sent out to the people whose addresses I have provided. Additional addresses will be provided in the near future.

Professor Paul Streeten, the Chairman of the Editorial Board of World Development, wrote to me that he has not received a copy of my book and would like to have one. Since he is a member of the "Pergamon family" I would appreciate it if you could send him a copy from your stock. I further enclose an order for a copy of the book, please transmit it to the appropriate person.

Yours sincerely,

Enclosure

Bela Balassa

September 21, 1981.

Ambassador Elekdag
Turkish Embassy
1606 - 23rd Street N.W.
Washington, D.C. 20008

Dear Mr. Ambassador:

I have been asked to participate at the foreign investment panel of the Conference on Turkey to be held on September 28th. I will be happy to do so. I also plan to participate at the luncheon and in the deliberations on the Economic Survey.

Yours sincerely,

Bela Balassa

September 17, 1981.

Mrs. Anne Gordon Drabek
Managing Editor
World Development
Queen Elizabeth House
21 St. Giles
Oxford OX1 3LA
England

Dear Mrs. Drabek:

I enclose the abstract for my paper "Structural Adjustment Policies in Developing Economies" as you have requested.

Yours sincerely,

Enclosures

Bela Balassa

Structural Adjustment Policies in Developing Countries
Bela Balassa

Abstract

The paper examines structural adjustment policies in developing countries, undertaken with the purpose to regain the growth path following internal and external shocks. The proposed policy package further aims at improving overall economic policies. Its components include production incentives, incentives to save and to invest, the choice of public investments as well as sectoral, budgetary, and monetary policies. The interdependence of the proposed policy measure is also indicated and comments are offered on the international policy environment in which they operate.

September 16, 1981.

Dr. Alfonso Jozzo
Chief of Economic Research Department
Istituto Bancario San Paolo di Torino
Piazza San Carlo, 156
10121 Torino
Italy

Dear Dr. Jozzo:

Thank you for your letter of August 12th which reached me on my return from a long trip abroad. I will be in Washington throughout October and would be glad to see you. Please note, however, that I am away every week on Tuesdays and Wednesdays.

Yours sincerely,

Bela Balassa

September 16, 1981.

Mrs. Christine Ann Assis
Rua Prof. Gastao Bahiana, 575 Apt. 802
Copacabana
22071 Rio de Janeiro-RJ
BRAZIL

Dear Christine,

Thank you for your letter of August 24th which reached me on my return from a long trip abroad. I will indeed be happy to write a letter of recommendation on your behalf.

Yours sincerely,

Bela Balassa

September 16, 1981.

Professor Armin Gutowski
President des HWWA-Institut
fur Wirtschaftsforschung-Hamburg
Neuer Jungfernstieg 21
2000 Hamburg 36
Germany

Dear Armin,

Thank you for your letter of August 19th which reached me on my return from a long trip abroad.

I would be happy to see you on your visit to Washington. Please call me at home 265-0539, or at the office 676-1991 when you arrive. On Tuesdays and Wednesdays I can be reached at the following number 776-7920 extension 7612.

I understand that you have acquired considerable acquaintance with the Chinese economy. I have a pending invitation to go there and would like to talk to you on your experiences.

Yours sincerely,

Bela Balassa

September 16, 1981.

Mr. Sung Y. Kwack
Director
Center for Pacific Basin Studies
Wharton Econometric Forecasting
Associates, Inc.
1110 Vermont Avenue N.W.
Suite 700
Washington, D.C. 20005

Dear Dr. Kwack:

Due to my long absence from Washington, your letter of August 10th reached me only today. I thank you for your invitation. The invitation did not however, include a program. I would appreciate receiving this so that I can see how it would fit with my schedule.

Yours sincerely,

Bela Balassa

OFFICE MEMORANDUM

TO: Files

FROM: Bela Balassa, DRC

SUBJECT: Back-to-Office Report Morocco, September 7-9

DATE: September 16, 1981.

1. I went to Rabat to discuss the draft industrial investment code and to review the Moroccan protection and incentive study. Between September 7 and 9, I had daily meetings with the Minister of Commerce and Industry; Mr. Francois Etori participated at two of the meetings. Additional meetings were held at the staff level.

The Industrial Investment Code

2. The draft investment code for industry contains several welcome changes that conform to the recommendations I made last January. They include providing identical treatment to Moroccan and to foreign-owned firms; granting the same incentives for replacement and for extension investments; maintaining automaticity in the application of the code; and giving additional incentives to export investment. At the same time, several provisions of the draft code are objectionable from the economic point of view. My objections to these provisions and responses by the Minister are noted below.

3. I objected, in particular, to the provision that would provide a tax-free reserve to firms in Casablanca for investment in less developed areas within a four-year period. With a corporate income tax rate of 44 percent, the revenue loss to the government budget would represent a 78 percent subsidy to investments in these areas, even if one disregards the benefits derived from the use of tax-free funds for a period of four years. At the same time, inducement is provided to capital-intensive investments. In response, the Minister has agreed to reduce the subsidy by approximately two-thirds and to set a maximum limit for capital-labor ratios in these investments.

4. I also objected to the open-ended provision for the protection of domestically-produced machinery and to the maintenance of duty free entry on imported machinery in cases where this does not compete with domestic production. It has been informally agreed to avoid increasing protection on domestically-produced machinery above existing levels. Also, new investments in Casablanca are to lose their dutyfree entry privileges. The dutyfree entry of machinery has been retained in all other cases, however, notwithstanding arguments that such a provision encourages the use of capital-intensive production methods and it favors industries utilizing imported machinery.

5. I noted that the proposed abolition of accelerated depreciation provisions in the Casablanca area would lead to taxing "phantom profits" unless balance sheets are revalued to adjust for the effects of inflation (accelerated depreciation provisions, involving a reduction in the period of depreciation from 10 to 5 years, approximately compensate for the effects of a 12 percent inflation on the present value of tax obligations and hence on profits). The Minister does not consider the revaluation of balance sheets to be administratively possible, however, and is willing to retain accelerated depreciation only for replacement investments in the Casablanca area.

6. I objected to the once-for-all subsidy to employment on the grounds that it may give rise to illegal practices and to temporary employment. The Minister considers these risks to be relatively small but has agreed to limit the application of the provision to medium-and to small-scale enterprises.

7. The revised version of the draft code, incorporating the above modifications, will be sent to the Bank shortly. While the draft code continues to be overly generous for investments in less developed regions, the relevant provisions will undergo further changes following review by the Ministry of Finance.

The Protection and Incentives Study

8. The protection and incentives study has suffered further delays, due in part to staff problems and in part to the difficulties of obtaining information from a number of firms. In order to minimize the delay, I suggested reducing the size of the firm sample. In agreement with the Director of Industry, we have reduced the size of the sample from 139 to 106 firms while maintaining its representativeness.

9. The reduction in the size of the sample will permit completing data work by October 1981, and the first draft of the sector report by December 1981, in two sectors (textiles and engineering). These phases of work will be accomplished by December 1981 and by February 1982, respectively, in regard to the remaining two sectors (processed food and chemical and related industries). The revision of the sector reports will require another month and the writing of the general report an additional 2-3 months. The Ministry of Commerce and Industry will explore possibilities for financing the work of Brendan Horton beyond December 1981, possibly in the framework of a Bank loan. The Ministry has also taken the obligation to provide for all staff needs according to a detailed program that has been drawn up.

10. I plan to return to Morocco in January 1981 to review the two draft sector reports and to advise on the remaining reports. In turn, the proposed Bank incentives policy mission could not usefully be undertaken before May-June 1982.

cc: Messrs. Chaufournier, EMNVP; Bart, EM2; Picciotto, EMP; Carter, EM2; Dubey, EMNVP; Asfour, EM2; Zaidan, EMP; Etori (o/r), EMP; Ms. Guerard, EM2. Recipients of August 31-September 12 back-to-office memo.

BBalassa:nc

OFFICE MEMORANDUM

TO: Files

FROM: Bela Balassa, DRC

SUBJECT: Back-to-Office Report: August 31 - September 12

DATE: September 16, 1981

Budapest, August 31 - September 2

1. I went to Budapest to have discussions on my review paper on the Hungarian reform, prepared for the U.S.-China Conference on Alternative Strategies for Economic Development, and on recent changes in the reform that will be the subject of an invited paper I will deliver at the December meetings of the American Economic Association.
2. In discussions with government officials and economists, no major objection was raised concerning the contents of my paper. At the same time, the discussions permitted me to form an opinion on the practical implementation and the economic effects of recent changes in the reform.

Athens, September 3-5

3. In Athens, I presented an invited paper on "Policy Responses to External Shocks in Developing Countries" at the Conference on Problems of Changes in Relative Prices, organized by the International Economic Association. The paper was well-received and I was informed that my method is being applied in France and in Hungary.
4. There was considerable discussion at the Conference on the workings of socialist economies. Professor Khachaturov from the Soviet Union attacked the thesis put forward by Professor Kornai from Hungary that socialist economies are characterized by chronic shortages, but took a rather positive view of the Hungarian reform. Professor Wu from China strongly endorsed the need for the decentralization of decision-making while emphasizing that this would require providing appropriate incentives and setting rational prices in China. In turn, Professors Pajestka and Trzeciakowski, economic advisers to the Polish government and to Solidarity, respectively, see little chance for reforming the Polish planning system in the near future. At the same time, in private conversations, they both emphasized the need for lowering incomes for the sake of re-establishing macro-economic equilibria in Poland, and expressed pessimism as to possibility of regaining earlier levels of output for some time to come.

Morocco, September 7-9

5. See enclosed report.

Paris, September 10-12

6. I participated in a private capacity at the second U.S.-French Economic Conference, where I gave an invited paper on "The United States in the World Economy." While the subject of the conference was the U.S. economy, with debates raging between supply siders and monetarists as well as between pro- and anti-Keynesians, in the corridors there was much discussion on French

economic policies. The general view appears to be that France will experience a wage-price-devaluation cycle and recent gains in export performance may be jeopardized as a result of the nationalizations and increased government interventions in economic life. At the same time, the industry-wide agreements being negotiated have a protectionist bias and do not augur well for the developing countries. A case in point is the recent agreement on furniture that, apart from defending the interests of existing producers, called for replacing the imports of chairs, that are not presently manufactured in France, by domestic production.

cc: DPS Directors, DRC Senior Staff, Messrs. Lim, AEA; Pursell, IDF; Westphal, DED, and Chief Economists

BBalassa:nc

September 14, 1981.

Mr. Martin Wassell
International Chamber of Commerce
38 Cours Albert 1^{er}
75008 Paris
France

Dear Mr. Wassell:

I enclose the registration form as you have requested. I presume, however, that you will make reservations for me at the hotel where the Congress will take place.

With best regards,

Sincerely yours,

Enclosure

Bela Balassa

Mr. Henry P. Cassner, EM2

September 14, 1981.

Bela Balassa, DRC

Turkey Report

In reference to our telephone conversation, I enclose Chapter 8, Tourism, from our Turkey report. Towards the end of the week I will send you Chapter 3 which will run about 80 pages. All other chapters have been typed on the word processing machines and the corrections will be made on the machines.

Enclosure
BBalassa:nc

SEPTEMBER 14, 1981

61991

IL SAKONG, KOREA DEVELOPMENT INSTITUTE, P.O. BOX 113, CHEONGRYANG
SEOUL, KOREA

YOUR LETTER OF AUGUST 19 RECEIVED ON MY RETURN TO WASHINGTON TODAY. WILL BE ABLE
TO FINISH ARTICLE BY MIDDLE OF OCTOBER. WOULD NEED, HOWEVER, MOST RECENT DATA TO
UPDATE CALCULATIONS UNTIL JUNE. PLEASE SEND ME BY RETURN AIRMAIL LATEST ISSUE OF
THE PUBLICATION MONTHLY ECONOMIC STATISTICS. INDICATE BY CABLE THE NUMBER OF THE
ISSUE SENT AS WELL AS THE DATE OF PUBLICATION OF THE NEXT ISSUE. ALSO CABLE
ADDRESS OF DR. SUH. REGARDS, BALASSA

Bela Balassa

Bela Balassa

BBalassa:nc

DRC - Director's Office

September 14, 1981.

Mrs. Ch. Guymer
Information-Publications Service
OECD
94, rue Chardon-Lagache
75016 Paris
France

Dear Mrs. Guymer:

Thank you for your letter of September 1st indicating that I will receive 40 copies of the English and 10 copies of the French edition of the volume on External Shocks. You have also included a list of persons "suggested by the co-authors." I presume that the list was given to you by Mr. Barsony as 7 out of 9 people are from Canada. I would further like a number of people in France to receive the French edition. Should I provide you with a list of people, or will you provide me with an additional 20 copies of the French edition for this purpose.

With best regards,

Yours sincerely,

Bela Balassa

Ms. Karen Adams, EPD

September 14, 1981.

Bela Balassa, DRC

Turkey Report

I enclose the edited version of Mr. Wolf's chapter. In this version I made some further changes in green on the basis of the September 4 version of the report. I have also indicated in three places, pages 29, 48 and 56, where a particular sentence from the September version needs to be inserted. I enclose the September version of the chapter together with the one I have edited.

I appreciate your making the changes in the edited version at your early convenience.

Enclosure
BBalassa:nc

Ms. Jane Carroll, IPA

September 14, 1981.

Bela Balassa, DRC

Development Strategies in Semi-industrial Economies

The text is correct. Output value is used in averaging nominal protection rates and value added in averaging effective protection rates.

Please let me know when will we have the page proofs and what is the expected publication date of the book.

Enclosure
BBalassa:nc

CABLE QUEENHO, OXFORD

September 14, 1981
61991

MRS. ANNE DRABEK, QUEEN ELIZABETH HOUSE, 21 ST. GILES,
OXFORD, OX1 3LA, ENGLAND

MISSING WORD AT THE END OF PAGE 19 IS TAXES. ABSTRACT MAILED TODAY.
REGARDS, BALASSA

BELA BALASSA

BELA BALASSA

DRC - Director's Office

BBalassa:nc

September 14, 1981.

Dr. Wesley Oler
3301 New Mexico Avenue N.W.
Washington, D.C. 20016

Dear Dr. Oler:

A form was sent to you to be filled out and returned. I am enclosing another form just in case it was misplaced.

Mr. Balassa has received your bill and as soon as he received the form payment will be made.

Yours sincerely,

Enclosure

Norma Campbell
Secretary to Mr. Balassa



Record Removal Notice

File Title Bela Balassa's chron files - September 1981	Barcode No. 30225107
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Document Date Sep 14, 1981	Document Type Letter
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Correspondents / Participants
The Washington Post

Bela Balsassa,

Subject / Title
Requesting for new Bill

Exception No(s).
 1 2 3 4 5 6 7 8 9 10 A-C 10 D Prerogative to Restrict

Reason for Removal
Financial Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by Chandra Kumar	Date May 30, 2014
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September 14, 1981.

Mrs. Phyllis Mollet
Institut Auguste Comte
21, rue Descartes
75005 Paris
FRANCE

Dear Mrs. Mollet:

On arriving in Washington I found that I had taken the key from your Institut. I am returning it herewith.

I very much enjoyed the Conference and I understand how much of your efforts went into its preparation.

Sorry for the key.

Sincerely,

Enclosure

Bela Balassa

September 4, 1981.

Ms. Marie Meisel
Editorial Assistant
Pergamon Press, Inc.
Maxwell House
Fairview Park
Elmsford, New York 10523

Dear Ms Meisel:

Further to Mr. Balassa's letter of July 24th, I understand that you will be mailing out a flyer on his new book. Please find attached mailing labels.

Yours sincerely,

Enclosure

Norma Campbell
Secretary to Mr. Balassa